

ORAVA RESIDENTIAL REAL ESTATE INVESTMENT TRUST

CORPORATE GOVERNANCE STATEMENT 2014

The Corporate Governance statement has been made according to recommendation 54 of the Finnish Corporate Governance Code issued by the Securities Market Association in 2010.

Orava Residential Real Estate Investment Trust (Orava Residential REIT) complies with the Finnish Limited Liability Companies Act, the Act on Real Estate Funds (1173/1997), the Act of REIT Tax Exemptions (299/2009), other regulations concerning publicly traded companies, Orava Residential REIT's own Articles of Association, Orava Residential REIT's own rules approved for financial supervision and the rules of NASDAQ OMX Helsinki Ltd. In addition, Orava Residential REIT complies with the Finnish Corporate Governance Code issued by the Securities Market Association in 2010. The Corporate Governance Code is publicly available at www.cgfinland.fi.

Duties and responsibilities of executive bodies

As required by the Finnish Companies' Act the highest decision-making bodies at Orava Residential REIT are shareholders at the General Meeting, the Board of Directors, and the President and CEO of the company.

General Meeting

The highest decision-making power at Orava Residential REIT is vested in the General Meeting. According to the company's Articles of Association, the Annual General Meeting must be held each year before the end of June, on a date set by the Board. The General Meeting of Orava Residential REIT is summoned by the company's Board of Directors. Orava Residential REIT's Memorandum of association was signed on the 30th of December 2010.

In the General Meeting shareholders decide on the adoption of the financial statements, the use of the profit shown in the balance sheet, the discharge from liability of the Board members as well as the President and CEO, the number of Board members and the remuneration paid to the Board members and auditors. The General Meeting elects the Board members and, whenever necessary, the auditor and deputy auditors or the public accounting firm. In addition, any other business mentioned in the notice of the meeting is dealt with during the General Meeting.

Board of Directors

As specified in the Articles of Association, the General Meeting elects a minimum of three and a maximum of eight Board members. The Board members are elected for one year at a time so that the term of office for all Board members ends at the close of the following year's Annual General Meeting.

The Board of Directors confirmed the written charter on the 30th of December 2010 that specifies the Board's duties, business to be handled, meeting practices and the decision-making processes. The duties and responsibilities of the Board of Directors are primarily defined by the Finnish Limited Liability Companies Act and the Articles of Association of Orava Residential REIT.

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The Board of Directors controls and supervises the operational management of the company. The Board of Directors is responsible for ensuring that the company's accounting and financial management are properly organized.

According to the written charter, the Board of Directors handles and decides on all matters that are financially, commercially or fundamentally significant to the company's operations. The Board of Directors appoints and discharges the President and CEO, and decides on the terms and conditions of employment for the President and CEO, confirms the Group's strategy, budget, corporate structure, major corporate arrangements and investments. Furthermore, the Board of Directors approves and confirms the principles of risk management. The Board of Directors regularly evaluates its own operations and working practices.

The Board also carries out a self-assessment in relation to its operations and working practices once a year. The Board of Directors elects a Chairman and a Vice Chairman from among its members.

According to Orava's Memorandum of Association four Board members were elected : Mr. Jouni Torasvirta as the Chairman, Mr. Tapani Rautiainen as the Vice Chairman, Mr. Veli Matti Salmenkylä and Mr. Timo Valjakka. Fifth member Mr. Mikko Larvala was elected at the Extraordinary General Meeting 19 June 2013 and sixth member Mr. Peter Ahlström at Extraordinary General Meeting 20 September 2013. As a general rule, the Board of Directors convenes once a month and additionally, whenever necessary. Mr. Tapani Rautiainen and Mr. Timo Valjakka are independent of the company and Mr. Jouni Torasvirta and Mr. Veli Matti Salmenkylä are independent of the company's significant shareholders. Mr. Mikko Larvala and Mr. Peter Ahlström are independent of the company and of the company's significant shareholders. During 2014 the Board has convened 23 times. Orava's Board members represent broad experience in real estate and finance.

