

Corporate Governance Report

(expanded to include the consolidated Corporate Governance Report)

COMMITMENT TO THE AUSTRIAN CORPORATE GOVERNANCE CODE

IMMOFINANZ pursues responsible business activities that are designed to create and maintain sustainable, long-term value. In line with this orientation, the company strives to achieve a high degree of transparency for all stakeholders.

The Austrian Corporate Governance Code* provides Austrian stock companies with a framework for corporate management and monitoring. The Executive Board and Supervisory Board of IMMOFINANZ are committed to compliance with the code, in the currently applicable version, and to the related transparency and principles of good management.

IMMOFINANZ complied with the code during the abbreviated 2016 financial year, whereby there was a variance to the following C-Rule (comply or explain):

Rule 83: In addition to the scheduled audit of the annual financial statements, there was no special audit of the effectiveness of the risk management system by the auditor for the abbreviated 2016 financial year. This review is planned for the 2017 financial year.

CORPORATE BODIES AND REMUNERATION

THE EXECUTIVE BOARD

Oliver Schumy, Chief Executive Officer

- > Member of the Executive Board since 1 March 2015
- > Appointed up to 29 February 2020
- > Born in 1971

Oliver Schumy has been a member of the Executive Board of IMMOFINANZ since 1 March 2015 and has served as Chief Executive Officer since 1 May. In this function he is responsible for project development, transactions, legal affairs, human resources as well as corporate communications and investor relations. Mr. Schumy exercises control or supervisory functions in the following material subsidiaries: he serves as the managing director of IMBEA IMMOEAST Beteiligungsverwaltung GmbH, vice-chairman of the Supervisory Board of BUWOG AG** and a member of the supervisory board of CA Immobilien Anlagen Aktiengesellschaft (CA Immo) since 2 August 2016.

Stefan Schönauer

- > Member of the Executive Board since 11 March 2016
- > Appointed up to 11 March 2019
- > Born in 1979

Stefan Schönauer has worked with IMMOFINANZ in leading positions since the end of 2008 and was appointed Chief Financial Officer on 11 March 2016. He is responsible for accounting, controlling, consolidation, taxes, financing, cash management, IT, procurement and internal audit. Mr. Schönauer exercises control or supervisory functions in the following material subsidiaries: he serves as the managing director of IMBEA IMMOEAST Beteiligungsverwaltung GmbH and the managing director of AO Kashirskij Dvor-Severyanin in Moscow*** and is also a member of the supervisory board of CA Immo since 2 August 2016.

Dietmar Reindl

- > Member of the Executive Board since 1 May 2014
- > Appointed up to 30 April 2017 with an extension to 30 April 2021
- > Born in 1969

Dietmar Reindl has been with IMMOFINANZ in leading functions since 2012 and was appointed to the Executive Board in May 2014. He is responsible for the management of all commercial properties and for marketing. Mr. Reindl exercises control or supervisory functions in the following material subsidiaries: he serves as the managing director of IMBEA IMMOEAST Beteiligungsverwaltung GmbH and the managing director of AO Kashirskij Dvor-Severyanin in Moscow***. He holds no positions on the supervisory boards of non-group companies.

* The current version of the code (dated January 2015) is available on the website of IMMOFINANZ AG (www.immofinanz.com) and on the website of the Austrian Working Group for Corporate Governance (www.corporate-governance.at).

** Mr. Schumy resigned from this function as of 6 February 2017 (effective as of 6 March 2017).

***This company holds and operates the *Golden Babylon Rostokino* shopping center.



THE SUPERVISORY BOARD

From left to right:
Christian Böhm,
Wolfgang Schischek,
Nick van Ommen,
Michael Knap,
Horst Populorum,
Rudolf Fries,
Philipp Obermair,
Werner Ertelthaler

THE SUPERVISORY BOARD

Member	Function
Michael Knap (Born in 1944)	Chairman of the Supervisory Board
Rudolf Fries (Born in 1958)	Vice-Chairman of the Supervisory Board
Christian Böhm (Born in 1958)	Member
Nick J. M. van Ommen, FRICS (Born in 1946)	Member
Horst Populorum (Born in 1973)	Member
Wolfgang Schischek (Born in 1944)	Member
Mark Anthony Held (Born in 1979)	Member up to 6 Dec. 2016
Philipp Obermair (Born in 1979)	Member
Carmen Balazs (Born in 1983)	Member up to 2 Aug. 2016
Werner Ertelthaler (Born in 1987)	Member since 2 Aug. 2016

The terms of office of the members delegated to the Supervisory Board by the Works' Council are unlimited.



