

## SUPERVISORY BOARD

(from left to right)  
Axel Salzmann

Alexander HeBe  
Vice-chairman

Elisabeth Stheeman

Michael Zahn  
Chairman

Dr Claus Nolting

Dr Michael Bütter



## **DEAR SHAREHOLDERS, DEAR SIR OR MADAM,**

The Supervisory Board is as young as TLG IMMOBILIEN AG. The Supervisory Board was first appointed on 5 September 2014, when TLG IMMOBILIEN GmbH became a stock corporation (Aktiengesellschaft), and it has accompanied the Company along its successful path ever since.

### **MONITORING OF THE MANAGEMENT**

The 2014 financial year was characterised by the Company's change of legal status and by the preparation and execution of its successful IPO. The Supervisory Board played an active role in these processes by advising and coordinating with the Management Board. In doing so, in 2014 the Supervisory Board fulfilled the responsibilities incumbent upon it in line with the law, Articles of Association and rules of procedure.

Overall, it was closely involved with the work of the Management Board, regularly advised it on the management of the Company, carefully monitored it and ensured that the management of the Company was legally compliant, proper and appropriate. The Management Board fulfilled its duty to provide information by providing the Supervisory Board with regular, prompt and comprehensive reports on all relevant matters of strategy, planning, business development, risk, risk development, risk management and compliance. Even between meetings, the Management Board submitted written reports on specific issues and explained certain matters. Furthermore, the Management Board kept the Chairman of the Supervisory Board continuously informed of current business developments, upcoming decisions and long-term perspectives and considerations with regard to future developments, and discussed such matters with him.

As described in more detail below, the Supervisory Board was promptly and directly involved in all decisions of fundamental importance to the Company. The Supervisory Board examined transactions requiring its approval and discussed each one with the Management Board (such as the appointment of two managing directors in a subsidiary and the acquisition of a property in Berlin).

### **COMPOSITION OF THE SUPERVISORY BOARD**

The general meeting held on 5 September 2014 adopted the change of structure of the Company from a GmbH to an AG. At the first general meeting of the shareholders of TLG IMMOBILIEN AG, Mr Michael Zahn, Mr Alexander Heße and Dr Claus Nolting were elected to the Supervisory Board. At the second general meeting, held on 25 September 2014, Ms Elisabeth Stheeman, Mr Axel Salzmänn and Dr Michael Bütter were also elected to the Supervisory Board. In line with Article 11.1 of the Articles of Association, the Supervisory Board of the Company has consisted of six members ever since.

In the 2014 financial year, the Supervisory Board convened three times – on 8 September 2014, 1 October 2014 and 25 November 2014 – in order to fulfil its duties. Of these meetings, two were in person, namely on 8 September 2014 and 25 November 2014. The other meeting on 1 October 2014 was a teleconference. Additionally, whenever necessary the Supervisory Board

members coordinated outside of meetings by phone, by email and in person. The three Supervisory Board members elected so far took part in the Supervisory Board meeting on 8 September 2014; all six Supervisory Board members took part in the other two meetings in the 2014 financial year.

At its meetings, the Management Board promptly briefed the Supervisory Board in detail on turnover, earnings, liquidity, budget planning and the current course of business of the Company and the Group, including the Company's risk situation, risk management, compliance, strategic objectives and all major organisational and staff changes. At various Supervisory Board meetings, the Management Board reported on the economic, financial and strategic situation of the Company and Group, the Company's growth strategy and major developments and events, including any ongoing legal disputes.

In the committees and in Plenum, the members of the Supervisory Board always had sufficient opportunity to critically evaluate the reports and proposals of the Management Board and voice their own suggestions. In particular, the Supervisory Board discussed all significant transactions with reference to written and verbal reports from the Management Board and reviewed their plausibility.

In the 2014 financial year, matters relating to the successful IPO of the Company were naturally of special significance. The consultations centred on the general business, economic and financial conditions as well as matters of corporate governance and special responsibilities assigned to the Supervisory Board, i.e. the conclusion of the Management Board's contracts. The Supervisory Board discussed the organisation of the Company with the Management Board, reviewed the effectiveness of the organisation, risk management and the company-wide compliance system and discussed key issues of strategy and business policy with the Management Board. Especially in connection with the IPO, the discussions focused on the strategic orientation of the Company.

