

# Corporate Governance Report

The Austrian Code of Corporate Governance contains rules for the management and control of an enterprise and constitutes the basis of responsible management. In 2014, S IMMO AG again complied with the requirements of the Code.

## CLEAR COMMITMENT TO THE AUSTRIAN CODE OF CORPORATE GOVERNANCE

The fundamental principles underlying good corporate governance are an integral part of what S IMMO AG stands for. From its beginnings in 1987, the main principles of S IMMO AG's business strategy have been sustainability and transparency. The Management and Supervisory Boards work closely and effectively together to achieve these goals.

Information about corporate governance:

[www.simmoag.at/en/cgk](http://www.simmoag.at/en/cgk)

[www.corporate-governance.at](http://www.corporate-governance.at)

The Group's corporate communications and investor relations activities are based on openness and transparency.

## TRANSPARENT COMMUNICATION AND REPORTING

The provision of transparent, prompt information to its shareholders, analysts and other interested parties – while observing the provisions of company law and stock exchange regulations – is a cornerstone of S IMMO AG's corporate strategy. Important business events and information relevant to the company's performance are published immediately in the form of ad hoc and press releases. Additionally, all important announcements, annual and interim reports as well as presentations are published immediately on S IMMO AG's website.

In the interests of transparent and comparable reporting, S IMMO AG's consolidated financial statements are prepared in accordance with the mandatory International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Inter-

## COMPLIANCE STATEMENT

Since 2007, S IMMO AG has been expressly committed to complying with the provisions and recommendations of the Austrian Code of Corporate Governance (ÖCGK). The Code is available on the website of the Austrian Working Group for Corporate Governance.

Updated information on corporate governance is regularly posted on S IMMO AG's website: [www.simmoag.at/en/cgk](http://www.simmoag.at/en/cgk)

The rules of the Austrian Code of Corporate Governance are as follows:

1. L Rules (legal requirements): L Rules are based on mandatory statutory requirements.
2. C Rules (comply or explain): C Rules should be complied with. According to the Code, any non-compliance must be explained and justified.
3. R Rules (recommendations): R Rules are recommendations. Non-compliance need neither be disclosed nor justified.

S IMMO AG complies with all the L Rules fully and without exception.

With reference to L Rule 60, S IMMO AG is expressly committed to the advancement of women in management positions. As at 31 December 2014, 50.00% of the staff are women, and in senior management positions 40.00% of the managers are women. The company places great emphasis on the advancement of women when filling senior managerial positions. Women are represented on the Supervisory Board: On 12 June 2013, Andrea Besenhofer was appointed as a member.

Given the existing long-term appointments, specific measures to appoint women to the Management Board are not under consideration. With the Group's best interests in mind, the emphasis when making appointments to the Boards has been on the maximum possible degree of professional skill and international experience. Considerations such as gender are only taken into account as a secondary factor. Where appropriate, however, when men and women are equally qualified and experienced, S IMMO AG will give preference to women.

S IMMO AG also complies with almost all the C Rules, with the exceptions explained below:

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

The "one share – one vote" principle is generally adhered to with regards to the issuer. The only exception is under section 13 para 3 of the articles of incorporation, which restricts the maximum percentage of voting rights per shareholder in the Annual General Meeting to 15% of the issued share capital.

C Rule 39, fifth sentence: "The majority of the committee members shall meet the criteria for independence under C Rule 53."

Supervisory Board committees are restricted to a very limited number of members. Compliance with the Rule could, in the company's view, conflict with the rights of the Supervisory Board to divide up its work effectively and efficiently in the context of its self-organisation. Since the Supervisory Board as a whole is in compliance with C Rule 53 and the

pretations Committee (formerly IFRIC). Moreover, S IMMO AG is also a member of the European Public Real Estate Association (EPRA), and also follows their guidelines and standards.

## COMPOSITION, ACTIVITIES AND PROCEDURES OF THE MANAGEMENT AND SUPERVISORY BOARDS

The Management and Supervisory Boards are fully aware of their responsibility for ensuring long-term sustainable value creation and the continuing success of the Group. The intensive, ongoing dialogue between the two Boards is the basis of efficient and competent management.

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 3 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 in regular Management Board meetings. There is an ongoing exchange of information with the managers responsible for the various departments. The Management Board also provides the Supervisory Board with information about all material aspects of the progress of

business and all strategic considerations. Collaboration between the two Boards is governed by the Austrian Stock Corporation Act (AktG), the company's articles of incorporation as well as the rules and procedures established by the Supervisory Board.

As at 31 December 2014, the Supervisory Board consisted of eight members. Information about the individual members of the Supervisory Board is shown in the overview of management bodies on page 4.

The Supervisory Board reviews the management of the company. 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.

European Public Real  
Estate Association (EPRA):  
[www.epra.com](http://www.epra.com)

Supervisory Board remains at liberty to deal with committee matters in full meetings of the Board, the company considers the above provision in C Rule 39 (fifth sentence) to be inappropriate.

