

# one culture.

## Commitment to the Austrian Code of Corporate Governance

UBM Development AG views Corporate Governance as a key concept for responsible and transparent company management and the comprehensive auditing that accompanies this. The Management Board and Supervisory Board work closely together in the interests of the Company and its staff and are involved in the ongoing evaluation of the development and strategic direction of the UBM Group. Constant dialogue with all relevant interest groups builds trust, also in corporate activities, and provides the basis for sustainable corporate growth in the future. A top priority for UBM is to incorporate and develop standards towards responsible and sustainable corporate management.

In August 2016 the UBM Group made a joint formal declaration by the Management Board and the Supervisory Board committing itself to observance of the Austrian Code of Corporate Governance. Pursuant to Section 267b of the Austrian Commercial Code, as a listed parent company, UBM must produce a consolidated Corporate Governance report. As the UBM Group does not have any listed subsidiaries, the requisite disclosures cited in Section 243c of the Austrian Commercial Code and information included in the appropriate places of this Corporate Governance report can be limited.

The UBM shares were admitted to the prime market, the premium segment of the Vienna Stock Exchange, on 22 August 2016. UBM has thereby formally committed to adhere to more stringent criteria regarding the transparency and quality of disclosures.

With reference to the deviations listed below in the Comply or Explain catalogue, UBM is committed to upholding the rules of the Austrian Code of Corporate Governance and sees this as a key precondition for responsible corporate management. The latest version of the Austrian Code of Corporate Governance as laid out by the Austrian Working Group for

Corporate Governance is available to the public on the website of the Austrian Working Group for Corporate Governance at [www.corporate-governance.at](http://www.corporate-governance.at).

This Corporate Governance report is published as part of the Annual Report and is available on the Group's website [www.ubm-development.com](http://www.ubm-development.com) under the submenu Investor Relations/Financial Reports or Corporate Governance.

In accordance with Rule 36 of the Austrian Code of Corporate Governance, in 2017 the Supervisory Board conducted a self-evaluation in the form of a survey which primarily addressed the efficiency of the Supervisory Board, its organisation and its working practices. The findings were then evaluated and discussed in the Supervisory Board.

## Comply or Explain catalogue

**C Rule 27:** The remuneration of the Management Board members consists of fixed and variable components. The variable components are exclusively related to annual EBT for a single business year. There are no non-financial criteria that have a significant influence on the variable remuneration. Concerns about objectivity and clear traceability should thereby have been satisfied.

**C Rule 27a:** At present the contracts with the Management Board members do not contain an express regulation stating that severance payment for premature termination from the Board without cause may not exceed two times the total annual compensation and may not amount to more than the remainder of the contractual term. In addition, they do not expressly specify at present that no severance payment shall be made upon premature termination of a Management Board contract with good cause. The Management Board contracts do not contain any stipulations under which the circumstances of leaving the Company and the economic state of the Company should be considered upon the premature departure of a Management

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Board member. Adherence to the rules of the Austrian Code of Corporate Governance was not yet a focal point when the existing Management Board contracts were concluded. In order to promote equal treatment, adherence to this rule was also not adopted for the newly concluded Management Board contract of the Chief Financial Officer.

**C Rule 38:** The job profile and the procedure for appointing Management Board members is defined on a case-by-case basis. When a Management Board member is to be appointed, the Supervisory Board defines a job profile, whereby particular attention is paid to the candidate's qualifications, experience and industry knowledge. In the interests of the Company, a formally defined appointment procedure and a general job profile is not used, as this could exclude candidates from being appointed as Management Board members despite exceptional qualifications and outstanding industry knowledge.

**C Rule 39:** Establishing an emergency committee appears unnecessary in view of the homogenous business activities practised by UBM Development AG, as well as the comparatively low number of Supervisory Board members. The option of circular resolutions may be used in urgent cases.

**C Rule 49:** The conclusion of contracts with members of the Supervisory Board in which such members are committed to the performance of a service outside of their activities on the Supervisory Board for the Company or a subsidiary for a remuneration not of minor value is subject to approval by the Supervisory Board in line with the law. The Company will, however, refrain from publishing these details due to related operational and business confidentiality issues. In any case, the notes to the consolidated financial statements of UBM Development AG show disclosures on related party transactions, which contain the remuneration for services by companies in which the Supervisory Board members hold a position and/or an interest outside of their activities on the Supervisory Board of UBM Development AG.

UBM amended its Comply or Explain catalogue in December 2017, as the Company now adheres to C Rule 18 (dedicated staff unit for Internal Audit at UBM) and C Rule 83 (external risk assessment by the auditor).