First appointed in	Term ends in	Other functions
2008	2020	> Vice-president of IVA Interessenverband für Anleger, Vienna
2008	2020	> Chairman of the supervisory board of EAG-Beteiligungs Aktiengesellschaft, Baden > Attorney, partner in Eckert Fries Prokopp Rechtsanwälte GmbH, Baden
2010	2020	> Chairman of the management board of APK Pensionskasse AG, Vienna > Chairman of the supervisory board of APK Versicherung AG, Vienna > Member of the supervisory board of APK Vorsorgekasse AG, Vienna
2008	2020	Member of the supervisory board of: > W.P. Carey & Co. LLC, USA > Allianz Nederland Asset Management B.V., Netherlands > Allianz Benelux SA, Belgium
2015	2019	Holds no other supervisory board positions
2015	2019	Member of the supervisory board of: > Vice-chairman of the supervisory board of KBA-MÖDLING GmbH, Mödling > Kostwein Holding GmbH, Klagenfurt
2013	2016	Delegated by the IMMOFINANZ Works' Council
2014		Delegated by the IMMOFINANZ Works' Council
2015	2016	Delegated by the IMMOFINANZ Works' Council
2016		Delegated by the IMMOFINANZ Works' Council

MEMBERS OF THE SUPERVISORY BOARD COMMITTEES

<u>Audit Committee</u>	<u>Strategy Committee</u>	<u>Personnel and Nominating Committee</u>
Michael Knap , Chairman	Michael Knap , Chairman	Michael Knap , Chairman
Rudolf Fries , Vice-Chairman	Nick J. M. van Ommen , FRICS, Vice-Chairman	Rudolf Fries , Vice-Chairman
Christian Böhm , financial expert	Wolfgang Schischek	Horst Populorum
Philipp Obermair	Christian Böhm	
Mark Anthony Held up to 6 Dec. 2016	Werner Ertelthaler since 2 Aug. 2016	
	Carmen Balazs up to 2 Aug. 2016	

The Supervisory Board monitors the Executive Board and provides support for the management of the company, particularly on decisions of fundamental importance. In addition to its primary function as a monitoring and support body, the Supervisory Board constantly strives to further improve the efficiency of its work through self-evaluation. The Supervisory Board currently has six members who were elected by the annual general meeting and two members delegated by the Works' Council. Four Supervisory Board meetings were held during the abbreviated 2016 financial year.

Audit Committee

The Audit Committee is responsible for monitoring accounting processes and supervising the audit of the separate and consolidated financial statements. This committee also monitors the effectiveness of the company's internal control system, risk management and internal audit. Christian Böhm serves as the Audit Committee's financial expert based on his professional experience and knowledge of finance and accounting. The committee members, as a whole, are well informed of the business sector in which IMMOFINANZ operates. The Audit Committee met twice during the abbreviated 2016 financial year.

Strategy Committee

The Strategy Committee is responsible, above all, for the regular evaluation of the company's strategy and orientation as well as consultations with the Executive Board on the definition of this strategy. These responsibilities were fulfilled by the full Supervisory Board during the abbreviated 2016 financial year.

Personnel and Nominating Committee

The Personnel and Nominating Committee makes recommendations to the Supervisory Board for nominations to the Executive and Supervisory Boards and is responsible for determining the remuneration and preparing the employment contracts for the Executive Board members. This committee met twice during the abbreviated 2016 financial year.

REMUNERATION OF THE EXECUTIVE BOARD

The contracts with the members of the IMMOFINANZ Executive Board include fixed and variable remuneration components. The performance-based remuneration is linked, in particular, to sustainable, long-term and multi-year criteria and includes both qualitative and quantitative goals (e.g. occupancy level, cash flow, net profit for the year). The variable component of the Executive Board remuneration is limited to 100% of the fixed remuneration.

The members of the Executive Board do not receive any remuneration from the subsidiaries for management functions in these companies.