C Rule 41: "The Supervisory Board shall appoint a nominations committee".

S IMMO AG has no Nominations Committee. Appointments to vacant positions on the Management Board and succession planning are discussed by the full Supervisory Board.

C Rule 45: "Members of the Supervisory Board may not exercise managing body functions in other companies that are in competition with the company".

Certain members of the Supervisory Board of S IMMO AG also serve on the boards of similar companies or perform executive functions in Erste Group Bank AG or Vienna Insurance Group companies. All members of the Supervisory Board are obligated to disclose any conflicts of interest arising from their activities as members of the Supervisory Board without delay. In any event, the company considers the extensive knowledge of the industry and the networks of certain Supervisory Board members to be an advantage from which it can benefit.

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."

The company may enter into contractual relationships with individual members of the Supervisory Board, or with businesses in which Supervisory Board members have an interest or exercise a management body function. To the extent that such contractual agreements require the approval of the Supervisory Board under section 95 Austrian Stock Corporation Act (AktG) and L Rule 48, approval has been sought and obtained. The details of such contracts and agreements are not disclosed for reasons of competition. All such contracts and agreements are concluded at normal market conditions.

C Rule 57: "Supervisory board members serving on the management board of a listed company may not hold more than four positions on supervisory boards (position of chairperson counts double) of stock corporations not belonging to the Group."

In light of the personal and professional competence of the Supervisory Board members in question, a deviation in this instance is accepted.

C Rule 62: "The company shall have compliance with the C and R 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."

Based on the company's circumstances, we do not consider it to be sensible to commission a company to perform such an evaluation.

## Management Board

### **ERNST VEJDOVSZKY**

CEO

Born: 30 October 1953  
Appointed until: 31 January 2016  
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 member of the Management Board at 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 Kapitalanlagegesellschaft m.b.H.

### **FRIEDRICH WACHERNIG, MBA**

Member of the Management Board

Born: 28 June 1966  
Appointed until: 14 November 2016  
First appointed: 15 November 2007

Responsible for project development, asset management in CEE/SEE 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

### **DR. MARTIN SIMHANDL**

Chairman of the Supervisory Board

Born: 05 November 1961  
Appointed until: 2015 AGM  
First appointed: 24 June 2004

Chairman of the Audit Committee  
Chairman of the Management Board  
Committee

CFO, Vienna Insurance Group AG Wiener  
Versicherung Gruppe

Other Supervisory Board appointments  
include: WIENER STÄDTISCHE VER-  
SICHERUNG AG Vienna Insurance Group,  
Sparkassen Versicherung AG Vienna  
Insurance Group, Ringturm Kapitalanlage-  
gesellschaft m.b.H., Wiener Börse AG

### **DR. RALF ZEITLBERGER**

First Deputy Chairman of the  
Supervisory Board

Born: 07 April 1959  
Appointed until: 2015 AGM  
First appointed: 21 May 2010

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

Division Manager of Group Corporate  
Workout at Erste Group Bank AG

Other Supervisory Board appointments:  
Let's Print Holding AG, Erste Group  
Immorent AG

### **FRANZ KERBER**

Second Deputy Chairman of the  
Supervisory Board

Born: 20 June 1953  
Appointed until: 2015 AGM  
First appointed: 24 June 2004

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

Deputy Chairman of the Management  
Board at Steiermärkische Bank und  
Sparkassen AG

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

### **ANDREA BESENHOFER**

Member of the Supervisory Board

Born: 02 July 1970  
Appointed until: 2015 AGM  
First appointed: 12 June 2013

Member of the Working Committee

Division Manager of Group Services at  
Erste Group Bank AG,  
Project Manager of Quartier Belvedere at  
Erste Group Immorent AG

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

### **CHRISTIAN HAGER**

Member of the Supervisory Board

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

Member of the Board at KREMSER BANK  
und Sparkassen AG

### **ERWIN HAMMERBACHER**

Member of the Supervisory Board

Born: 27 May 1957  
Appointed until: 2018 AGM  
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

Born: 07 January 1964  
Appointed until: 2015 AGM  
First appointed: 21 May 2010

Managing Director of Concord Manage-  
ment LLC (consultancy firm for investment  
strategy), Member of the Investment  
Advisory Committee for the Carlyle  
European Real Estate Funds

### **DR. WILHELM RASINGER**

Member of the Supervisory Board

Born: 04 March 1948  
Appointed until: 2015 AGM  
First appointed: 21 May 2010

Member of the Audit Committee

Chairman of the Austrian Shareholder  
Association (IVA), Chairman of the  
Supervisory Board at Friedrichshof  
Wohnungsgenossenschaft

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

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

The Supervisory Board is responsible for decision-making as provided by legal statutes, the company's articles of incorporation as well as its internal rules and procedures. The Supervisory Board has formed committees, which are listed below. During the year under review, there were five Supervisory Board meetings. On average, 80% of the Supervisory Board members attended the meetings. No members were unable to be personally present at more than half of the 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, Wilhelm Rasinger, Ralf Zeittlberger and Franz Kerber. In virtue of their experience and specialist knowledge of finance and accounting, Martin Simhandl and Ralf Zeittlberger are the committee's financial experts. The Audit Committee met twice during the year under review.