Remuneration paid to the Board of Directors is confirmed in advance by the Annual General Meeting. Members of the Board of Directors were paid monthly 900 euros and the Chairman 1,500 euros. In addition, members were paid 300 euros and the Chairman 600 euros for each meeting. Members of the Board are not in an employment relationship with the company.

Fees paid to the Board members and their percentage of attendance in 2014 were:

	1,000 euros	%
Jouni Torasvirta	29	100
Peter Ahlström	16	100
Mikko Larvala	16	100
Tapani Rautiainen	15	87
Veli Matti Salmenkylä	16	100
Timo Valjakka	16	96

Board Committees

There are no permanent committees within the Board of Directors.

President and CEO

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The President and CEO is responsible for ensuring that the company's accounting is legally arranged and that the company's financial management is reliably organized.

The Board of Directors has confirmed a written charter that specifies the President and CEO's duties. According to the written charter, the President and CEO is responsible for ensuring that the objectives, strategies, future plans, outlines and goals set by the Board of Directors are implemented and achieved by the company. The President and CEO prepares the issues to be decided by the Board of Directors and executes the decisions made. The President and CEO is appointed by the Board of Directors.

The President and CEO is not in an employment relationship with the company. The Fund Management Company, Orava Funds plc, is responsible for the terms and conditions of President and CEO's employment. The Management of Orava REIT is part of the Orava Funds' business line organization. From 28.2.2011 on Mr. Veli Matti Salmenkylä has been acting as President and CEO.

The Fund Management Company Orava Funds plc

Orava Funds plc was elected as a Fund Management Company for Orava REIT. The Fund Management Services Agreement was approved on the 30th December 2010 and after amendments was signed on the 1st March 2011. The main changes were concerning personnel costs of Orava REIT. The Fund Management Company will be liable for all personnel costs.

The Management of Orava Funds prepares the company's business strategy and budget and monitors results and operations. The management also considers investments and divestments of strategic significance to the REIT, as well as the REIT's operational guidelines and reporting. During the year, the results of the operations relative to the budget and operating plan are reported monthly to the Board of Orava REIT, and the causes of any deviations, as well as the measures taken to correct them, are properly documented.

Asset and property management

Asset and property management and lettings, as well as financial administration, are outsourced to Newsec Asset Management Ltd and Ovenia Ltd. The Agreement with Newsec was signed on 31 December 2010 and with Ovenia on 25 June 2015. Fees paid to Newsec Asset Management Ltd and Ovenia Ltd in 2014 amounted to 480 thousand euros.

Auditing

According to the Finnish Auditing Act, statutory audits comprise the auditing of the accounts, financial statements, the Board's report and administration. The General Meeting must be provided with an auditor's report including an opinion on whether the financial statements provide correct and sufficient information about the company's result and financial position at the close of the financial year. The auditor reports to the Board of Directors on his work and observations. PricewaterhouseCoopers Ltd acts as the auditor for Orava, with Mr Eero Suomela (APA) being the principal auditor.

The auditing fees paid to the auditors in 2014 amounted to 67 thousand euros.

Internal control and risk management

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Internal control comprises all processes that are designed to provide reasonable assurance regarding the achievement of the company's objectives in the following matters: the efficiency of operations, cost-effective use of resources, reliability of financial reporting and compliance with the laws and regulations as well as internal company principles and policies. Internal control is an essential part of Orava REIT's corporate governance. Orava REIT's Board of Directors is responsible for internal control and management of Orava Funds take part in internal control processes.

The objective of Orava's internal control is to ensure that:

- the company's operations are efficient and profitable
- financial and operational information is reliable
- the entire company complies with the regulations and policies.

Risk management is an important part of Orava's internal control. The two are integrated on the process level. Risk management refers to the systematic process of identifying, evaluating and controlling risks due to external factors as well as risks arising from the company's own activity. Risks are considered a normal part of business operations. Orava's risk management system aims at minimizing the detrimental impacts of any risks on the company's profit. The Board of Directors has ratified the principles of risk management defining the risk management objectives and general practices, and also the tasks and responsibilities connected with risk management.