All Executive Board contracts include change of control clauses, which regulate the entitlements of the Executive Board members if their contracts are terminated prematurely due to a change in the control over the company. The entitlements of the individual Executive Board members from their respective contracts are limited to a maximum of two years, depending on the remaining contract time.

EXECUTIVE BOARD REMUNERATION FOR THE ABBREVIATED 2016 FINANCIAL YEAR

in EUR	Oliver Schumy	Dietmar Reindl	Stefan Schönauer	Total
Fixed remuneration, gross	400,000.00	342,857.17	200,000.00	942,857.17
Compensation in kind	7,680.00	7,680.00	7,258.40	22,618.40
Total fixed remuneration	407,680.00	350,537.17	207,258.40	965,475.57
<i>Fixed remuneration as a % of total remuneration</i>	41.16%	58.70%	56.66%	49.42%
Total variable remuneration	528,571.45¹	204,761.89	133,333.29	866,666.63
<i>Variable remuneration as a % of total remuneration</i>	53.36%	34.29%	36.45%	44.36%
Contributions to pension fund ²	40,000.00	33,333.33	20,000.00	93,333.33
Contributions to employee benefit funds	14,324.66	8,496.09	5,211.05	28,031.80
Total fund contributions	54,324.66	41,829.42	25,211.05	121,365.13
Total remuneration	990,576.11	597,128.48	365,802.74	1,953,507.33

¹ The variable remuneration for Oliver Schumy also includes a bonus of EUR 128,571.42 for the 2015/16 financial year.

² Defined contribution commitments

Directors' and officers' insurance (D&O insurance) with coverage of EUR 100.0 million was concluded for the corporate bodies of IMMOFINANZ. The related costs are carried by the company.

SUPERVISORY BOARD REMUNERATION

The remuneration of the Supervisory Board for the current financial year is approved by the annual general meeting in the following year and paid out after this approval is received. A recommendation will be made to the next annual general meeting calling for remuneration of EUR 260,939.38 for the Supervisory Board for the abbreviated 2016 financial year.

Each member receives fixed remuneration of EUR 25,125.25. An additional payment of EUR 5,000.00 is made for services performed on a committee. The remuneration for the chairman and vice-chairman of the Supervisory Board equals twice and one and a half times this amount, respectively.

RECOMMENDED REMUNERATION FOR 2016A

in EUR	Michael Knap	Rudolf Fries	Christian Böhm	Nick J. M. van Ommen	Horst Populorum	Wolfgang Schischek
Total	80,250.50	52,687.88	35,125.25	32,625.25	30,125.25	30,125.25

SHAREHOLDINGS OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD MEMBERS AS OF 31 DECEMBER 2016

Name	Number of IMMOFINANZ shares
Oliver Schumy	362,000
Dietmar Reindl	14,000
Stefan Schönauer	15,000
Michael Knap	1,250
Rudolf Fries (incl. investment companies under the scope of influence and members of the Fries family)	69,781,813
Nick J. M. van Ommen, FRICS	110,000
Horst Populorum (and related persons)	62,480
Wolfgang Schischek	47,500
Christian Böhm	10,000

WORKING PROCEDURES OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

The cooperation between the Executive Board and Supervisory Board of IMMOFINANZ is based on open and constructive discussions. The Executive Board provides the Supervisory Board with regular, timely and comprehensive information on the development of business and related issues and also prepares the documentation for the Supervisory Board's meetings and resolutions. The rules of procedure for the Executive Board define the transactions and measures that require Supervisory Board approval. In addition, the Executive Board provides the Supervisory Board with information on issues of major importance outside the framework of scheduled meetings.

Independence and avoidance of conflicts of interest

The members of the Executive Board are required to take their decisions independent of any personal interests and the interests of controlling shareholders. Moreover, these decisions must be based on well-founded knowledge and comply with all relevant legal regulations. Persons serving on the Executive Board must disclose any personal interests in the company's transactions or other conflicts of interest to the Supervisory Board without delay and also inform their board colleagues. The Executive Board members may only accept appointments to a supervisory board with the consent of the IMMOFINANZ Supervisory Board. Key company employees must also have the approval of the Executive Board and Supervisory Board before they may accept a position on the corporate body of a non-Group company. A legal restraint on competition is also in place.