### Members of the Management Board

**Thomas G. Winkler** was born in Salzburg, Austria, in 1963. He completed his law degree at Salzburg University, Austria, in 1985, and graduated as Master of Laws (LL.M.) in 1987 from the University of Cape Town, South Africa. After graduating, he started his career at Erste Bank AG (formerly Girozentrale); from 1990 he was an authorised signatory, head of Investor Relations and Corporate Spokesperson at Maculan Holding AG. From 1996 to 1998 he held the post of Vice President, Head of Special Projects at Magna (Europe) Holding AG. From 1998 to 2001 he was Head of Investor Relations at Deutsche Telekom AG in Bonn, before moving to T-Mobile International AG & Co. KG, where he was responsible for finance as a member of the Executive Board. In the period 2007 to 2009 Thomas G. Winkler worked in the economic hub of London as a freelance consultant. From 2010 to 2013 he was CFO of Lenzing AG. From 2012 until April 2015 he additionally served on the Supervisory Board of ÖIAG Österreichische Industrie-holding AG, most recently as Deputy Chairman. Since 2014 he has been a Senior Advisory Board Member at Minsait (formerly Indra Business Consulting), Spain. Until April 2015 he was also Chair of the Audit Committee and an independent member of the Supervisory Board of Bashneft JSOC, Russia. As of 1 June 2016, Thomas G. Winkler took over as Chairman of the Management Board of UBM Development AG. As the Chairman of the Management Board and CEO, he is responsible for Strategy, Investor Relations & Communications, Transactions & Market Research, Legal & Compliance, Human Resources, and Mergers & Acquisitions.

**Martin Löcker** was born in Leoben, Austria, in 1976. He graduated in industrial engineering and construction from the Technical University in Graz, Austria, in 2000, before gaining a postgraduate qualification in real estate economics at the European Business School in Munich, Germany, in 2005. He joined the PORR Group and its subsidiary UBM AG in 2001. Since 2007 he has held management positions at UBM AG and its subsidiary Münchner Grund. He has been a member of the Management Board since 1 March 2009. In accordance with the rules of procedure of the Management Board, Martin Löcker is responsible for Project Acquisition Controlling, Operational Project Controlling, Business Development Austria, Technical Competences, Green Building, CSR & Work Safety, Quality Management & Integrated Management System.

**Patric Thate** was born in Bergisch Gladbach, Germany, in 1973. After studying economics at the universities of Wuppertal and Nottingham, he started his career in 1999 at Deutsche Telekom in Bonn, where he held various management positions in finance until the end of 2010. He then headed up the entire finance division of Lenzing AG, Austria, as Vice President Global Finance until 2015. Moreover, Patric Thate has been substantially involved in major international capital market transactions, including the Re-IPO of Lenzing AG. In his most recent post, Patric Thate was Head of Finance and a member of the Executive Committee of UBM Development AG. Since 1 July 2017 he is the CFO of UBM and responsible for Financial Controlling & Reporting, Accounting & Consolidation, Treasury, Tax, IT and Insurance.

**Claus Stadler** tendered his resignation as a Management Board member of UBM with effect from 31 August 2017; since then he has been a fully authorised signatory of UBM Development AG. He was born in Vöcklabruck, Austria, in 1970. In 1997 he graduated in architecture from Vienna University of Technology, Austria. In 1998 he joined the PORR Group and was responsible for projects in Austria, Germany, Croatia and Romania. From 2005 to 2011 he worked for the Austrian Federal

Railways (ÖBB) and from 2008 until 2011 he was the Managing Director of ÖBB-Immobilienmanagement GmbH, ÖBB-Werbecenter GmbH and other project companies. He became the Managing Director of Strauss & Partner Development GmbH in 2012. Until his resignation from the Management Board of UBM, his responsibilities included Property Development (Research and Valuations, Planning and Architecture, Project Management, Project Control) for Austria, as well as IT and Quality Management.

**Michael Wurzinger** tendered his resignation as a Management Board member of UBM with effect from 31 October 2017. He was born in Salzburg, Austria, in 1971. In 1997 he graduated in business administration from the University of Innsbruck, Austria. In 2006 he became a member of the Royal Institution of Chartered Surveyors (RICS). After his studies, he began his career at Constantia Privatbank AG in 1997 and from 2004 he was Head of Property Asset Management and Project Development for Austria; he joined the Executive Board of the bank in 2006. From 2008 to 2010 he was a member of the Executive Board and COO of Immofinanz AG. In 2011 he became the spokesperson for the Executive Board of PORR Solutions Immobilien und Infrastrukturprojekte GmbH (now Strauss & Partner Development GmbH). In January 2015 he was appointed as a member of the Management Board of UBM Development AG. Until his resignation from the Management Board he was responsible for Property Marketing and Sales, Asset Management and Legal.

### The Management Board

In accordance with Section 6 of the UBM statutes, the Management Board consists of between two and six people. From 1 January 2017 to 30 June 2017 the Management Board consisted of four people; from 1 July 2017 to 31 August 2017 it consisted of five people; from 1 September to 31 October it consisted of four people and since 1 November 2016 it consists

of three people. The Supervisory Board can name a member of the Management Board as Chairman and name members as Deputy Chairmen. The Management Board passes resolutions by a simple majority of votes cast. If the Supervisory Board appoints a member to chair the Management Board, they have a casting vote in the event of a tie.

