

Corporate Governance Report

1. Clear commitment to the Austrian Code of Corporate Governance

The Austrian Code of Corporate Governance contains rules and principles relating to transparency and sound corporate management. S IMMO AG has subscribed to the Austrian Code of

Corporate Governance (ÖCGK) since 2007. This code is available on the website of the Austrian Working Group for Corporate Governance. Notwithstanding the excep-

tions 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.

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 is intended to restrict the influence of major shareholders. It thus serves to protect minority shareholders. S IMMO AG therefore believes that the maxi-

mum voting right is consistent with sound management. The maximum voting right was adopted on 03 May 2006 at the 17th Annual General Meeting of S IMMO AG.

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

The Supervisory Board has the authority to appoint, dismiss and extend the term of office of Management Board members. These are among 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 shall have compliance 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.

Information on Corporate Governance:
www.simmoag.at/en/cg
www.corporate-governance.at

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.

Overall, in 2016, the Management Board received total remuneration of EUR 946,308 (2015: EUR 861,886), including contributions to pension funds of EUR 53,005 (2015: EUR 52,721) and

contributions to the employees' severance pay and pension fund of EUR 13,840 (2015: EUR 12,478). The fixed remuneration of Mr. Vejdovszky also contains a compensatory allowance for late commencement of pension. Moreover, the pension reserve for Ernst Vejdovszky had to be increased in accordance with IAS 19 by EUR 112,691 (2015: release of EUR 15,590) primarily due to the reduction of the applicable interest rate from 2.5% to 1.6%.

S IMMO AG currently has no stock option plan and no severance payment claims 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 at 31 December 2016, the Supervisory Board consisted of eight 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 where a member of

Total Management Board remuneration

2016 in EUR	Vejdovszky	Wachernig
Fixed remuneration	321,024	208,176
Variable remuneration	203,558	146,705
Other remuneration	38,356	28,489
Total	562,938	383,370
2015 in EUR	Vejdovszky	Wachernig
Fixed remuneration	256,239	206,766
Variable remuneration	184,746	148,936
Other remuneration	36,868	28,331
Total	477,853	384,033

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
- Michael Matlin, MBA
- Wilhelm Rasinger
- Ralf Zeitlberger

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

- Franz Kerber
- Christian Hager
- Wilhelm Rasinger

Remuneration of the Supervisory Board

Remuneration including meeting fees paid to Supervisory Board members totalled EUR 175,500 (2015: EUR 108,500).

Total Supervisory Board remuneration		
in EUR	2016	2015
Simhandl	30,000	18,500
Zeitlberger	29,500	17,000
Kerber	28,500	13,000
Besenhofer	18,500	13,000
Hager	15,000	11,000
Hammerbacher	21,500	13,000
Matlin	13,500	11,000
Rasinger	19,000	12,000
Total	175,500	108,500

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 geared towards sustainable value creation and lasting corporate success. The Management Board and Supervisory Board work very 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 from the Supervisory Board. The Supervisory Board has formed three committees, which are listed below.

During the year under review, 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, Franz Kerber, 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 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 Zeitlberger. The Management Board Committee did not meet in 2016.

Working Committee

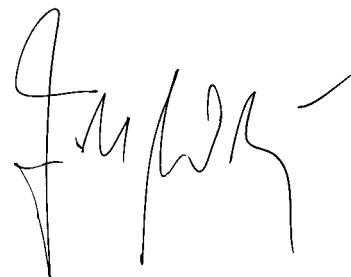
The Working Committee has been given authority by the Supervisory Board to approve certain transactions up to a specified maximum value, where due to lack of time or other organisational constraints seeking the approval of the full Supervisory Board would be impractical. This applies in the case of the 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 Zeitlberger (Chairman), Andrea Besenhofer, Erwin Hammerbacher and Franz Kerber. Two meetings of the Working Committee were held in the year under review. In addition, the Working Committee decided on one motion by way of written circular resolution.

4. Measures for the advancement of women

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 in management positions. The company places great emphasis on the advancement of women when filling senior managerial positions. As at 31 December 2016, 57% of the workforce and 44% 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. With the company's best interests 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. Considerations such as gender are taken into account only as a secondary factor. When men and women are equally qualified and experienced, women are given preference. There were no women on the Management Board of S IMMO AG in the year under review. As at 31 December 2016, the proportion of women on the Supervisory Board was 12.5%.



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 Kapitalanlagegesellschaft 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

CFO at Vienna Insurance Group AG
Wiener Versicherung Gruppe

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

Ralf Zeitlberger

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 Group Corporate Workout at
Erste Group Bank AG

Other Supervisory Board appointments:
Let's Print Holding AG until 19 July 2016

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.

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

Born: 27 May 1957
Appointed until: AGM in the year 2018
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: AGM in the year 2020
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

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 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