In the Supervisory Board meeting held on **8 September 2014**, Mr Michael Zahn was appointed Chairman of the Supervisory Board and Mr Alexander Heße was appointed Vice-chairman. Additionally, Mr Peter Finkbeiner and Mr Niclas Karoff were elected to the Management Board of the new TLG IMMOBILIEN AG at this meeting. Furthermore, the rules of procedure for the Supervisory and Management Boards were also adopted, the legal signatories were confirmed and the Chairman of the Supervisory Board was authorised to conclude the employment contracts for the members of the Management Board. The particulars of the Management Board members' contracts were discussed in this context. Following the discussions on the rules of procedure for the Management Board and the allocation of the various divisions, the Supervisory Board discussed the reasonable composition of the Management Board (in terms of diversity). In light of the German law on equal opportunities for men and women in managerial positions in public and private companies, the Supervisory Board will address the issue of having a fair proportion of women as it will be responsible for defining goals designed to increase the number of women on the Supervisory and Management Boards and for setting deadlines for these goals.

On **1 October 2014**, all six members of the Supervisory Board convened as part of a teleconference and approved the election of the Chairman and Vice-chairman of the Supervisory Board. Additionally, at this meeting the Supervisory Board established a presidential and nomination committee and an audit committee and elected their members. Additionally, the Supervisory Board passed necessary resolutions in connection with the IPO; in particular, the authority to conclude an underwriting agreement, publish the prospectus and define a price range and issue price was transferred to the presidential and nomination committee.

On the meeting held on **25 November 2014**, the Supervisory Board engaged the auditor for the annual financial statements for 2014 and approved the acquisition of the property Adlgerstell in Berlin, after discussing statistics such as the WALT and financing for the property. Furthermore, the Supervisory Board discussed the current course of business, i.e. portfolio developments, letting statistics and acquisitions made by the Company, as well as the corporate plan.

#### COMMITTEES OF THE SUPERVISORY BOARD

For the purposes of the efficient allocation of tasks, as described above, the following committees were formed to perform the tasks of the Supervisory Board effectively: (1.) Presidential and nomination committee (2.) Audit committee.

The presidential and nomination committee consists of Mr Michael Zahn (Chairman), Mr Alexander Heße and Dr Michael Bütter. This committee convened by telephone four times in 2014 and its work included the necessary resolutions in connection with the IPO; in this regard, the pricing agreement and the definition of the issue price in particular were approved by the Management Board of TLG IMMOBILIEN AG. In the meeting of the presidential and nomination committee held on 8 October 2014, the legal advisor of the Company provided information on the progress of the IPO and explained the particulars of the prospectus, the underwriting agreement and the cost-sharing agreement. In the meeting of the presidential and nomination committee held on 23 October 2014, the committee discussed matters including the ongoing book-building process and the Company's capital increase.

The audit committee consists of Mr Axel Salzmann (Chairman), Mr Michael Zahn and Ms Elisabeth Stheeman. The committee met on **25 November 2014** and, in particular, issued its recommendation to engage the auditor. The committee also discussed the quarterly report published on 30 September 2014, the insurance of the Company and the Company's property measurement methods.

The Supervisory Board received regular updates on the work of the committees.

#### CORPORATE GOVERNANCE

The Management and Supervisory Boards are committed to the principles of good corporate governance as set out in the recommendations of the commission "Regierungskommission Deutscher Corporate Governance Kodex". As part of preparing the reports on the 2014 financial year, the Management and Supervisory Boards first submit a declaration of compliance on behalf of TLG IMMOBILIEN AG in accordance with Section 161 of the German Stock Corporation Act (AktG). This is printed in the annual report for 2014 (see page 45) and is also published in the Investor Relations section of the website of TLG IMMOBILIEN, [www.tlg.eu](http://www.tlg.eu).

Additionally, information on the aspects of corporate governance relevant to the Supervisory Board can be found in the corporate governance report, which is available online at <http://ir.tlg.de/websites/tlg/English/7100/corporate-governance-report-and-management-declaration.html>.

The remuneration of the members of the Supervisory Board is set out and enumerated for each member in the remuneration report, which is printed on page 83 et seq. of the annual report.

In the 2014 financial year, the Supervisory Board addressed potential conflicts of interest on the part of its members and coordinated on how to deal with such conflicts. In the reporting year, the Supervisory Board did not detect any potential conflicts of interest on the part of a member of the Supervisory Board.

