

# Corporate governance report

## 1. Clear commitment to the Austrian Code of Corporate Governance

The Austrian Code of Corporate Governance (ÖCGK) contains rules and principles relating to transparency and sound corporate management. S IMMO AG has subscribed to the Austrian Code of Corporate Governance since 2007. This code is available on the

website of the Austrian Working Group for Corporate Governance. Notwithstanding the exceptions set out and explained below, the Management Board and Supervisory Board of S IMMO AG declare full observance of and compliance with the C Rules of the ÖCGK.

Information on  
Corporate Governance:  
[www.simmoag.at/en/cg](http://www.simmoag.at/en/cg)  
[www.corporate-governance.at](http://www.corporate-governance.at)

### Exceptions to the C Rules

S IMMO AG does not fully comply with the following C Rules of the Austrian Code of Corporate Governance:

**C Rule 2:** 'Shares are to be construed in accordance with the principle of one share – one vote.'

The 66,917,179 shares in S IMMO AG are construed in accordance with the principle 'one share – one vote'. All shares carry the same rights. In particular, there are no registered shares with special rights such as nomination of Supervisory Board members or preference shares. The only restriction regarding the voting right associated with all shares exists in the context of the maximum voting right provided for in section 13 para 3 of the articles of incorporation. At the Annual General Meeting the voting rights of each shareholder are accordingly limited to 15% of the issued share capital. For this purpose, shares held by companies that together constitute a group for the purposes of section 15 Austrian Stock Corporation Act (AktG) are to be aggregated, as are shares held by third parties for the account of the relevant shareholder or the account of a company forming part of a group with that shareholder. Holdings of shares by shareholders exercising their voting rights in concert in virtue of an agreement or as part of coordinated behaviour are also to be aggregated. The maximum voting right was adopted at the 17<sup>th</sup> Annual General Meeting of S IMMO AG on 03 May 2006.

**C Rule 41:** 'The Supervisory Board appoints a nominations committee.'

The Supervisory Board has the authority to appoint, dismiss and extend the term of office of Management Board members. This belongs to its core tasks. The associated duties apply equally to all Supervisory Board members. For this reason, all members should also have an equal involvement in decision making.

**C Rule 49:** 'The company shall disclose in its annual report details of the objects and remuneration of contracts and agreements requiring approval under L Rule 48. Summary disclosure of agreements of similar kinds is permissible.'

According to section 95 para 5 line 12 of the Austrian Stock Corporation Act (AktG), contracts with members of the Supervisory Board that commit said members to perform a service outside their work on the Supervisory Board for the company or a subsidiary in return for a material consideration require the consent of the Supervisory Board. This also applies to contracts with enterprises in which a member of the Supervisory Board has a material interest. The company has concluded loan and insurance agreements at normal market conditions with enterprises at which Supervisory Board members perform executive functions. The details and considerations in these agreements are not published for reasons of business policy and competition.

**C Rule 62:** 'The company has to comply with the C Rules of the Code evaluated periodically, but at least every three years, by an external institution and a report on the findings of the evaluation is to be published in the corporate governance report.'

The company does not have compliance with the C Rules evaluated by an external institution. Based on the company's circumstances, the Management Board and Supervisory Board do not consider it to be sensible to commission a company to perform such an evaluation.

## 2. Composition of managing bodies and remuneration

### Management Board

In the last financial year, the Management Board consisted of two members. More detailed information about the individual members and their responsibilities is shown in the overview of management bodies on page 5 of this report. The members of the Management Board keep each other informed of all important business events and developments at all times and discuss the progress of business. There is an ongoing exchange of information with the managers responsible for the various departments.

### Remuneration of the Management Board

Remuneration of the Management Board consists of a fixed component and a variable component. The fixed basic salary is based on the scope of tasks and responsibilities of each Management Board member as well as their years of service. The basic salary is paid out 14 times per year. The criteria for variable profit-sharing are the attainment of quantitative and qualitative targets such as EBT, cash flow, one-year share performance and the sales volume, with the maximum limit being set at around one year's annual fixed remuneration. The fulfilment of the performance criteria is determined on the basis of the audited and adopted annual financial statements and other documented target attainment records.

