

5.3 REMUNERATION REPORT

The Compensation Report explains the structure and the amount of remuneration allocated to the Management and Supervisory Boards. It complies with the statutory regulations and the recommendations of the German Corporate Governance Code.

5.3.1 Foreword

In the 2014 financial year, the current members of the Management Board had management contracts until 23 October 2014. By resolution of the Supervisory Board on 8 September 2014, Mr Finkbeiner and Mr Karoff were appointed to the Management Board of TLG IMMOBILIEN, which was formed on 5 September 2014 upon the notarisation of the change of legal status to an Aktiengesellschaft (which came into effect once entered into the commercial register on 10 September 2014).

When the shares of the company became available to trade on the Frankfurt Stock Exchange (24 October 2014), the members of the Management Board received new contracts which the Chairman of the Supervisory Board, Mr Michael Zahn, was authorised to conclude by resolution of the Supervisory Board on 8 September 2014.

The new contracts remained in force for 2015.

5.3.2 Management Board remuneration system

The remuneration system factors in the joint and personal work of the members of the Management Board to ensure sustainable corporate success. The remuneration system is based on performance and success, in which regard long-term orientation, suitability and sustainability are key criteria.

The remuneration of the Management Board comprises a fixed remuneration component (base remuneration), a variable remuneration component with a short-term incentive (STI) and a variable remuneration component with a long-term incentive (LTI), although no LTI was paid or provided in 2014.

In its meeting on 29 April 2015, the Supervisory Board set out the initial values for the LTI for 2015.

in EUR k	Peter Finkbeiner	Niclas Karoff
Basic remuneration	300	300
Short-term variable remuneration (STI)	200	200
Long-term variable remuneration (LTI)	250	250
Total remuneration	750	750

Fixed remuneration component

The base remuneration is paid out to the members of the Management Board in twelve equal monthly instalments.

On top of the base remuneration, the members of the Management Board receive predefined additional benefits¹.

¹ Due essentially to the perks of the private use of the company car and payments towards two households as a result of company requirements

Furthermore, the company has taken out industrial accident insurance which pays benefits if a member of the Management Board should become ill or die (in which case the benefits are paid to the member's surviving dependants), pension insurance and financial loss liability insurance (D&O insurance). Under the Corporate Governance Code, the D&O insurance policy features a statutory excess which, if a claim is filed, consists of 10% of the claim, up to 1.5 times the fixed annual remuneration of the member of the Management Board in question.

Short-term incentive (STI)

The achievement rate, which is determined by comparing the progress of the member of the Management Board after one year, is the basis of the calculation of the short-term incentive.

The annual targets are defined by means of a joint agreement on objectives for the members of the Management Board; this agreement is to be proposed by the Supervisory Board for the current financial year by the time the financial statements for the financial year ended are prepared and agreed between the Supervisory Board, represented by its Chairman, and the members of the Management Board.

The achievement rate for the short-term incentive must be at least 70% and is capped at 130%. The achievement rate increases on a straight-line basis between 70% and 130%. With a 100% achievement rate, the members of the Management Board each receive 100% of the bonus.

At the end of each financial year, the Supervisory Board determines the rate of joint achievement for the members of the Management Board.

The short-term incentive is payable in the salary statement issued for the month after the preparation of the financial statements.

Long-term incentive (LTI)

In addition to a short-term incentive, the members of the Management Board are entitled to a long-term incentive based on the long-term performance of the company. The achievement rate for the long-term incentive is based on the achievement of the agreed targets at the end of every four-year period and is determined by assessing the level of progress towards the targets.

The key parameters for the long-term incentive are the performance of the EPRA NAV (per share and in EUR) – as defined in the prospectus published for the IPO – of the company (NAV per share) from 1 January of the first of the four years to 31 December of the last of the four years (NAV development), as well as the performance of the company's shares in relation to the FTSE EPRA/NAREIT Europe Index (or a similar index) from 1 January of the first of the four years to 31 December of the last of the four years (relative strength index). The parameters are weighted against one another in a ratio of 50% (NAV development) and 50% (relative strength index).

