



## **Corporate governance statement 2017 pursuant to § 289a HGB, including corporate governance report pursuant to clause 3.10 German Corporate Governance Code (GCGC)**

### **I. Corporate governance report**

The Management and Supervisory Boards of Fair Value REIT-AG attach great importance to the application of clear and efficient rules for the management and control of the business and to the recommendations of the German Corporate Governance Code. Both boards of Fair Value REIT-AG again have dealt with the latest version of the code during the 2017 fiscal year.

Corporate governance refers to good and responsible corporate management and control, with the ultimate aim of creating long-term added value. Guidelines have been drawn up for this and are summarized for German companies in the German Corporate Governance Code (GCGC), which was updated on 7 February 2017.

#### **Management and control structure**

In the period from 1 January 2017 to 31 March 2017, the Management Board of Fair Value REIT-AG comprised two persons. From 1 April 2017 to 30 November 2017, the Management Board comprised one person. Since 1 December 2017 it has comprised two persons. The Management Board manages the Company and acts in the sole interest of Fair Value REIT-AG. The Management Board is duty bound to increase the Company's long-term value. It consults with the Supervisory Board on company strategy as well as its implementation. It reports to the Supervisory Board regularly, promptly and comprehensively on the business plan and strategic development as well as on the current business and risk situation.

The Supervisory Board of Fair Value REIT-AG currently has three members. It advises and controls the management of the Company by the Management Board. Furthermore, the Supervisory Board discusses the interim reports, reviews and approves the financial statements of Fair Value REIT-AG pursuant to HGB and ratifies the consolidated financial statements according to IFRSs. Significant decisions regarding the management of the Company require the approval of the Supervisory Board.

#### **Directors' dealings**

With regard to the 2017 fiscal year, Fair Value REIT-AG no reports were received regarding securities transactions on the part of members of the Management and the Supervisory Board or persons with a close relationship to these members as defined in § 15 WpHG (German Securities Trading Act).

#### **Share ownership**

The shares in Fair Value REIT-AG held directly and indirectly by the members of the Management and Supervisory Boards amounts in total to less than 1% of the share capital of Fair Value REIT-AG as of 31 December 2017. When determining the indirectly held shares, holdings without a direct influence are not taken into account.

#### **Transparency and disclosure of information**

The shareholders of Fair Value REIT-AG realize their rights as shareholders at the Annual General Meeting and exercise their voting rights there. All shareholders are invited to the Annual General Meeting and can address the agenda there and ask questions. Resolutions regarding the following points are among those passed at the Annual General Meeting:

Discharge of the Management and Supervisory Boards and selection of the auditor and the Supervisory Board, the appropriation of the balance sheet profit, amendments to the articles of association and measures leading to changes in capital.

The company reports on a quarterly basis regarding business performance as well as about the financial status and earnings position. The general public is informed about the company's activities via the media.

Information that could have a significant effect on the company's share price is released in the form of ad-hoc disclosures in accordance with legal provisions. Fair Value REIT-AG uses its website at [www.fvreit.de](http://www.fvreit.de) to provide shareholders, investors and the general public with information.

### **Accounting and auditing**

Fair Value REIT-AG issues its consolidated financial statements in line with International Financial Reporting Standards (IFRS) and its single entity accounts are prepared in accordance with the provisions of the HGB. The Supervisory Board proposes an auditor for election by the Annual General Meeting. The increased requirements with regard to auditor independence are met.

### **Declaration concerning the German Corporate Governance Code (GCGC)**

The Management and Supervisory Boards of Fair Value REIT-AG issued the following declaration of conformity with the German Corporate Governance Code (Version dated 7 February 2017) within the meaning of section 161 of the AktG on 31 January 2018:

Fair Value REIT-AG's Management and Supervisory Boards welcome and support the GCGC and the objectives it pursues. Fair Value REIT-AG follows the recommendations of the GCGC in the version dated 7 February 2017 and will continue to do so in future with the following exceptions:

- **D&O insurance:** The D&O insurance concluded for the Management and Supervisory Boards does not include a deductible for members of the Supervisory Board (Item 3.8 GCGC). The Company is of the opinion that the inclusion of a deductible is not necessary to urge the members of the supervisory board to a responsible behaviour as they are already obliged to a responsible behaviour in the best interest of the company qua their office and that an inclusion of a deductible may prevent potential suitable candidates from assuming the office as members of the supervisory board.
- **Age limit for members of the Management and Supervisory Boards:** There is no age limit for members of the Managing and Supervisory Boards (Items 5.1.2 and 5.4.1 GCGC). The Company is of the opinion that the determination of an age limit is not appropriate as the Company shall also benefit from the knowledge and experience of older persons in the work of the Managing and Supervisory Boards.
- **Committees:** In view of its low number of members, the Supervisory Board has not formed any committees (Item 5.3 GCGC).
- **Publication of Finance Information:** The company will continue to comply with the publication deadlines required by law until further notice (Item 7.1.2 GCGC).

## **II. Relevant information about corporate governance practices**

Good corporate governance includes the use of corporate governance practices that go beyond the scope of legal provisions. These are to be regarded as practical application of the GCGC and may cover regulatory areas that could form part of a corporate governance code.

In this respect the Management Board and staff of Fair Value REIT-AG view positive and committed actions within the structure of an efficient organization, together with rapid and flexible reaction to market changes, as being the basis for corporate success. The stated aim is to secure the confidence of corporate partners and shareholders in the reliability and achievement potential of the Fair Value Group.

This requires a considerable degree of initiative and willingness to change as well as commitment and skill to be performed by the whole team. The Management Board pays great attention to its staff, sets high demands, gives impetus and conveys a sense of trust. An integral part of the work involves respecting individuals and encouraging diversity of opinion. Decisions are implemented consistently and with an eye on the ultimate goal. This is done in an atmosphere of mutual acceptance and appreciation.

## **III. Description of the Management Board and Supervisory Board procedures**

### **1. Management Board**

The Management Board has sole responsibility for managing the Company, is duty bound to act in its interest and to increase its long-term value. The Management Board must also ensure that the provisions of the applicable REIT law in particular are adhered to.

In fiscal year 2017, the Management Board had two Management Board members in Mr. Frank Schaich and Patrick Kaiser in the period from 1 January to 31 March 2017. From 1 April 2017 to 30 November 2017, the Management Board had one member, Mr. Patrick Kaiser. Since 1 December 2017, the Management Board has comprised two persons following the appointment of Mr. Ralf Kind.

## **1.1 Procedures**

The Management Board manages the affairs of the company in accordance with proper corporate governance and in compliance with legal provisions, the articles of association and the company rules of procedure.

The company rules of procedure regulate the Management Board's duties, responsibilities and code of practice and specify the transactions that may only be undertaken with the consent of the Supervisory Board.

The Management Board reports regularly, comprehensively and in a timely fashion to the Supervisory Board regarding corporate planning and strategic developments as well as about the current situation regarding business performance and risk. For important issues and business matters that can have a considerable impact on the company's situation, the Management Board provides reports to the Supervisory Board on an immediate basis.

The Management Board is obliged to act in the best interests of the company and is subject to a comprehensive ban on competitive activities during his office. When making decisions, the Management Board may not pursue any personal interests and may not make personal use of business opportunities to which the company is entitled. In the event of conflicts of interest arising, the Supervisory Board is to be informed immediately. While realizing its duties, the Management Board was not subject to any conflicts of interest during the 2017 fiscal year, just as in previous years.

## **2. Supervisory Board**

The Supervisory Board of Fair Value REIT-AG appoints, monitors and advises the Management Board. The Supervisory Board is immediately consulted with regard to decisions that are of crucial importance for the company and the group.

Together with the Management Board, the Supervisory Board ensures that long-term planning is in place regarding succession planning for the Management Board, and also ensures that the composition of both boards provide suitable diversity. The Supervisory Board has the final decision regarding the remuneration structures as well as the determination of total remuneration payments for individual members of the Management Board.

### **2.1 Qualitative composition**

The Supervisory Board of Fair Value REIT-AG has three members. The Supervisory Board contains an adequate number of independent members. At least one of the independent members of the Supervisory Board has expertise in accounting and auditing.

### **2.2 Procedures**

The Supervisory Board exercises its duties in line with the statutory provisions, the articles of association and the company rules of procedure. Declarations of Intent of the Supervisory Board are provided in the name of the Supervisory Board by its Chairperson or, if this is not possible, by the Chairperson's deputy. The Supervisory Board convenes at least quarterly.