#### Total Management Board Remuneration

2017 in EUR	Vejdovszky	Wachernig
Fixed remuneration	335,410	223,884
Variable remuneration	251,440	178,101
Other remuneration	39,680	33,021
<b>Total</b>	<b>626,530</b>	<b>435,006</b>
2016 in EUR	Vejdovszky	Wachernig
Fixed remuneration	321,024	208,176
Variable remuneration	203,558	146,705
Other remuneration	38,356	28,489
<b>Total</b>	<b>562,938</b>	<b>383,370</b>

Overall, in 2017, the Management Board received total remuneration of EUR 1,061,536 (2016: EUR 946,308), including contributions to pension funds of EUR 57,206 (2016: EUR 53,005) and contributions to the employees' severance pay and pension fund of EUR 15,494 (2016: EUR 13,840). The company pension plan for

Ernst Vejdovszky is subject to a defined benefit plan in the amount of 40% of the fixed basic salary after 35 years of service. The company pension plan for Friedrich Wachernig is and was, respectively, a defined contribution plan. S IMMO AG currently has no stock option plan and no individual severance entitlements for Management Board members.

### D&O insurance

In line with the resolution of the Annual General Meeting in 2009, a directors and officers (D&O) insurance has been in place since 01 September 2009. This insurance covers claims for damages by the company, shareholders or third parties against the governing bodies or executives of the company that may be enforced as a result of breaches of duty of care. The costs are borne by the company.

### Supervisory Board

As of 31 December 2017, the Supervisory Board consisted of seven members. Information on the Supervisory Board members, their positions, their principal occupations and other Supervisory Board appointments can be found in the overview of management bodies on page 6.

### Criteria for independence

S IMMO AG's Supervisory Board has established the following criteria for the independence of its members as required under C Rule 53 of the Austrian Code of Corporate Governance:

- A Supervisory Board member should not have been a member of the Management Board or an executive officer of S IMMO AG or one of its subsidiaries in the preceding five years.
- A Supervisory Board member should not maintain, or in the preceding year have maintained, a business relationship of material importance to that Supervisory Board member with S IMMO AG or one of its subsidiaries. This also applies to business relationships with enterprises in which the Supervisory Board member has a material interest. The approval of individual transactions by the Supervisory Board in accordance with L Rule 48 does not automatically mean that a person is not independent.
- A Supervisory Board member should not have served as statutory auditor of S IMMO AG, or have had an interest in, or been an employee of the auditing firm in the preceding three years.
- A Supervisory Board member should not be a member of the Management Board of another company if a member of the Management Board of S IMMO AG is a member of that company's Supervisory Board.
- A Supervisory Board member should not be a member of the Supervisory Board for longer than 15 years. This does not apply to Supervisory Board members who are shareholders with an entrepreneurial investment or who represent the interests of such a shareholder.

■ A Supervisory Board member should not be a close family member (direct descendant, spouse, lifetime partner, parent, uncle, aunt, sibling, nephew, niece) of a member of the Management Board or of persons in any of the positions described above.

The following members of the Supervisory Board, who together constitute the majority of the Supervisory Board, declared themselves to be independent in the meaning of C Rule 53 of the Code of Corporate Governance.

- Andrea Besenhofer
- Franz Kerber
- Christian Hager
- Erwin Hammerbacher (Member of the Supervisory Board until 08 June 2017)
- Michael Matlin, MBA (Member of the Supervisory Board until 30 November 2017)
- Wilhelm Rasinger
- Ralf Zeitlberger

Of the independent members as per C Rule 53, five members of the Supervisory Board are currently not shareholders with a stake of more than 10% or represent the interests of such a shareholder pursuant to C Rule 54 of the Code of Corporate Governance:

- Andrea Besenhofer
- Franz Kerber
- Christian Hager
- Wilhelm Rasinger
- Ralf Zeitlberger

## Remuneration of the Supervisory Board

Remuneration including meeting fees paid to Supervisory Board members totalled EUR 171,625 (2016: EUR 175,500).

in EUR	2017	2016
Simhandl	30,000	30,000
Zeitlberger	29,000	29,500
Kerber	27,500	28,500
Besenhofer	18,000	18,500
Hager	15,000	15,000
Hammerbacher	11,136	21,500
Matlin	11,989	13,500
Rapf	10,000	-
Rasinger	19,000	19,000
<b>Total</b>	<b>171,625</b>	<b>175,500</b>

The members of the Supervisory Board did not receive any loans or advances, and no guarantees were entered into on behalf of these persons.