### CHANGES IN THE MEMBERS OF THE SUPERVISORY BOARD

In the general meeting held on 5 September 2014, Mr Michael Zahn, Mr Alexander Heße and Dr Claus Nolting were elected to the Supervisory Board. In the general meeting held on 25 September 2014, the following people were also elected to the Supervisory Board: Ms Elisabeth Stheeman, Mr Axel Salzmann and Dr Michael Bütter.

### CHANGES IN THE MEMBERS OF THE MANAGEMENT BOARD

By resolution of the Supervisory Board on 8 September 2014, Mr Peter Finkbeiner and Mr Niclas Karoff were appointed to the Management Board of TLG IMMOBILIEN AG.

### AUDIT OF THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The general meeting and the Supervisory Board appointed EY Ernst & Young Wirtschaftsprüfungsgesellschaft auditor for the 2014 financial year. The Supervisory Board negotiated the audit contract, specified focal points of the audit and awarded the contract. The audit focal points were as follows:

#### ANNUAL FINANCIAL STATEMENTS (HGB)/CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

- ▼ Internal control system, requirements for capital market-oriented companies
- ▼ Measurement of real estate assets and associated reversals of write-downs
- ▼ IPO, accounting for the costs of the IPO
- ▼ Remuneration of the Management Board

The auditor has audited the financial statements and management report – including disclosures on accounting methods – of TLG IMMOBILIEN prepared by the Management Board as at 31 December 2014 in line with the provisions of the German Commercial Code (HGB) and given them unqualified opinions. Pursuant to Section 315a HGB, the consolidated financial statements of the Company were prepared on the basis of the International Financial Reporting Standards (IFRS) as adopted by the European Union. The auditor also gave these consolidated financial statements and the Group management report unqualified opinions. Furthermore, the auditor concluded that the Management Board has implemented a reasonable system of information and monitoring whose design and execution is capable of detecting developments that could threaten the continuation of the Company.

The auditor carried out the audit with consideration for the generally accepted accounting principles established by the German Institute of Auditors (IDW) and with consideration for the International Standards on Auditing (ISA).

The Supervisory Board meeting to discuss the annual financial statements for the 2014 financial year took place on 29 April 2015. The financial statements, consolidated financial statements, audit reports and all other templates and meeting reports were issued to, and carefully perused by, the members of the Supervisory Board in the run-up to this meeting. These documents were discussed in detail in the Supervisory Board meeting. The auditor participated in the meeting, reported on the progress of the audit and its results, and answered questions, provided additional information and engaged in discussions concerning the documents. Additionally, in this meeting the Management Board explained the financial statements of TLG IMMOBILIEN AG and the Group, as well as the risk management system.

Previously, in its meeting on 29 April 2015, the audit committee had discussed the financial statements and audit reports in detail with the auditor and subjected them to careful examination. It is of the opinion that the reports meet the statutory provisions, especially those of Sections 317 and 321 HGB. The committee reported to the Supervisory Board on the audit and recommended that it approve the financial statements and consolidated financial statements.

In the knowledge of, and with consideration for, the audit reports of the auditor, and in coordination and discussion with the auditor, the Supervisory Board examined the financial statements, consolidated financial statements and each management report and approved the outcome of the audit by the auditor. On the basis of its own audit of the financial statements, consolidated financial statements and each management report, the Supervisory Board ultimately concluded that it had no objections. In this meeting to discuss the annual financial statements, it accepted the recommendation of the audit committee and approved the financial statements and consolidated financial statements for the 2014 financial year with each management report. The financial statements for 2014 are therefore adopted (Section 172(1) AktG).

The audit committee discussed the Management Board's proposed appropriation of the net retained profits in depth, especially with consideration for the development of earnings, the budget and the interests of the shareholders. After this discussion and an internal investigation, the audit committee approved the Management Board's proposed appropriation of the net retained profits. In its meeting to discuss the statement of financial position, after carrying out an internal investigation, the entire Supervisory Board approved the Management Board's proposal to recommend to the general meeting that the net retained profits from the 2014 financial year be used to distribute a dividend of EUR 0.25 per no-par-value share.

The Supervisory Board would like to thank the members of the Management Board and all employees of the Company for their outstanding commitment, their hard work to advance the interests of the Company and for the extraordinary success they achieved in the 2014 financial year.

Berlin, 29 April 2015  
For the Supervisory Board



Michael Zahn  
Chairman of the Supervisory Board