

**Organizational Regulation**

**of**

**Varia US Properties AG**

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## Organizational Regulation of Varia US Properties AG

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The present organizational regulation (the "**Organizational Regulation**") has been drawn up by the board of directors of Varia US Properties AG (the "**Company**") on the basis of section 4 of the Company's articles of association (the "**Articles of Association**"), in their version dated 14 November 2016.

### Part I: The Board of Directors

#### 1.1 General

<sup>1</sup> The composition, the tasks, powers and obligations of the board of directors are subject to the provisions of the law, in particular articles 707–726 of the Swiss Code of Obligations (the "**CO**"), to the Articles of Association, to the resolutions of the general meeting of shareholders relating thereto and to the provisions of this Organizational Regulation.

<sup>2</sup> The board of directors (the "**Board**") is the ultimate managing body of the Company. Subject to mandatory law, the Board is authorized, as set forth in this Organizational Regulation, to delegate its duties and powers entirely or partly to individual members of the Board, to committees, or to third parties.

<sup>3</sup> Although the boards of directors of the subsidiaries are primarily responsible for the management of the subsidiaries of the Company (the "**Subsidiaries**"), the Organizational Regulation is in principle also applicable to the Subsidiaries. To the extent permitted by statute, the Board has powers of initiative, supervision and strategic decision towards the Subsidiaries.

<sup>4</sup> The Board ensures that it is regularly informed about the business of the Company and about any developments that may be relevant thereto. It deals with the reports and proposals submitted by the committees of the Board, the Executive Member (as defined below), and the Asset Manager (as defined below).

#### 1.2 Organization

The Board organizes itself, subject to the election of its chairman (the "**Chairman**") and the members of the Compensation Committee by the general meeting of shareholders of the Company (the "**General Meeting of Shareholders**"). It may designate a vice-chairman (the "**Vice-Chairman**") and an executive member (the "**Executive Member**") among its members. It may appoint a secretary (the "**Secretary**"), who does neither have to be a shareholder of the Company nor a member of the Board.

#### 1.3 Meetings

<sup>1</sup> The Board meets as often as business requires, but at least four times a year.

<sup>2</sup> A meeting of the Board shall be called by the Chairman or, in case of incapability of the Chairman, by the Vice-Chairman or, in case of incapability of the Vice-Chairman, by any member of the Board. Every member of the Board is entitled to request that a meeting of the Board be called by the Chairman.

<sup>3</sup> The Board shall be convened by letter, facsimile or email, at least ten days in advance; in case of emergency or with the consent of all members of the Board, the deadline may be shorter and/or may

be made by other convenient means of communication. The invitation shall indicate the date, time and place of the meeting as well as the order of business.

<sup>4</sup> The meetings of the Board shall be chaired by the Chairman or, in case of incapability of the Chairman, by the Vice-Chairman or, in case of incapability of the Vice-Chairman, by any member of the Board.

#### **1.4 Quorums and Resolutions**

<sup>1</sup> The presence of at least one of the members of the Board shall constitute a quorum. This shall also be sufficient for resolutions confirming capital increases and related amendments to the Articles of Association (sections 651a, 652g and 653g CO).

<sup>2</sup> Resolutions of the Board are adopted by the majority of the votes cast. All voting shall be open. In the event of a tie, the Chairman shall have the casting vote.

<sup>3</sup> Resolutions of the Board may also be passed by circular letter (including by e-mail or facsimile) unless a member requests oral deliberations. Provided that all members agree, board meetings may be held by telephone- or video-conference.

#### **1.5 Minutes**

<sup>1</sup> All resolutions shall be recorded in the Board's minutes. The minutes of the meetings shall be signed by the Chairman and by the Secretary or another member of the Board. If a meeting has not been chaired (entirely) by the Chairman, the minutes must be signed, in addition, by the member of the Board who has chaired (part of) the meeting. If the minutes are not taken (entirely) by the Secretary, the minutes must be signed, in addition, by the person who has taken (part of) the minutes.

<sup>2</sup> The minutes of each meeting of the Board must be approved at the next meeting of the Board. Circular resolutions must be reflected in the minutes of the next meeting of the Board.

### **Part II: Rights and Duties of the Members of the Board**

#### **2.1 Duty of Care and Loyalty**

The members of the Board shall carry out their duties with due care and shall duly safeguard the interests of the Company. Shareholders are to be treated equally under equal circumstances.