The members of the Management Board are appointed by the Supervisory Board for a maximum term of five years. The renewed appointment or an extension of this period (each for a maximum of five years) is permitted. The Supervisory Board can dismiss a member of the Management Board before the end of their term in office if there is an important reason to do so, for example if there is a serious breach of duty or if the general shareholders' meeting passes a vote of no confidence in the Management Board member.

The Management Board must conduct its business in line with the specifications of the Austrian Stock Corporation Act, the statutes, other laws, and the rules of procedure. The Supervisory Board rules on the division of responsibilities in the Management Board in line with maintaining the overall responsibility of the Management Board as a whole. The Management Board requires Supervisory Board approval in order to undertake any business dealings specified in the relevant version of Section 95 Paragraph 5 of the Austrian Stock Corporation Act. In as far as legally permitted by Section 95 Paragraph 5 of the Austrian Stock Corporation Act, the Supervisory Board lays down limits on amounts up to which its approval is

not required. Furthermore, the Supervisory Board is entitled to determine types of business which require its approval in addition to the legally stipulated cases (Section 95 Paragraph 5 Austrian Stock Corporation Act). The Supervisory Board has issued appropriate rules of procedure for the Management Board. The Management Board must report regularly to the Supervisory Board on its activities.

The Management Board members must fulfil their responsibilities as their main employment and manage the Company's business with the care of a proper and conscientious manager. They must manage the business in a way which satisfies the interests of the shareholders, the staff members and of the public. The Management Board members may not take on any other employment without the approval of the Supervisory Board and may not take on an executive function in any companies which are not within the consolidated group.

UBM is represented by two Management Board members, or by one Management Board member with one authorised signatory. With legal restrictions, UBM can also be represented by two authorised signatories. Any Deputy Management Board members are considered equal to regular Management Board members with regard to rights of representation.

The following table shows the Management Board members, their date of birth, their position, the date of their first appointment, as well as the probable end of their time in office. In 2017 the following people sat on the Management Board:

**Members of the Management Board**

Name	Date of birth	Position	Member since	Appointed until/Left on*
Thomas G. Winkler	24.6.1963	Chairman of the Management Board	1.6.2016	31.5.2019
Martin Löcker	13.3.1976	Management Board member	1.3.2009	31.12.2020
Patric Thate	25.5.1973	Management Board member	1.7.2017	30.6.2020
Claus Stadler	4.7.1970	Management Board member	29.5.2015	31.8.2017*
Michael Wurzinger	9.4.1971	Management Board member	15.1.2015	31.10.2017*

**Supervisory Board positions or comparable posts in Austrian or foreign companies (that are not included in the financial statements):**

Thomas G. Winkler is a Senior Advisory Board Member at Minsait by Indra Business Consulting S.L.U. (Spain).

Claus Stadler is a member of the Supervisory Board of BauWelt Handels-Aktiengesellschaft.

The Management Board members Martin Löcker and Patric Thate do not sit on any Supervisory Boards or fulfil any similar functions in Austrian or foreign companies (that are not included in the financial statements).

Michael Wurzinger did not fulfil any functions of this kind until he retired from the management board.

**Executive and non-executive board positions in significant subsidiaries:**

Claus Stadler was also Managing Director of Strauss & Partner Development GmbH until 31 August 2017. Martin Löcker is an authorised signatory of UBM hotels Management GmbH.

The Management Board members Thomas G. Winkler, Patric Thate and Michael Wurzinger have not held any executive or non-executive board positions in significant subsidiaries.

**The Supervisory Board**

The UBM Supervisory Board is composed of members appointed by the general shareholders' meeting. Furthermore, in line with Section 110 Paragraph 1 of the Labour Constitutional Act, certain members are also appointed by the Works Council. In accordance with Section 9 of the UBM statutes, the number of members appointed by the general shareholders' meeting must be at least three and not more than twelve. In 2017 the UBM Supervisory Board consisted of eight members appointed by the general shareholders' meeting and an

additional four members appointed by the Works Council as employee representatives on the Supervisory Board.

As long as the general shareholders' meeting has not specified a shorter term when appointing one or all members, the Supervisory Board members are appointed until the end of the Annual General Meeting which rules on the approval of the Supervisory Board for the fourth business year after the initial election; the business year in which the Supervisory Board member was appointed does not count towards this term. The reappointment of a board member is permitted, also for retiring members. Should certain members leave the Board before the end of their term in office, a vote to replace them is not required until the next Annual General Meeting. However, a replacement vote is required at an extraordinary general meeting, to be held within six weeks, if the number of Supervisory Board members falls below three. Members appointed as a replacement only serve for the remainder of the term which the previous member would have served, unless otherwise determined by the general shareholders' meeting at the time of the appointment.