### 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 Zeittlberger. The Management Board Committee met once during the year under review.

### Working Committee

The Working Committee has been given authority by the Supervisory Board to approve certain transactions up to a specified maximum value, 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 Zeittlberger (Chairman), Andrea Besenhofer, Erwin Hammerbacher and Franz Kerber. No meetings of the Working Committee were held in the year under review.

## STATEMENT OF 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 in the preceding five years have been a member of the Management Board or an executive officer of S IMMO AG or one of its subsidiaries.
- 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 applies also 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 in the preceding three years have served as statutory auditor of S IMMO AG, or have had an interest in, or been an employee of the auditing firm.
- A Supervisory Board member should not be a member of the management board of another company where 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 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.

For the financial year 2014, the following members of the Supervisory Board, who together constitute the majority of the Supervisory Board, were independent in the meaning of C Rule 53 of the Code of Corporate Governance. Four members were also independent for the purposes of C Rule 54.

Andrea Besenhofer (in the meaning of C Rule 53)  
 Franz Kerber (in the meaning of C Rules 53 and 54)  
 Christian Hager (in the meaning of C Rules 53 and 54)  
 Erwin Hammerbacher (in the meaning of C Rule 53)  
 Michael Matlin (in the meaning of C Rule 53)  
 Wilhelm Rasinger (in the meaning of C Rules 53 and 54)  
 Ralf Zeittlberger (in the meaning of C Rule 53)

Their positions, their principal occupations and other Supervisory Board appointments are shown in the overview of management bodies on page 4.

## DIRECTORS' DEALINGS

Pursuant to section 48d para 4 of the Austrian Stock Exchange Act, S IMMO AG is obligated to report all purchases or sales of shares by members of executive bodies or persons who have close relationships with them. In the 2014 financial year, one Supervisory Board member, Wilhelm Rasinger, reported the acquisition of 6,000 shares, and one person having a close relationship with Wilhelm Rasinger reported the acquisition of 4,000 shares. In line with the requirements of the Code, the own-

account transactions of the members of the Management and Supervisory Boards (directors' dealings) are published on S IMMO AG's website ([www.simmoag.at](http://www.simmoag.at)) in the Investor Relations/Corporate Governance/Directors' Dealings section.

## D&O INSURANCE

In line with the resolution of the 2009 Annual General Meeting, directors & 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.

## REMUNERATION OF THE SUPERVISORY BOARD

Remuneration including meeting fees paid to Supervisory Board members totalled EUR 105,500 (2013: EUR 104,533).

### Total Supervisory Board remuneration in 2014

Simhandl	EUR	18,500
Zeitlberger	EUR	15,500
Kerber	EUR	14,500
Besenhofer	EUR	11,500
Hager	EUR	10,500
Hammerbacher	EUR	12,500
Matlin	EUR	10,500
Rasinger	EUR	12,000
<b>Total</b>	EUR	<b>105,500</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.

## REMUNERATION OF THE MANAGEMENT BOARD

In 2014, the Management Board members received total remuneration of EUR 836,573 (2013: EUR 978,718). The criteria for profit-sharing are the attainment of quantitative and qualitative targets such as EBT, cash flow, one-year share performance and the sales volume. Total remuneration consisted of contributions to pension funds of EUR 58,811 (2013: EUR 54,333), as well as

contributions to the employees' severance pay and pension fund of EUR 12,108 (2013: EUR 14,242). The pension reserve for Ernst Vejdovszky had to be increased in accordance with IAS 19 by EUR 342,947 (2013: EUR 36,052) primarily due to the reduction of the applicable interest rate from 3.3% to 1.8%.

### Total Management Board remuneration in 2014

in EUR	Vejdovszky	Wachernig
Fixed remuneration	250,265	202,971
Variable remuneration	175,069	143,350
Other remuneration	36,661	28,259
<b>Total</b>	<b>461,994</b>	<b>374,579</b>

S IMMO AG currently has no stock option plan and no severance payment claims for Management Board members.

## AUDITOR

At the 25th Annual General Meeting on 11 June 2014, PwC Wirtschaftsprüfung GmbH were elected as auditors of the annual and consolidated financial statements for the 2014 financial year. The auditors assist the Supervisory Board in assessing whether appropriate accounting rules have been applied, and whether the accounts and financial statements conform with the applicable statutory regulations and are reasonable and reliable. The auditors must immediately report to the Supervisory Board on any deficiencies revealed by the audit. This also applies to any discrepancies in the statement of compliance with the Austrian Code of Corporate Governance issued by the Supervisory and Management Boards.



Ernst Vejdovszky



Friedrich Wachernig