

# CORPORATE GOVERNANCE REPORT AND DECLARATION ON CORPORATE GOVERNANCE

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In this declaration, TLG IMMOBILIEN AG (also referred to as “the Company”) reports on the principles of management pursuant to § 289a of the German Commercial Code (HGB) and on corporate governance pursuant to § 161 of the German Stock Corporation Act (AktG) and recommendation 3.10 of the German Corporate Governance Code (“the Code”). Besides a declaration of compliance with the Code, the declaration contains information on management practices as well as the composition and methods of the Management Board and Supervisory Board and Supervisory Board committees.

## IMPLEMENTATION OF THE CODE

Corporate governance denotes the responsible management and control of a company with a view to generating value over the long term. The management and the corporate culture of TLG IMMOBILIEN AG comply with the statutory provisions and – with a few exceptions – the supplementary recommendations of the Code. The Management Board and Supervisory Board feel committed to ensuring good corporate governance, and all divisions of the Company adhere to this objective. The Company focuses on values such as expertise, transparency and sustainability.

In the 2016 financial year, the Management Board and Supervisory Board worked carefully to meet the requirements of the Code. They factored in the recommendations to the Code from 5 May 2015 and, in March 2017, pursuant to § 161 AktG, they issued their declaration of compliance with the recommendations of the Code for the 2016 financial year accompanied by statements regarding the few deviations. The declaration is available on the website of the Company <http://ir.tlg.eu/corporategovernance>.



## DECLARATION OF COMPLIANCE

In March 2017, the Management Board and Supervisory Board of the Company issued the following joint declaration of compliance pursuant to § 161 AktG:

“The Management Board and Supervisory Board of TLG IMMOBILIEN AG declare that, in the 2016 financial year, TLG IMMOBILIEN AG has fulfilled the recommendations of the amended Code dated 5 May 2015, with the exceptions of recommendation 4.2.1 (no spokesperson for the Management Board) and recommendation 5.4.1 (regular limit of length of membership for the members of the Supervisory Board). Furthermore, the Management Board and Supervisory Board of TLG IMMOBILIEN AG intend to meet all of the recommendations of the Code in the future, excluding the following exceptions described below.

**RECOMMENDATION 4.2.1 OF THE CODE:****THE MANAGEMENT BOARD SHALL HAVE A CHAIRPERSON OR SPOKESPERSON**

Recommendation 4.2.1 (1), line 1, of the Code recommends that the Management Board consist of several people and have a chairperson or spokesperson.

The Company does not believe that it would be advisable to appoint a Management Board chairperson or spokesperson in light of the corporate governance system in place within the Company. As the Management Board consists of just two members, and given their long-term, collegial collaboration, the members of the Management Board are able to work together closely and productively.

**RECOMMENDATION 5.4.1 OF THE CODE:****REGULAR LIMIT OF LENGTH OF MEMBERSHIP FOR THE MEMBERS OF THE SUPERVISORY BOARD**

In accordance with recommendation 5.4.1 (2), line 1, of the Code, the Supervisory Board should specify a regular limit of length of membership for the members of the Supervisory Board.

The Company does not consider such a regular limit appropriate. For the Supervisory Board to be functional and effective, it must consist of a healthy mixture of experienced and newly appointed members. Experienced, long-standing members of the Supervisory Board lose neither their independence nor their access to new ideas through the passage of time alone. The general diversity for which recommendation 5.4.1 of the Code calls must also apply in terms of the length of membership of members of the Supervisory Board and therefore the experience of its members. The specification of a regular limit of length of membership contradicts this call.

Furthermore, the Company voluntarily fulfils the recommendations of the version of the Code dated 5 May 2015, with the following exception:

Under recommendation 2.3.3 of the Code, the Company should make it possible for shareholders to follow the general meeting using modern communication media (e.g. the Internet).

In order to preserve the nature of the general meeting as a face-to-face meeting between the shareholders, the Company has opted not to follow this recommendation. Instead, the Company publishes the results of votes and the presentation of the Management Board on its website.

**MANAGEMENT PRACTICES**

The management practices of TLG IMMOBILIEN AG are as follows:

**WORKING METHODS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD**

As an Aktiengesellschaft ("stock corporation") incorporated under German law, TLG IMMOBILIEN AG has a dual management system consisting of the Management Board and the Supervisory Board. The Management Board and Supervisory Board work closely together to further the interests of the Company. The Management Board manages the Company whilst the Supervisory Board advises and monitors it. The shareholders of TLG IMMOBILIEN AG exercise their rights in the general meeting.

**MANAGEMENT BOARD**

The Management Board is responsible for the management of the Company in line with the statutory provisions, the Articles of Association and the rules of procedure for the Management Board. It is obliged to serve the interests of the Company. The Management Board develops the strategy of the Company, coordinates it with the Supervisory Board and ensures that it is implemented. It is also responsible for reasonable risk management and control and for submitting regular, prompt and comprehensive reports to the Supervisory Board.