The appointment of a member of the Supervisory Board can be revoked before the end of their time in office by a general shareholders' meeting resolution. The resolution requires a simple majority of votes cast. Every member of the Supervisory Board can resign from their post following a 21-day notice period upon a written declaration to the Chairman of the Supervisory Board, without stating an important reason. The Chairman of the Supervisory Board, or their Deputy in the case of their resignation, can decide to shorten the notice period.

A replacement member can be appointed at the same time as the appointment of a Supervisory Board member, in which case the replacement member would take up their seat on the Supervisory Board effective immediately if the Supervisory Board member steps down before the end of their time in office. If multiple replacement members are appointed, the order in which they are to replace a Supervisory Board member who steps down must be determined. A replacement member can

also be appointed as a replacement for multiple Supervisory Board members, so that they take a seat on the Supervisory Board if any one of these members steps down prematurely.

The term of office of a replacement member who joins the Supervisory Board is terminated as soon as a successor to the former Supervisory Board member has been appointed, or at the latest when the remainder of the former Supervisory Board member's time in office comes to an end. Should the term of office of a replacement member who joins the Supervisory Board be terminated because a successor to the former Supervisory Board member has been appointed, the replacement member still serves as a replacement for the additional Supervisory Board members they have been chosen to represent.

In a meeting held once a year following the Annual General Meeting, the Supervisory Board elects a Chairman and one or more Deputies from among its members. If two Deputies are appointed, then the order in which they are to take up the post shall be determined. The term in office runs until the end of the next Annual General Meeting. If the Chairman or one of the elected Deputies withdraws from their post, the Supervisory Board must immediately hold a vote to replace him/her. Should no candidate win a simple majority vote, then a runoff election is held between the people who have received the most votes. Should the runoff election result in a tie, lots shall be drawn to decide the election. If the Chairman or one of the elected Deputies withdraws from their post, the Supervisory Board must immediately hold a new election to appoint a successor. The Chairman and the Deputies can resign their post at any time following a 14-day notice period upon written declaration to the Supervisory Board; this does not require them to step down from the Supervisory Board at the same time.

Every Deputy Chairman has the same rights and responsibilities as the Chairman when they are standing in for him. This also applies to holding a casting vote in elections and passing resolutions. Should the Chairman and his deputies be prevented from realising their obligations, this obligation

passes to the oldest Supervisory Board member (in terms of age) for the duration of the incapacity. Declarations of intent by the Supervisory Board and its committees shall be submitted to the Chairman of the Supervisory Board, or to his Deputy should they be incapacitated.

In line with its legal responsibilities and those arising from the statutes, the Supervisory Board produces rules of procedure. Resolutions of the Supervisory Board on its rules of procedure require a simple majority of the members appointed by the general shareholders' meeting in addition to the general requirements on resolutions.

The Supervisory Board can form committees made up of its members. Their responsibilities and powers as well as their general rules of procedure are specified by the Supervisory Board. The committees can also take on the authority to make decisions. The committees can be convened long-term or for individual tasks. The employee representatives on the Supervisory Board have the right to nominate members with voting rights to the committees in the ratio specified by Section 110 Paragraph 1 of the Labour Constitutional Act. This does not apply to meetings and votes which relate to relationships between the Company and the Management Board members, except resolutions on the appointment or revocation of a Management Board member as well as resolutions granting options in company shares.

The Supervisory Board passes resolutions in its regular meetings. The Supervisory Board shall hold meetings as often as the interests of the Company require, at least once per quarter. In 2017 the Supervisory Board held five regular Supervisory Board meetings. The Chairman determines the form of the meeting, the way in which resolutions may be passed outside of meetings, and the method of counting votes. The Management Board members attend all meetings of the Supervisory Board and its committees, as long as the Chairman of the meeting does not determine otherwise.

A Supervisory Board member can nominate another member in writing to represent them at a meeting. A member represented in this way shall not be included in the count determining if the meeting is quorate. The right to chair the meeting cannot be deputised. A Supervisory Board member who is unable to attend a meeting of the Supervisory Board or its committees is entitled to submit their written vote on individual agenda items via another member of the respective Board or committee.

The Supervisory Board is quorate when all members of the Supervisory Board have been properly invited to attend and when at least three Supervisory Board members, including one Chairman or Deputy, participate in the resolution. A topic of negotiation which is not on the agenda can only be ruled on by the Supervisory Board if all Supervisory Board members

are present or represented and no member participating in the resolution objects.

Supervisory Board resolutions are passed by simple majority of votes cast. Abstentions are not counted as votes cast. In the case of a tie – also in elections – the Chairman has the casting vote. Every Deputy Chairman acting in the capacity of the Chairman’s representative has a casting vote in resolutions and elections; this also applies to committee chairmen.

#### Composition of the Supervisory Board

The following table shows the members of the Supervisory Board in 2017, their date of birth, their position, the date of their first appointment to the Supervisory Board, as well as the probable end of their time in office.