## 3. Details of the activities and procedures of the Management Board and Supervisory Board

The activities of the Management Board and Supervisory Board and the collaboration between the two bodies are based on the applicable laws, the articles of incorporation and the rules and procedures.

The Management Board runs the company – its allocation of tasks is set out in the overview of management bodies on page 5. The Management Board also provides the Supervisory Board with information about all material aspects of the progress of business and all strategic considerations. They jointly pursue the aim of managing the company responsibly with a long-term approach oriented towards sustainable value creation and lasting corporate success. The Management Board and Supervisory Board work closely together in the interest of the company. The intensive, ongoing dialogue between the two bodies forms the basis for this.

In its meetings, the Supervisory Board monitors the management of the business as well as the finances, strategy, performance and risk management of the company. Investment projects above a specific volume also require approval by the Supervisory Board. The Supervisory Board has formed three committees, which are listed below.

During the reporting year, there were six Supervisory Board meetings. No Supervisory Board member was absent at more than half of the Supervisory Board meetings.

## Supervisory Board committees

### Audit Committee

The functions of the Audit Committee include monitoring the accounting and reporting process and the work of the auditors, monitoring the effectiveness of the Internal Control System and the risk management system, and monitoring the process of auditing the Group's financial statements. The Audit Committee consists of the following members: Martin Simhandl (Chairman), Erwin Hammerbacher (until 08 June 2017), Franz Kerber, Manfred Rapf (since 08 June 2017), Wilhelm Rasinger and Ralf Zeitlberger. In virtue of their experience and specialist knowledge of finance and accounting, Martin Simhandl and Ralf Zeitlberger are the committee's financial experts. The Audit Committee met twice during the reporting year.

### Management Board Committee (Remuneration Committee)

The Management Board Committee is responsible for negotiating, concluding and amending the contracts of Management Board members. The committee consists of the following members: Martin Simhandl (Chairman), Franz Kerber and Ralf Zeitlberger. The Management Board Committee did not meet in 2017.

### Working Committee

The Working Committee has been given authority by the Supervisory Board to approve certain transactions up to a specified maximum amount, where due to lack of time or other organisational constraints seeking the approval of the full Supervisory Board would be impractical. This applies in the case of the purchase or sale of properties up to a certain risk level as defined in the Supervisory Board's rules and procedures. The members of the Working Committee are Ralf Zeitlberger (Chairman), Andrea Besenhofer, Erwin Hammerbacher (until 08 June 2017), Franz Kerber and Manfred Rapf (since 08 June 2017). There was no meeting of the Working Committee in the reporting year.

## 4. Diversity concept and measures for the advancement of women

Diversity and equal opportunities are key aspects of S IMMO's corporate philosophy. S IMMO AG has set itself the aim of continuously increasing the proportion of women in management positions and is expressly committed to the advancement of women. The company places great emphasis on the advancement of women when filling senior managerial positions. As of 31 December 2017, 53.2% of the workforce and 44.0% of managers were female. Specific measures to appoint women to the Management Board will be considered when a change to the composition of the Management Board is due. The same applies for future nominations to the Supervisory Board. With the company's best interest in mind, the emphasis when making appointments to the Management Board and the Supervisory Board has been on the maximum possible degree of professional skill and international experience. In addition, the company makes a conscious effort to ensure a diverse composition with regard to professional qualifications and educational background, regardless of gender. There were no women on the Management Board of S IMMO AG in the reporting year. As of 31 December 2017, the proportion of women on the Supervisory Board was 14.3%.



Ernst Vejdovszky



Friedrich Wachernig

## Management Board

### Ernst Vejdovszky CEO

Born: 30 October 1953  
Appointed until: 30 June 2019  
First appointed: 01 January 2001

Responsible for finance, corporate communications, investor relations, acquisitions, sales, risk management, audit, asset management in Germany

After studying business IT at the Vienna University of Technology, he started his career in 1982 at Girozentrale in Vienna. He became a founding Management Board Member of Sparkassen Immobilien Anlagen AG, Vienna (later Sparkassen Immobilien AG) in 1986, and has been a member of the Management Board at S IMMO AG, Vienna, since 2001.

Other appointments:  
Member of the Supervisory Board, Erste Immobilien Kapitalanlage-gesellschaft m.b.H.