The members of the Supervisory Board are required to represent the interests of the company and must disclose any conflicts of interest without delay. They may not accept positions on the corporate bodies of any companies that compete with IMMOFINANZ.

Christian Böhm, a member of the IMMOFINANZ Supervisory Board member, serves on the management board of APK Pensionskasse AG. IMMOFINANZ makes pension fund contributions at ordinary market conditions to this firm for the company pensions of the Executive Board members. The contributions made during the abbreviated 2016 financial year are disclosed in this report under the section on remuneration and also in the notes to the consolidated financial statements.

Apart from the above business relationship, there are no contracts between the members of the Supervisory Board or companies in which a member of the Supervisory Board holds a significant financial interest, on the one hand, and IMMOFINANZ or one of its subsidiaries, on the other hand.

Criteria for the independence of the Supervisory Board

The Austrian Corporate Governance Code (C-Rule 53) requires the majority of the supervisory board members elected by the annual general meeting or by shareholders in accordance with the articles of incorporation to be independent of the company and its management board. A supervisory board member is considered to be



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approx. 24,000 sqm
rentable space

independent when he or she has no business or personal relations with the company or its management board that constitute a material conflict of interest and are therefore capable of influencing the member's behaviour.

The following independence criteria were defined by the IMMOFINANZ Supervisory Board and reflect the standards listed in Annex 1 to the Corporate Governance Code. All elected Supervisory Board members are independent based on these criteria. No member represents a shareholder with an investment of more than 10% or the interests of such a shareholder.

- > The Supervisory Board member did not serve as a member of the Executive Board or a key employee of IMMOFINANZ or one of its subsidiaries during the past five years.
- > The Supervisory Board member does not currently, or did not in the past year, maintain any business relations with IMMOFINANZ or one of its subsidiaries of a scope considered significant for the Supervisory Board member. The same applies to business relationships with companies in which the Supervisory Board member holds a considerable economic interest, but not for exercising functions on IMMOFINANZ's corporate bodies. The approval of individual transactions by the Supervisory Board pursuant to L-Rule 48 does not automatically qualify the member as not independent.
- > The Supervisory Board member did not act as an auditor of IMMOFINANZ or own an investment in the auditing company or work for the auditing company during the past three years.
- > The Supervisory Board member is not a member of the management board of another company in which a member of the Executive Board of IMMOFINANZ serves on the supervisory board.
- > The Supervisory Board member has not served on the Supervisory Board of IMMOFINANZ for more than 15 years. This does not apply to members who are shareholders with a direct investment in IMMOFINANZ or who represent the interests of such a shareholder.
- > The Supervisory Board member is not closely related (direct offspring, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) to a member of the Executive Board or to persons specified in one of the above points.

SUPPORT FOR WOMEN ON THE EXECUTIVE BOARD AND SUPERVISORY BOARD AND IN KEY POSITIONS

In the interest of the company, appointments to the Executive Board, Supervisory Board and key positions are based solely on professional and personal qualifications.

Women filled 36.8% of the management positions and represented approx. 62.9% of the total workforce during the abbreviated 2016 financial year. At IMMOFINANZ women hold key management positions in central corporate functions (compliance, corporate communications and investor relations) and on the local country boards (Poland and Romania).

Men and women have equal opportunities for advancement at IMMOFINANZ, and all employees receive performance-based remuneration for their work.

EXTERNAL EVALUATION

The Austrian Corporate Governance Code requires a regular external evaluation (at least every three years) of compliance with the code (C-Rule 62). IMMOFINANZ arranges for this evaluation on an annual basis. The latest review was performed by Deloitte Audit Wirtschaftsprüfung GmbH in connection with the audit of the annual financial statements for the abbreviated 2016 financial year; it confirmed that the statement issued by IMMOFINANZ on compliance with the Corporate Governance Code corresponds to the actual circumstances.

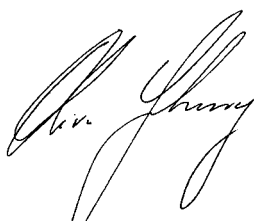
The report on the external evaluation is available for download under:
www.immofinanz.com/en/investor-relations/corporate-governance/code

Vienna, 31 March 2017

The Executive Board



Stefan Schönauer
CFO



Oliver Schumy
CEO



Dietmar Reindl
COO