#### Members of the Supervisory Board

Name	Date of birth	Position	Member since	Appointed until
Karl-Heinz Strauss <sup>1</sup>	27.11.1960	Chairman	14.4.2011	AGM 2019
Iris Ortner <sup>2</sup>	31.8.1974	Deputy Chair	14.4.2011	AGM 2019
Christian B. Maier <sup>5</sup>	9.1.1966	Member	3.5.2013	AGM 2019
Klaus Ortner <sup>3</sup>	26.6.1944	Member	15.1.2015	AGM 2019
Ludwig Steinbauer <sup>5</sup>	26.10.1965	Member	15.1.2015	AGM 2019
Paul Unterluggauer	28.4.1967	Member	15.1.2015	AGM 2019
Bernhard Vanas <sup>5</sup>	10.7.1954	Member	15.1.2015	AGM 2019
Susanne Weiss <sup>5</sup>	15.4.1961	Member	15.1.2015	AGM 2019
Martin Kudlicska	14.2.1972	Member	30.6.2016	n/a <sup>4</sup>
Günter Schnötzingler	20.8.1973	Member	30.6.2016	n/a <sup>4</sup>
Hannes Muster	28.11.1967	Member	30.6.2016	n/a <sup>4</sup>
Johann Kaller	6.1.1955	Member	30.6.2016	n/a <sup>4</sup>

<sup>1</sup> Karl-Heinz Strauss was Deputy Chair of the Supervisory Board from 27 February 2013 and has been Chair since 18 September 2014.

<sup>2</sup> Iris Ortner has been Deputy Chair of the Supervisory Board since 18 September 2014 and was previously a member of the Supervisory Board from 2 July 2003 to 5 May 2010.

<sup>3</sup> Klaus Ortner was previously a member of the Supervisory Board from 18 March 2000 to 14 May 2014.

<sup>4</sup> appointed by the Works Council on 30 June 2016 in accordance with Section 110 Paragraph 1 Labour Constitutional Act.

<sup>5</sup> independent member that does not hold shares of more than 10% [C Rule 54]

The members of the Group's Supervisory Board each fulfilled the following additional functions on Supervisory Boards or comparable positions in (non-consolidated) Austrian and foreign companies as of 31 December 2017:

**Functions of the Supervisory Board**

Name	Company	Function
Karl-Heinz Strauss	DATAX HandelsgmbH	Supervisory Board member
	KAPSCH-Group Beteiligungs GmbH	Supervisory Board member
	Kapsch Aktiengesellschaft <sup>1</sup>	Supervisory Board member
	PORR Bau GmbH	Chair of the Supervisory Board
	PORR Deutschland GmbH	Chair of the Supervisory Board
	PORR SUISSE AG	President of the Administrative Board
	TEERAG-ASDAG Aktiengesellschaft	Chair of the Supervisory Board
Iris Ortner	PORR Construction Holding GmbH	Chair of the Supervisory Board
	ELIN GmbH	Deputy Chair of the Supervisory Board
	PORR AG <sup>1</sup>	Supervisory Board member
Christian B. Maier	TKT Engineering Sp. z o.o. (Poland)	Deputy Chair of the Supervisory Board
	PORR Bau GmbH	Deputy Chair of the Supervisory Board
	Rath Aktiengesellschaft <sup>1</sup>	Supervisory Board member
	TEERAG-ASDAG Aktiengesellschaft	Deputy Chair of the Supervisory Board
	Raiffeisenbank Aichfeld eGen	Supervisory Board member
Klaus Ortner	PORR Construction Holding GmbH	Supervisory Board member
	ELIN GmbH	Chair of the Supervisory Board
Ludwig Steinbauer	PORR AG <sup>1</sup>	Deputy Chair of the Supervisory Board
Paul Unterluggauer	-	-
Bernhard Vanas	-	-
	PORR AG <sup>1</sup>	Supervisory Board member
Susanne Weiss	SDN Beteiligungs GmbH	Supervisory Board member
	ROFA AG	Chair of the Supervisory Board
	PORR AG <sup>1</sup>	Supervisory Board member
	Schattdecor AG	Supervisory Board member
Martin Kudlicska	Wacker Chemie AG <sup>1</sup>	Supervisory Board member
Günter Schnötzing	-	-
Hannes Muster	-	-
Johann Kaller	-	-

<sup>1</sup> listed



### Criteria for independence

C Rule 53 of the Austrian Code of Corporate Governance specifies that the majority of the members of the Supervisory Board elected by the general shareholders' meeting or appointed by shareholders in line with the statutes shall be independent of the Company and its Management Board. A Supervisory Board member shall be considered independent if they do not have any business or personal relationship with the Company or its Management Board which constitutes a material conflict of interests and could therefore influence the behaviour of the member.