#### **2.2 Duty to Abstain**

<sup>1</sup> The members of the Board avoid all actions that would be or would appear to be contrary to the interests of the Company.

<sup>2</sup> The members of the Board shall abstain from exercising their voting rights in matters involving a conflict of interest (including with respect to interests of persons or legal entities with whom they are closely related). In such circumstances, any such member being in a position of conflict of interest is not allowed to take part in the deliberations on these matters, except to provide an opinion.

#### **2.3 Confidentiality**

The members of the Board shall keep confidential all information and documents obtained in connection with the exercise of their functions for the Company, including, but not limited to, all transactions or

other business activities or facts that concern the Company, the Subsidiaries, sister or parent companies and shareholders, which they have learnt in the exercise of their business activities and are not known to the public. The obligation to maintain secrecy remains in effect even after the concerned individuals have left the Company.

## **2.4 Right to Information and Consultation**

<sup>1</sup> Any member of the Board may request information about all matters concerning the Company.

<sup>2</sup> At the meetings, all members of the Board shall be obligated to provide the information.

<sup>3</sup> Apart from the meetings, any member may request from the Asset Manager (as defined below) or any other persons entrusted with the management information concerning the course of the business and, with the authorization of the Chairman, also information concerning specific matters.

<sup>4</sup> If the Chairman declines a request for information, a hearing, or an inspection, the Board shall decide. The member who has filed the request shall have the right to vote for this decision.

<sup>5</sup> Rules and resolutions of the Board expanding the right of members of the Board to information and of inspection are reserved.

## **2.5 Signing Authority**

All members of the Board shall be authorized to sign jointly with another member.

## **2.6 Remuneration**

<sup>1</sup> The members of the Board shall receive a fixed remuneration and an appropriate lump sum compensation for expenses incurred on behalf of the Company.

<sup>2</sup> The remuneration may be paid in cash or in the form of shares or options.

<sup>3</sup> Remunerations of Board members that are also employed by the Asset Manager (as defined below) may be paid indirectly by the Asset Manager. In any case, the remuneration paid to such Board members for their function as Board members shall be clearly distinguishable from any other remuneration they may receive from the Asset Manager or third parties.

## **Part III: Duties of the Board and Delegation**

### **3.1 Authority of the Board and Delegation of Asset Management**

<sup>1</sup> The Board may take decisions on all matters which by law or the Articles of Association are not reserved for the general meeting of shareholders.

<sup>2</sup> Subject to mandatory law, in particular subject to the non-transferable and inalienable duties set out in Section 3.2 hereafter and the provisions set out in the Ordinance against Excessive Compensation in Public Companies, and subject to the Articles of Association, the Board delegates the management of the Company's real estate portfolio to an asset manager (the "**Asset Manager**"). The duties assumed by the Asset Manager shall be regulated in an asset management agreement between the Company and the asset manager. The (amended and restated) asset management agreement in force on the

date hereof (the "**Asset Management Agreement**") was concluded on 15 November 2016 with Stoneweg SA.

<sup>3</sup> All competences and duties that are not delegated to the Asset Manager under the Asset Management Agreement remain with the Board and/or the Executive Member.

### **3.2 Non-transferable Duties**

Under mandatory law, the Board has the following non-transferable and inalienable duties:

1. the ultimate management of the Company and the giving of the necessary directives;
2. the establishment of the organization;
3. the structuring of the accounting system and of the financial controls as well as the financial planning insofar as this is necessary to manage the Company;
4. the appointment and removal of the persons entrusted with the management and the representation and determination of their signing authority;
5. the ultimate supervision of the persons entrusted with the management, in particular, in view of compliance with the law, the Articles of Association, regulations, and directives;
6. the preparation of the business report as well as the preparation of the general meeting of shareholders and the implementing of its resolutions;
7. the notification of the judge in the case of over-indebtedness;
8. the decisions upon subsequent performance of contributions on shares not fully paid in;
9. the decisions concerning the ascertainment of share capital increases and respective amendments to the Articles of Association.

### **3.3 Duties of the Board with regard to Investments**

The following duties with regard to investments of the Company shall remain with the Board in any event and must not be delegated by the Asset Manager:

1. definition of the investment strategy and the business policy, including budgeting, and definition of the principles of the investment policy, including the formal adoption of investment guidelines of the Company;
2. decision on the creation and winding-up of branches (if any);
3. supervision of the valuation of the assets;
4. appointment of the appraiser;
5. election, instruction and supervision of the Asset Manager.