The Supervisory Board is convened by means of the issuing of the agenda by the Chairperson of the Supervisory Board or, if this is not possible, the Deputy Chairperson. Notice of at least 10 calendar days must be provided, although in urgent cases this period can be shortened and members may be convoked by verbal means, by telephone, by fax or via electronic communications channels. A meeting is also to be convened if this is requested by the Management Board.

The Supervisory Board generally passes its resolutions in meetings chaired by the Chairperson of the Supervisory Board. At the behest of the Chairperson, resolutions can also be passed by means of votes cast verbally, by telephone, in writing, by fax or via electronic communications channels. Members of the Supervisory Board not present at a meeting may cast their votes in writing or delegate another member of the board to vote on their behalf.

The Supervisory Board constitutes a quorum if all the members of the Supervisory Board have taken part in the passing of the resolution by voting in person or in writing. A member of the board is also deemed to have taken part in the voting if he or she abstains. As long as no legal provision dictates otherwise, resolutions are passed by a straightforward majority of the votes cast.

Members of the Management Board take part in Supervisory Board meetings, unless otherwise specified by the Chairperson of the Supervisory Board.

The Chairperson of the Supervisory Board coordinates the work of the Supervisory Board and chairs its meetings. The Chairperson maintains regular contact with the Management Board, and in particular the Chief Executive Officer, and discusses with it strategy, business development and the company's risk management.

The Supervisory Board systematically examines its activities on a regular basis in order to identify possible opportunities for improvement.

### **2.3 Committees of the Supervisory Board**

Taking into account the small size of the Supervisory Board, it has decided not to appoint specific committees.

### **3. Cooperation between the Management Board and the Supervisory Board**

The Management Board coordinates the strategic orientation of the business together with the Supervisory Board and discusses the current situation with regard to the implementation of strategies with the Supervisory Board at regular intervals.

The Management Board informs the Supervisory Board regularly, comprehensively and in a timely fashion about all issues relating to planning and business development that are of relevance to the company and the group. Details are provided about business development and any divergence from agreed plans and goals, along with reasons for such divergence.

Management Board reports should usually be submitted in text form to the Supervisory Board. Documents required as the basis for decisions, in particular annual reports and consolidated financial statements, as well as the audit report, are distributed to the members of the Supervisory Board in good time prior to meetings.

### **IV. Female representation quota for the Supervisory Board, Management Board and upper management levels – status quo and targets**

The Supervisory Board of Fair Value REIT-AG is required to independently set a target for the share of female Supervisory Board and Management Board members in accordance with the Law on Equal Participation of Men and Women in Private Sector and Public Sector Management Positions that came into force on 1 May 2015. The Management Board is also required to independently set a target for the share of women in the two management levels below the Management Board.

On 11 August 2015, the Supervisory Board set a target for the share of female Supervisory Board members subject to the passing of a resolution by the appropriate Annual General Meeting. The target stipulates that one member of the Supervisory Board should be female if the Supervisory Board continues to have three members.

The Supervisory Board currently consists of three members, all three of whom are male. Due to the resignation of all of the Supervisory Board members appointed by the Annual General Meeting in 2017, the current Supervisory Board members were appointed by Munich Local Court based on an application filed by the Management Board. Their term of office runs until the end of the Annual General Meeting that resolves on matters relating to the 2017 fiscal year. This Annual General Meeting is scheduled to take place on 8 June 2018. The current Supervisory Board members will make themselves available for reelection at this Annual General Meeting. As a result of the surprise resignations and the need to make extraordinary new appointments to the Supervisory Board in order to maintain the Company's capacity to act, all three members of the Supervisory Board are still male. However, the Supervisory Board is aiming to facilitate the appointment of a female Supervisory Board member by the Annual General Meeting that resolves on matters relating to the 2022 fiscal year.

The Management Board of Fair Value REIT-AG currently comprises two male members. The Supervisory Board has set a female representation quota target of 0 for the Management Board.

Fair Value REIT-AG has only one management level below the Management Board consisting of one man. The Management Board has set the female representation quota target of 0 for the management level below the Management Board.

Graefelfing, 31 January 2018