

Corporate governance statement 2014 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 2014 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 June 24, 2014.

Management and control structure

The Management Board of Fair Value REIT-AG currently consists of only one person. He manages the company and acts exclusively in the interests of Fair Value REIT-AG. The Management Board is committed to sustainable growth in the value of the company. It confers with the Supervisory Board regarding the company's strategy and its implementation. It 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.

The Supervisory Board of Fair Value REIT-AG currently has three members. It provides advice and monitors the management of the company by the Management Board. In addition, the Supervisory Board discusses interim reports, checks and adopts Fair Value REIT-AG annual reports pursuant to HGB (German Commercial Code) and approves consolidated financial statements in accordance with IFRS. Important strategic decisions made by the company management require the endorsement of the Supervisory Board.

Management Board compensation

During the duration of the applicable employment contract (October 2012 until September 2016) the compensation of the Management Board consists of a base salary of €220,000 per annum plus additional benefits (primarily pension benefits equivalent to 10% of the base salary, and provision of a passenger vehicle for business and personal use up to a purchase price of €50,000 net), and three variable compensation components.

The variable compensation components consist

- a) of a dividend-based compensation equivalent to 4% of the dividend that the Company pays out. Such variable compensation shall be paid out either in cash or in virtual shares of Fair Value REIT-AG, depending on the discount of the share price in XETRA trading on the Frankfurt Stock Exchange to the balance-sheet NAV. The variable compensation shall be paid in virtual shares equivalent to the level of the percentage discount. In other words, it shall not be paid in cash. Not before two years after granting, the virtual shares are entitled to a cash payout at the then prevailing share price in XETRA trading.
- b) of an additional cash bonus equivalent to 10% of the administration cost savings which the Company achieves in a given year. For the first contractual year (October 2012 until October 2013), the basis for this calculation shall be the level of administration costs in the 2011 fiscal year. For the following years, the initial amount shall be in each case adjusted by the percentage change in the NAV, whereby
- c) the maximum total amount of bonuses pursuant to a. and b. shall amount to 100% of the annual base salary including certain additional benefits (company car and pension contributions).
- d) also of a bonus equivalent to 0.2% of the positive change in the Company's market capitalisation. The calculation of the compensation attributable from this long-term component shall be performed after four years by comparing the Company's market capitalisations on October 1, 2012 and on September 30, 2016. If the Management Board leaves the Company earlier, such calculations and payments shall be performed at the end of the contract. The level of the bonus component shall be limited to one year's basic salary excluding additional benefits, plus the annual average of the variable compensation pursuant to a. and b. until the calculation.

Remuneration for the Supervisory Board

Remuneration paid to the members of the Supervisory Board consists of fixed remuneration of €5,000 per annum and on a pro rata temporis basis, and a performance related remuneration of €1 per €1,000 of distributed dividends. This variable part of the remuneration is limited to a maximum sum of €25,000. The chairperson receives double and the vice- chairperson receives one and a half times the fixed and variable remuneration of a normal member of the Supervisory Board.

Directors' dealings

During the 2014 fiscal year, Fair Value REIT-AG received reports 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).

Person oblig. to report	Date of transfer	Transfer Type	Number	Price per share in €
Frank Schaich, CEO	12/19/2014	Share purchase	1,500	6.00

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 more than 1% of the share capital of Fair Value REIT-AG. When determining the indirectly held shares, holdings without a direct influence are not taken into account. The distribution of share ownership between the Management Board and Supervisory Board, including closely related persons is as follows:

Body	Number	in %
Management Board (Frank Schaich)	4,528 units	
Supervisory Board (Dr. Oscar Kienzle)	225,716 units	
Total	230,244 units	2.45%

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 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 June 24, 2014) within the meaning of section 161 of the AktG on January 26, 2015:

Fair Value REIT-AG's Management and Supervisory Boards welcome and support the German Corporate Governance Code and the objectives it pursues. Fair Value REIT-AG follows the recommendations of the German Corporate Governance Code in the version dated June 24, 2014 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.

- **Number of Management Board Members:** The Management Board currently only comprises one member (Item 4.2.1 GCGC). The Management and Supervisory Boards find this acceptable given the comparably low amount of investments under management.
- **Age limit for members of the Management and Supervisory Boards, Composition of the Supervisory Board:** 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. The Supervisory Board has not yet named specific targets for its composition and the recommendations to the shareholders' meeting for the election of the members of the Supervisory Board, which shall provide for diversity and in particular the appropriate representation of women (Item 5.4.1 GCGC), and the Supervisory Board has no plans yet to do so in the future as it is of the opinion that fixed quota regulations are not beneficial so that it will rather consider in the best interest of the Company mainly the professional competence, experience and integrity before other criteria will be considered.
- **Committees:** In view of its low number of members, the Supervisory Board has not formed any committees (Item 5.3 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 manages the company under its own responsibility and, in this, is obliged to act in the best interests of the company and to ensure a sustainable increase in the value of the company. The Management Board must ensure adherence, in particular, to the requirements of the currently valid German REIT Law.

During the fiscal year 2014, the Management Board had one member, Mr. Frank Schaich.

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 2014 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 Composition

The Supervisory Board of Fair Value REIT-AG has three members. The members of the Supervisory Board are elected by shareholders at the Annual General Meeting. 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.