On this basis, the Supervisory Board of UBM has determined the following criteria for independence, which are available to the public on the UBM website:

- a) In the past five years the Supervisory Board member shall not have served on the Management Board or as a management-level employee of UBM or one of UBM's subsidiaries.
- b) In the past year the Supervisory Board member shall not maintain or have maintained any business relations with UBM or one of UBM's subsidiaries to an extent which is significant for the member of the Supervisory Board. This shall also apply to relationships with companies in which a member of the Supervisory Board has a considerable economic interest, although this does not apply to exercising functions in bodies of the Group; knowledge of Group issues and the mere exercising of the activities of a Management Board member or Managing Director by a Supervisory Board member do not, as a rule, lead to the affected company being viewed as a "company in which a member of the Supervisory Board has a considerable economic interest" as long as circumstances do not give rise to the assumption that the Supervisory Board member has a direct personal benefit from a business dealing with these companies. The approval of individual transactions by the Supervisory Board pursuant to Rule 48 does not automatically mean the person is classified as not independent.

- c) In the past three years the Supervisory Board member shall not have been an auditor of the company or been a shareholder or employee of the audit company which audited UBM.
- d) The Supervisory Board member shall not serve on the Management Board of a different company in which a Management Board member of UBM serves on the Supervisory Board.
- e) The Supervisory Board member may not remain on the Supervisory Board for more than 15 years. This shall not apply to Supervisory Board members who are shareholders with a direct investment in the Company or who represent the interests of such a shareholder.
- f) The Supervisory Board member shall not be a close family member (direct offspring, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the UBM's Management Board, or of a person to whom any of the aforementioned a) to e) items apply.

In accordance with these criteria, the Supervisory Board members Karl-Heinz Strauss (Chair), Christian B. Maier, Ludwig Steinbauer, Bernhard Vanas and Susanne Weiss have declared themselves to be independent.

### Committees

The statutes specify that the Supervisory Board can form committees made up of its members. The following three committees were formed in the 2017 business year for the support and efficient handling of complex issues:

**Audit committee:** The responsibilities of the audit committee include (i) monitoring the financial reporting process as well as issuing recommendations or suggestions to ensure its reliability; (ii) monitoring the effectiveness of the Group-wide internal control system, the internal audit system, where

appropriate, and the Group's risk management system; (iii) monitoring the auditing of the individual and consolidated financial statements under consideration of the findings and conclusions in the reports published by the Regulatory Authority on Auditors in accordance with Section 4 Paragraph 2 (12) of the Supervision of Auditors Act (APAG); (iv) assessing and monitoring the independence of the chartered auditors, in particular as regards any additional services they may have provided to UBM (Section 5 of EU Regulation Nr. 537/2014 and Section 271a Paragraph 6 of the Austrian Commercial Code apply); (v) producing the report on the results of the audit for the Supervisory Board along with a statement on how the audit has contributed to the reliability of financial reporting and the role of the audit committee; (vi) assessing the annual financial statements and preparing for their approval, assessing the proposal for appropriation of profits, the Management Report and the Corporate Governance Report, as well as reporting on the audit findings to the Supervisory Board; (vii) assessing the consolidated financial statements and the Group Management Report as well as reporting back to the Supervisory Board of the parent on the audit findings; and (viii) carrying out the process for selecting the auditor under consideration of the appropriateness of their fee and preparing the Supervisory Board's recommendation on the choice of auditor (Section 16 of EU Regulation Nr. 537/2014 applies).

The audit committee met four times in the 2017 business year. A meeting of the audit committee was held on 5 April 2017 in the presence of the auditors for the purpose of auditing and preparing the approval of the 2016 consolidated financial statements. At the same meeting, the Supervisory Board selected the auditor for the individual and consolidated financial statements as of 31 December 2017. In a meeting on 20 September 2017 the audit committee dealt with the amendment to the Audit Act, the internal control system, the internal audit system of the Group and audit planning for the individ-

ual and consolidated financial statements. A meeting of the audit committee in accordance with Rule 81a of the Austrian Code of Corporate Governance was held on 30 November 2017, without the presence of the Management Board, to determine the audit planning, audit focal points and the mutual communication between the auditor and the audit committee. In a meeting on 6 December 2017 the audit committee addressed risk management and the internal audit report on the internal audit plan.

The members of the audit committee are Karl-Heinz Strauss (Chair), Iris Ortner, Christian B. Maier (financial expert) and Susanne Weiss.

**Nomination committee:** The nomination committee has the following responsibilities: (i) preparing Management Board appointments including successor planning: before appointing Management Board members, the nomination committee shall define the profile for the Management Board member taking into account the corporate strategy and state of the Company and prepare the decision by the full Supervisory Board; (ii) proposing possible candidates to the Supervisory Board when places become available: the nomination committee is involved with planning the allocation of Supervisory Board mandates. The nomination committee shall submit appointment proposals to the entire Supervisory Board, which shall be proposed on the basis of a resolution of the entire Supervisory Board to the general shareholders' meeting for their approval. When proposing appointments, attention must be paid to the qualifications and personal skills of the Supervisory Board members, as well as the balanced composition of the Supervisory Board in light of the structure and business area of UBM. Furthermore, the aspects of diversity in the Supervisory Board with regard to representation of gender, age and internationality shall be considered appropriately. Attention shall be paid to the fact that no-one shall be put forward as a member of the Supervisory

Board who has been convicted of a crime which calls their professional reliability into question.