The NAV development is defined in a corridor of between 100% (no increase in the NAV per share) and 250% (corresponds to a 150% increase in the NAV per share). With an achievement rate of 100%, the member of the Management Board will receive 100% of the portion of the bonus attributable to the NAV development. The achievement rate increases on a straight-line basis between 100% and 250%. Under 100%, the achievement rate of the member of the Management Board for the portion attributable to the NAV development will fall by the percentage by which the target was missed; the achievement rate is capped at 250%.

The relative strength index is defined in a corridor of between 100% (i.e. the shares of the company performed the same as the index) and 250% (i.e. the shares of the company performed 1.5 times better than the index) relative to the index. With an achievement rate of 100%, the member of the Management Board will receive 100% of the portion of the bonus attributable to the relative strength index. The achievement rate increases on a straight-line basis between 100% and 250%. Under 100%, the achievement rate of the member of the Management Board for the portion attributable to the relative strength index will fall by the percentage by which the target was missed; the achievement rate is capped at 250%.

The long-term incentive is paid to the member of the Management Board with the salary statement issued for the month after the preparation of the financial statements in the fourth financial year.

The Supervisory Board is entitled to award shares in the company in lieu of some or all of the cash payment. The company is entitled to introduce a share options programme – which has yet to be defined and which is of the same economic value to the member of the Management Board – to replace the long-term incentive.

Total remuneration of the Management Board in 2015 and 2014

The current members of the Management Board each received a proportional bonus from the shareholders in the form of a special payment totalling EUR 1.05 m and a transfer of shares to the value of EUR 0.3 m for the successful IPO of the company. The payment was made by LSREF II East AcquiCo S.à r.l. and Delpheast Beteiligungs GmbH & Co. KG. Due to the disposal of all the shares of the former shareholder in 2015, each member of the Management Board received additional shares worth EUR 1.16 m.

In the 2015 and 2014 financial years, the members of the Management Board did not receive any advances or credit.

Benefits received

in EUR k	Peter Finkbeiner		Niclas Karoff	
	2015	2014	2015	2014
Fixed remuneration	300	300	300	300
Fringe benefits	82	80	25	16
Subtotal of fixed remuneration	382	380	325	316
Bonus ¹	1,163	1,350	1,163	1,350
Short-term variable remuneration (STI) ²	200	0	200	170
Long-term remuneration (LTI)	0	0	0	0
Subtotal of variable remuneration	1,363	1,350	1,363	1,520
Total remuneration	1,745	1,730	1,688	1,836

¹ The bonus for the IPO was paid by the shareholders of TLG IMMOBILIEN AG.

² Under his management contract, only Mr Karoff was paid variable remuneration by TLG IMMOBILIEN GmbH in 2014. Mr Finkbeiner had a claim against Hudson Advisors Germany GmbH.

Bonuses paid¹

in EUR k	Peter Finkbeiner				Niclas Karoff			
	2015	2015 min.	2015 max.	2014	2015	2015 min.	2015 max.	2014
Fixed remuneration	300	300	300	300	300	300	300	300
Fringe benefits	82	82	82	80	25	25	25	18
Subtotal of fixed remuneration	382	382	382	380	325	325	325	318
Bonus ²	0	0	0	2,200	0	0	0	2,200
Short-term variable remuneration (STI) ³	200	0	260	150	200	0	260	150
Long-term variable remuneration (LTI)	387	0	625	0	387	0	625	0
Subtotal of variable remuneration	587	0	885	2,350	587	0	885	2,350
Total remuneration	969	382	1,267	2,730	912	325	1,210	2,668

¹ In 2014, the bonuses were paid under the management contracts with TLG IMMOBILIEN GmbH.

² Without consideration for any changes in value resulting from fluctuations in the TLG IMMOBILIEN share price

³ Only a minimum was contractually agreed in 2014.