### **3.4 Delegation of Duties to Executive Member**

Subject to mandatory law, in particular subject to the non-transferable and inalienable duties set out in Section 3.2 above, and subject to the Articles of Association, the Board delegates all operational and executive duties for which neither the Board nor the Asset Manager are responsible to the Executive Member. In particular, the Board delegates to the Executive Member all day-to-day operational, administrative and executive management tasks to be executed within the Company.

### **3.5 Internal Control System and Risk Management**

The Board shall set up and maintain an internal control and risk management system which shall ascertain compliance of the Company's business activities with applicable law, this Organizational Regulation and best practices.

## **Part IV: Additional Roles of Board Members**

### **4.1 The Chairman**

<sup>1</sup> The Chairman is responsible for the preparation, calling, organisation and chairing of the meetings of the Board. He or she makes sure that the meetings of the Board are efficient and productive.

<sup>2</sup> The Chairman chairs the general meetings of shareholders of the Company. Section 1.3 paragraph 4 hereof applies by analogy.

<sup>3</sup> The Chairman is entitled to request the presence of third parties, in an advisory capacity, at meetings of the Board.

<sup>4</sup> The Chairman makes sure that the members of the Board (and of committees thereof) receive all information necessary for the optimal performance of their duties in a timely and appropriate manner. The Chairman prepares regularly, for the Board's attention, an oral and at least once a year (or more often upon request of the Board) a written report on the conduct of business. Extraordinary incidents and measures taken shall immediately be brought to the Board members' attention.

<sup>5</sup> The Chairman is in charge of the outside representation of the Company.

<sup>6</sup> The Chairman further has all duties and competences bestowed upon him or her by statute, the Articles of Association and this Organizational Regulation.

### **4.2 The Executive Member**

<sup>1</sup> The Executive Member shall be designated by the Board.

<sup>2</sup> He or she shall have the executive responsibilities set out in section 3.4.

<sup>3</sup> The Executive Member assists the Chairman in making sure that the members of the Board (and of committees thereof) receive all information necessary for the optimal performance of their duties in a timely and appropriate manner.

<sup>4</sup> He or she is the person connecting the Board with the Asset Manager and other persons involved in the management of the Company.

## **Part V: Committees of the Board**

### **5.1 General Provisions**

<sup>1</sup> The Board may entrust committees with the preparation and implementation of all or some of its decisions, as well as with the supervision of certain matters.

<sup>2</sup> The committees are entitled to conduct investigations (or have investigations conducted on their behalf) in all matters of their competence. They may request the services of independent advisors and experts.

<sup>3</sup> The Board may designate *ad hoc* committees for specific matters and entrust them with preparation, supervision and/or decision powers in a determined area of competence.

### **5.2 Composition**

<sup>1</sup> The committees of the Board consist of a at least one member and each have a designated chairperson.

<sup>2</sup> Committee members are designated by the Board within the latter's own members. Article 4.5 of the Articles of Association is reserved.

<sup>3</sup> Members of the committees are elected individually for a term of one year ending at the conclusion of the next annual general meeting of shareholders.

### **5.3 Meetings**

<sup>1</sup> The committees of the Board meet as often as required for the fulfilment of their duties, upon calling by their respective chairpersons, but at least once a year. Section 1.3 hereof applies by analogy, with the exception of paragraph 1.

<sup>2</sup> Persons other than committee members may attend the meetings of a committee upon invitation from the chairperson of such committee (who shall, however, previously discuss the principle of such invitation with the Chairman of the Board).

### **5.4 Quorum and Resolutions**

<sup>1</sup> The committees may validly pass resolutions and vote proposals to the Board if at least half of their respective members are attending the meeting in person or by means of communication that allow direct discussion (e. g. telephone or audio-visual conference).

<sup>2</sup> The committees pass their resolutions and vote proposals to the Board at the majority of votes cast. Abstentions are not counted as votes cast. In case of equal votes, the chairpersons of the committees do not have a casting vote and the matter must be submitted to the Board.

<sup>3</sup> Decisions of the committees and proposals to the Board can also be made by way of approval of a written resolution. Section 1.4 paragraph 3 hereof applies by analogy.



## **5.5 Minutes**

<sup>1</sup> The discussions of the committees must be summarized and their decisions recorded in minutes signed by the chairman (or chairing member) thereof and by the person taking such minutes. Section 1.5 hereof shall apply by analogy. Every member of the Board shall receive a copy of the minutes of every meeting of each committee.