In 2017 the nomination committee held one meeting. The change in the Management Board was discussed in the meeting on 25 June 2017 and Patric Thate was appointed as the CFO. In addition, resolutions were passed not to extend the Management Board mandates of Claus Stadler and Michael Wurzinger. The nomination committee consists of the following Supervisory Board members: Karl-Heinz Strauss (Chair), Iris Ortner and Susanne Weiss.

**Remuneration committee:** The remuneration committee has the following responsibilities: (i) handling matters related to the remuneration of the Management Board members and the content of the employment agreements with Management Board members, particularly specifying the underlying principles of Management Board member remuneration and determining the criteria for variable remuneration components in line with Rules 27, 27a and 28 of the Austrian Code of Corporate Governance; (ii) evaluating the remuneration policy for Management Board members at regular intervals; (iii) approving additional duties of Management Board members.

The remuneration committee met once in 2017. The variable/performance-related remuneration of the Management Board members was discussed in the meeting on 15 March 2017. The remuneration committee consists of the following members: Karl-Heinz Strauss (Chairman), Iris Ortner and Susanne Weiss (remuneration expert).

### Positive action for women

UBM has strengthened its efforts to increase the number of women in the organisation. Compared to other companies in the real estate sector, UBM measures up positively, with fifteen women in management positions as of 31 December 2017 (31 December 2016: eleven), (including Supervisory Board, Managing Directors and authorised signatories at UBM Development AG and significant subsidiaries). This represents a significant increase of women in management positions against the previous year.

As a sustainable corporation, UBM focuses on socially relevant topics, such as equal opportunities in the workplace. In order to ensure that equal opportunities are firmly anchored in the Company, the focus of UBM is on finding suitable female candidates when recruiting managers and employees. 35 new employees were recruited across the Group in 2017, of which 17 were women and 18 were men (excluding hotel workers). There are no salary differences between men and women performing the same activity and with the same qualifications. In job advertisements women are specifically addressed. In order to support a balance between professional and family life, the Company offers flexible working hours through a flexitime system.

UBM is proactively and sustainably committed to a working environment free of discrimination and a culture of mutual respect and appreciation among all employees. The Company treats its employees equally – regardless of gender, social background, sexual orientation, nationality, religion or age. Any form of discrimination or harassment is categorically opposed.

More detailed information is available in a special, non-financial report that fulfils the legal requirements in accordance with Section 243b of the Austrian Commercial Code in conjunction with Section 267a of the Austrian Commercial Code. This report will be published in May 2018.

### **Diversity concept related to the composition of the Management Board and Supervisory Board**

With regard to the composition of the Management and Supervisory Boards, the Supervisory Board does not employ any particular diversity concept. UBM is working hard on increasing the percentage of women in management positions. Furthermore, employees are not discriminated against in any way – regardless of function and hierarchical level – on the basis of gender, social background, sexual orientation, nationality, religion or age. With this in mind, the Supervisory Board considers setting diversity targets for control bodies to be neither expedient nor useful. Educational and vocational background plays a significant role insofar as the person being considered for a Supervisory Board post must be in a position to optimally fulfil this mandate. These preconditions shall not be defined in advance in an abstract manner, but rather evaluated individually in each concrete instance. Therefore, when preparing the respective proposals for the Annual General Meeting, the competencies and the concrete needs in the respective employment situation are the only deciding factors. The Supervisory Board has decided that the same applies for the composition of the Management Board.

## **Remuneration report**

### **Remuneration of the Management Board**

The remuneration of the UBM Management Board consists of components which are not related to performance (fixed, pension fund/employee welfare fund), those which are performance-related (variable performance bonus), one-off payments and severance for members who have left the Management Board.

**Fixed remuneration:** The amount of the fixed salary of each Management Board member is based on the sphere of responsibility in accordance with the corporate plan on division of responsibilities. Any additional duties of or by Management Board members require the approval of the Supervisory Board. The fixed remuneration is paid as non-performance-linked, basic compensation on a monthly basis in the form of a salary. The Management Board members also receive additional, non-cash fringe benefits (company car, telephone, travel expenses), which are in principle equally available to all Management Board members.

**Variable/performance related remuneration:** The maximum value of the variable performance bonus for the Chairman of the Management Board amounts to 2.5% of the EBT up to a maximum of €300,000.00 gross per year. If the annual earnings meet or exceed the amount defined with the remuneration committee, the Chairman of the Management Board is entitled to the maximum amount of the variable performance bonus. If earnings are below the defined amount, he is entitled to an aliquot share.