Total earnings from the company according to HGB

in EUR k	Peter Finkbeiner		Niclas Karoff	
	2015	2014	2015	2014
Fixed remuneration	300	300	300	300
Fringe benefits	82	80	25	18
Subtotal of fixed remuneration	382	380	325	318
Short-term variable remuneration (STI)	200	150	200	150
Long-term variable remuneration (LTI)	0	1,232	0	1,232
Subtotal of variable remuneration	200	1,382	200	1,382
Total remuneration	582	1,762	525	1,700

Ongoing pensions were paid to two former managing directors in 2014 and 2015. The expenses totalled EUR 0.149 m in 2014 and EUR 0.151 m in 2015.

Payments in the event of premature termination of employment

Severance packages

If the contract of a member of the Management Board is terminated prematurely, payments to that member of the Management Board may not exceed the value of two years' worth of remuneration (the severance payment cap) or the value of the remuneration for the remaining term of the contract. The severance payment cap is calculated on the basis of the total remuneration for the past full financial year and if appropriate also the expected total remuneration for the current financial year (see recommendation 4.2.3 of the German Corporate Governance Code). If a change of control should result in the termination of a Management Board member's contract, that member shall receive a settlement equal to 150% of the severance payment cap.

Death benefits

If the member of the Management Board should die during the term of the contract, the remuneration – including STI and LTI – shall be determined up to the date of the termination of contract as a result of death and disbursed to the member's surviving dependants in line with the management contract. Furthermore, as joint creditors the widow and children – up to the age of 25 – shall be entitled to the continued payment of all remuneration for the rest of the month in which the member died plus the three following months.

Supervisory Board remuneration system

The Supervisory Board was established on 5 September 2014. In line with the Articles of Association, all Supervisory Board remuneration is payable at the end of each financial year. Members of the Supervisory Board who have only been part of the Supervisory Board or one of its committees for part of the financial year will receive proportional remuneration for that financial year.

The members of the Supervisory Board receive fixed basic annual remuneration of EUR k 30. The Chairman of the Supervisory Board (Mr Michael Zahn) receives 200% of this amount (EUR k 60) and the Vice-Chairman (Mr Alexander Heße) receives 150% of this amount (EUR k 45). Members of the presidential and nomination committee (Mr Michael Zahn [Chairman], Mr Alexander Heße, Dr Michael Bütter) or the audit committee (Mr Axel Salzmann [until June 2015, also Chairman], Mr Helmut Ullrich [from August 2015, also Chairman], Mr Michael Zahn [until August 2015], Ms Elisabeth Stheemann and Dr Claus Nolting [from September 2015]) receive fixed annual base remuneration of EUR k 5. The Chairman of each committee (Mr Zahn for the presidential and nomination committee and Mr Salzmann for the audit committee until June 2015 and Mr Helmut Ullrich from August 2015) receives 200% of this amount (EUR k 10).

Supervisory Board remuneration in detail

Remuneration paid or to be paid pro rata to the members of the Supervisory Board for the 2015 financial year:

in EUR k	Supervisory Board	Presidential and nomination committee	Audit committee	VAT	Total
Michael Zahn	60,000.00	10,000.00	3,333.33	13,933.33	87,266.66
Axel Salzmann	15,000.00	0.00	5,000.00	3,800.00	23,800.00
Helmut Ullrich	12,500.00	0.00	4,166.67	3,166.67	19,833.34
Elisabeth Stheemann	30,000.00	0.00	5,000.00	0.00	35,000.00
Dr Michael Bütter	30,000.00	5,000.00	0.00	6,650.00	41,650.00
Dr Claus Nolting	30,000.00	0.00	1,666.67	6,016.67	37,683.34

In the 2015 financial year, Mr Heße waived his claim to remuneration for work on the Supervisory Board.

Additionally, the members of the Supervisory Board and its committees receive a fee of EUR 1,500 per meeting day for personally participating in meetings.

A D&O group insurance policy was also taken out for the members of the Management and Supervisory Boards; this policy contains an excess that meets the requirements of § 93 (2) line 3 AktG and recommendation 3.8 (3) in connection with 3.8 (2) of the Code.