### Friedrich Wachernig, MBA Member of the Management Board

Born: 28 June 1966  
Appointed until: 14 November 2019  
First appointed: 15 November 2007

Responsible for project development, asset management in CEE and Austria, legal, compliance, organisation, IT, HR

After studying business administration at the Vienna University of Economics and Business, he joined Eraproject GmbH, Vienna, in 1993. He held various development and management roles at Strabag AG, Raiffeisen Evolution GmbH and Porr Solutions GmbH in several Eastern European countries, and has been a member of the Management Board at S IMMO AG, Vienna, since 2007.

## Supervisory Board

### Martin Simhandl

#### Chairman of the Supervisory Board

Born: 05 November 1961  
Appointed until: AGM in the year 2020  
First appointed: 24 June 2004

Chairman of the Audit Committee  
Chairman of the Management Board  
Committee

Member of the Management Board at  
VIENNA INSURANCE GROUP AG Wiener  
Versicherung Gruppe

Other Supervisory Board appointments:  
Wiener Börse AG; Erste Asset Management  
GmbH et al.

### Ralf Zeittlberger

#### First Deputy Chairman of the Supervisory Board

Born: 07 April 1959  
Appointed until: AGM in the year 2020  
First appointed: 21 May 2010

Chairman of the Working Committee  
Member of the Audit Committee  
Member of the Management Board  
Committee

Head of Holding/EGI Corporate & RE  
Workout at Erste Group Bank AG

### Franz Kerber

#### Second Deputy Chairman of the Supervisory Board

Born: 20 June 1953  
Appointed until: AGM in the year 2020  
First appointed: 24 June 2004

Member of the Management Board  
Committee  
Member of the Working Committee  
Member of the Audit Committee

Deputy Chairman at Steiermärkische Bank  
und Sparkassen AG

Other Supervisory Board appointments:  
Bankhaus Krentschker & Co AG; Erste &  
Steiermärkische Bank d.d., Rijeka; MCG  
Graz e.gen.

Other appointments:  
Member of the Board at Höller-Privatstiftung,  
Graz

### Andrea Besenhofer

#### Member of the Supervisory Board

Born: 02 July 1970  
Appointed until: AGM in the year 2020  
First appointed: 12 June 2013

Member of the Working Committee

Division Manager of Group Services at Erste  
Group Bank AG; Managing Director of OM  
Objektmanagement Ges.m.b.H. (until 31  
January 2018)

Other functions: Member of the Board of  
Besenhofer Privatstiftung (without ongoing  
operational activity)

### Christian Hager

#### Member of the Supervisory Board

Born: 06 December 1967  
Appointed until: AGM in the year 2019  
First appointed: 23 June 2009

Member of the Board at KREMSER BANK  
und Sparkassen AG

### Erwin Hammerbacher

#### Member of the Supervisory Board (until 08 June 2017)

Born: 27 May 1957  
First appointed: 28 May 2008

Member of the Audit Committee  
Member of the Working Committee  
Member of the Board at Sparkassen  
Versicherung AG Vienna Insurance Group

### Michael Matlin, MBA

#### Member of the Supervisory Board (until 30 November 2017)

Born: 07 January 1964  
First appointed: 21 May 2010

Managing Director of Concord Management  
LLC (consultancy firm for investment  
strategy); Member of the Investment  
Advisory Committee for the Carlyle  
European Real Estate Funds

### Manfred Rapf

#### Member of the Supervisory Board (since 08 June 2017)

Born: 29 August 1960  
Appointed until: AGM in the year 2022  
First appointed: 08 June 2017

Member of the Audit Committee  
Member of the Working Committee

General Director at Sparkassen Versiche-  
rung AG Vienna Insurance Group

Other Supervisory Board appointments:  
Chairman of the Supervisory Board at  
Österreichische Förderungsgesellschaft der  
Versicherungsmathematik GmbH

### Wilhelm Rasinger

#### Member of the Supervisory Board

Born: 04 March 1948  
Appointed until: AGM in the year 2020  
First appointed: 21 May 2010

Member of the Audit Committee

Chairman of the Austrian Shareholder  
Association (IVA); Chairman of the Supervi-  
sory Board at Friedrichshof Wohnungs-  
genossenschaft, Chairman of the Super-  
visory Board at Haberkorn Holding AG

Other Supervisory Board appointments:  
Erste Group Bank AG; Wienerberger AG;  
Gebrüder Ullmer Holding GmbH

Other appointments:  
Appointment on the Board of HATEC  
Privatstiftung, Dornbirn