<sup>2</sup> On the occasion of every meeting of the Board, the committees shall inform the Board of their activities.

## **5.6 Compensation Committee**

<sup>1</sup> The duties and responsibilities of the Compensation Committee are set out in article 4.5 of the Articles of Association.

<sup>2</sup> The Compensation Committee is in particular (without limitation) in charge of:

- (a) Presenting motions to the Board in view of the next ordinary general meeting of shareholders with respect to the remuneration of the members of the Board;
- (b) Assisting the Board in the preparation of the remuneration report;
- (c) Implementing the resolutions passed by the general meeting of shareholders with respect to the remuneration of the members of the Board (including the Executive Member);
- (d) Assessing the principles of remuneration and presenting corresponding motions to the Board (in view of the next ordinary general meeting of shareholders);
- (e) Presenting motions to the Board regarding the issuance of compensation rules to be submitted to the general meeting of shareholders for approval.

## **5.7 Risk and Audit Committee**

<sup>1</sup> At least one member of the Risk and Audit Committee shall be knowledgeable in financial and accounting matters.

<sup>2</sup> The Risk and Audit Committee supports the Board in its supervisory function, in particular with respect to the completeness of the annual closing of accounts and financial statements, the compliance with legal requirements, the analysis of the qualification of the external auditors, the Asset Manager, and the external real estate appraiser as well as the performance of the external auditors, the Asset Manager, and the external real estate appraiser. It assesses the usefulness and suitability of the financial reporting, the internal control system and is responsible for the general supervision of business risks. It makes sure that a continued, efficient and productive communication regarding financial matters and the course of business exists between the Asset Manager, the Subsidiaries, the external real estate appraiser, and the external auditors.

<sup>3</sup> The Risk and Audit Committee is in particular (without limitation) in charge of:

- (a) Assisting the Board in fulfilling its duties of supervision of management in organising the accounting, the financial control and the financial planning;
- (b) Reviewing the outcome of the annual accounts and audit with the external auditor as well as issuing the necessary applications or recommendations to the Board;
- (c) Examining and submitting proposals to the Board regarding the approval of the annual and interim accounts of the Company (including significant off balance sheet positions);

- (d) Clearing of any differences of opinion between the Asset Manager, the external real estate appraiser and the auditors which may evolve in connection with the preparation of the annual financial statements;
- (e) Evaluating the external auditors with regard to the fulfilment of the necessary qualifications and independence according to the applicable legal provisions, and making proposals for the attention of the Board concerning the choice of the external auditors at the general meeting of shareholders;
- (f) Assessing the work done by the external auditors in office and approving the budget submitted by the external auditors for the audit work;
- (g) Assessing the work done by the Asset Manager and the external real estate appraiser;
- (h) Approving the necessary non revision-specific services provided by the external auditors;
- (i) Examining, reviewing and approving the accounting policies and the external auditing plan;
- (j) Reviewing the Company's compliance with financial laws, regulations, and reporting requirements;
- (k) Setting the guidelines for the Company's risk management system and internal control system and assessing the effectiveness of the risk management system and the internal control system;
- (l) Questioning the external auditor as to the significant risks, contingent liabilities and other fundamental obligations of the Company as well as assessing the measures taken by the Company to handle them;
- (m) Making a summary assessment of the annual business expenses incurred by the members of the Board and the Asset Manager.

<sup>4</sup> Upon invitation of the chairperson, the external auditors shall attend the meetings or the deliberation of individual agenda items. All members of the Risk and Audit Committee may request that the external auditors are consulted in the Risk and Audit Committees on specific matters.

## **Part VI: Financial Year**

The financial year of the Company starts on 1 January and ends on 31 December.

## **Part VII: Final Provisions**

### **7.1 Entry into Force**

The present Organizational Regulation has been adopted by the Board on 14 November 2016 and has become applicable as of 8 December 2016.

### **7.2 Amendments of the Organizational Regulation**

Resolutions of the Board concerning the amendment of the present Organizational Regulation or its attachments are taken by a majority of the Board members.

### **7.3 Implementing Provisions**

The Board may at any time issue implementing provisions relating to this Organizational Regulation.

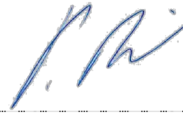
Zurich, 14 November 2016

For the Board



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Jaume Sabater



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Patrick Richard