The Management Board members Martin Löcker and Patric Thate receive a variable performance bonus under the aforementioned scheme, albeit up to a maximum of €200,000.00 gross per year. The former Management Board members Claus Stadler and Michael Wurzinger received a variable performance bonus for 2017, respectively amounting to €200,000.00 and €300,000.00 gross. In addition, Michael Wurzinger received a one-off payment of €200,000.00.

**Long-Term Incentive Programme for managers:** In 2017 UBM introduced a share-option programme for managerial staff and the Management Board. Under this scheme, those eligible had the right to make a personal investment in UBM shares at the latest by the point at which the options were granted. This personal investment has to remain in place without interruption until the options are exercised by the people participating in the option programme and proven upon exercising the option. For each personal investment share, five share options were allocated at a strike price of €36.33 per share. The options can be exercised in the period 1 September 2020 to 26 October 2020 or in the period 1 Sep-

tember 2021 to 26 October 2021, if (i) the unweighted average of the closing price of the UBM share is at least €40.00 on at least fifteen consecutive trading days in the period 2 September 2019 to 31 August 2020 and (ii) the ratio between the market capitalisation and net debt as of 31 December 2019 does not exceed 1:2.40.

**Pension regulations:** Annual payments are made to a pension fund for individual Management Board members. The amount paid in is based on the age of the member.

**D&O liability insurance:** D&O liability insurance covers the members of the Management Board, the cost of which is borne by the Company.

**Remuneration policy principles for significant subsidiaries:** The remuneration of the board members of significant subsidiaries also consists of components which are not related to performance and those which are performance-related. In addition, they receive non-cash fringe benefits (company car, telephone, travel expenses).

**Management Board remuneration 2017 (in €)**

Name	Salary	Variable gratuities <sup>1</sup>	Non-cash benefits	Pension fund/ employee welfare fund	Total
Thomas G. Winkler	450,000.00	300,000.00	11,520.00	9,737.92	771,257.92
Martin Löcker	300,000.00	200,000.00	11,520.00	17,634.21	529,154.21
Patric Thate <sup>2</sup>	150,000.00	100,000.00	2,936.48	2,008.02	254,944.50
Claus Stadler	199,999.99	200,000.00	5,760.00	5,172.16	410,932.15
Michael Wurzinger	291,666.67	500,000.00 <sup>3</sup>	7,666.06	14,218.58	813,551.31

<sup>1</sup> probable variable gratuities for 2017, payable in 2018

<sup>2</sup> since 1 July 2017

<sup>3</sup> €200,000.00 special bonus and €300,000.00 annual bonus

### Supervisory Board remuneration

In addition to the reimbursement of expenses and an attendance fee for every meeting, all Supervisory Board members receive an annual payment for their services. The amount of the attendance fee and the annual payment are determined by a resolution by the general shareholders' meeting. The general shareholders' meeting can also rule on a total amount of remuneration for the Supervisory Board and leave the Chairman of the Supervisory Board to decide how it is distributed.

If members of the Supervisory Board take on special activities in this function and in the interests of the Company, extra compensation for this can be approved by general shareholders' meeting resolution.

In the interests of the Company, Supervisory Board members are covered by an appropriate level of D&O liability insurance, the costs of which are borne by the Company.

The resolution of the Annual General Meeting on 25 May 2016 determined the following remuneration for members of the

Supervisory Board: the resolution states that the Chairman of the Supervisory Board shall receive fixed remuneration of €25,000.00 per year, the Deputy Chairman of the Supervisory Board shall receive fixed remuneration of €20,000.00 per year and the other members shall receive fixed remuneration of €15,000.00 per year. The attendance fee for meetings was set at €1,000.00 per meeting of the Supervisory Board or one of its committees. Members of the Supervisory Board who do not reside in Austria receive an additional reimbursement of tax at source settled by the Company. The fixed remuneration is due in arrears once a year, within four weeks of the Annual General Meeting. The attendance fee for meetings is due within the four weeks following the respective Supervisory Board meeting.

The Supervisory Board members appointed by the Works Council in accordance with Section 110 Paragraph 1 of the Labour Constitutional Act do not receive any additional payment for their work on the Supervisory Board.

### Supervisory Board remuneration 2017 (in €)

Name	Fixed remuneration <sup>1</sup>	Attendance fee for meetings
Karl-Heinz Strauss (Chair)	25,000.00	5,000.00
Iris Ortner (Deputy Chair)	20,000.00	5,000.00
Christian B. Maier	15,000.00	4,000.00
Klaus Ortner	15,000.00	5,000.00
Ludwig Steinbauer	15,000.00	5,000.00
Paul Unterluggauer	15,000.00	5,000.00
Bernhard Vanas	15,000.00	4,000.00
Susanne Weiss	15,000.00	4,000.00

<sup>1</sup> Payout within four weeks following the 2018 Annual General Meeting