

4. CORPORATE GOVERNANCE

4.1. DECLARATION ON CORPORATE GOVERNANCE

The declaration on corporate compliance to be issued pursuant to § 289a and § 315 (5) HGB and the corporate governance report are available online at <http://ir.tlg.eu/corporategovernance>. Pursuant to § 317 (2) line 4 HGB, the disclosures under § 289a and § 315 (5) HGB are not included in the audit carried out by the auditor.



4.2 PROPORTION OF WOMEN

Following the entry into force of the German act on equal participation of women and men in executive positions in the private and the public sector on 1 May 2015, listed companies are obliged to set future targets for the proportion of women on their management and supervisory boards as well as on the two management levels below the management board, and to set implementation deadlines within which they intend to reach their target proportion of women (targets and implementation deadlines).

Therefore, under § 111 (5) AktG, the Supervisory Board must set the targets and implementation deadlines for the Management and Supervisory Boards of the Company. With regard to the maximum duration of the deadlines, the first deadline to be set may not extend beyond 30 June 2017.

In its meeting on 25 September 2015, the Supervisory Board decided the following:

The minimum proportion of women on the Supervisory Board of TLG IMMOBILIEN AG is 16.67%, and the proportion of women may not fall below this target before 30 June 2017.

Initially, the minimum proportion of women on the Management Board of TLG IMMOBILIEN AG shall remain at 0% for the implementation deadline ending on 30 June 2017. Both members of the Management Board are male.

In line with § 76 (4) AktG, the Management Board must set the targets and implementation deadlines for the proportion of women on the first and second management levels beneath the Management Board. With regard to the maximum duration of the deadlines, the first deadline to be set may not extend beyond 30 June 2017.

In its meeting on 30 September 2015, the Management Board decided the following:

In line with § 76 (4) AktG, the minimum proportion of women on the first management level below the Management Board is 11.11% and the minimum proportion of women on the second management level below the Management Board is 30%; neither may fall below this target before 30 June 2017.

4.3 REMUNERATION REPORT

The remuneration 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.

4.3.1 Foreword

The Supervisory Board defines the total salary of each member of the Management Board and adopts the remuneration system for the Management Board and examines it regularly.

The remuneration system has not changed since 2014.

4.3.2. 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), which was provided for the first time in 2015.

The Supervisory Board set out the initial levels of the LTI for 2015 in its meeting on 29 April 2015 and for 2016 in its meeting on 29 March 2016.

in EURk	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 benefits.¹ 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 German Corporate Governance Code, the D&O insurance policy features a statutory deductible 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

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.

¹ Essentially the non-cash benefit of private use of the company car as well as payments for a dual household that is necessary for business reasons

Long-term incentive

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 2016 and 2015

For successfully disposing of all of the shares of the former shareholders LSREF II East AcquiCo S.à r.l. and Delpheast Beteiligungs GmbH & Co. KG in 2015, each member of the Management Board received shares worth EUR 1.16 m.

In the 2016 and 2015 financial years, the members of the Management Board did not receive any advances or credit.

Benefits received in EUR k	Peter Finkbeiner		Niclas Karoff	
	2016	2015	2016	2015
Fixed remuneration	300	300	300	300
Fringe benefits	86	82	27	25
SUBTOTAL of fixed remuneration	386	382	327	325
Bonus ¹	0	1,163	0	1,163
Short-term variable remuneration (STI)	260	200	260	200
Subtotal of variable remuneration	260	1,363	260	1,363
Total remuneration	646	1,745	587	1,688

¹ The bonus for the full sale of the shares was paid by the shareholders of TLG IMMOBILIEN AG.

Bonuses paid in EUR k	Peter Finkbeiner				Niclas Karoff			
	2016	2016 min.	2016 max.	2015	2016	2016 min.	2016 max.	2015
Fixed remuneration	300	300	300	300	300	300	300	300
Fringe benefits	86	86	86	82	27	27	27	25
Subtotal Fixed remuneration	386	386	386	382	327	327	327	325
Short-term variable remuneration (STI)	200	0	260	200	200	0	260	200
Long-term variable remuneration (LTI)	299	0	625	387	299	0	625	387
Subtotal of variable remuneration	499	0	885	587	499	0	885	587
Total remuneration	885	386	1,271	969	826	327	1,212	912

Total earnings from the company according to the German Commercial Code (HGB) in EUR k	Peter Finkbeiner		Niclas Karoff	
	2016	2015	2016	2015
Fixed remuneration	300	300	300	300
Fringe benefits	86	82	27	25
Subtotal of fixed remuneration	386	382	327	325
Short-term variable remuneration (STI)	260	200	260	200
Total remuneration	646	582	587	525

Current pensions were paid to two former managing directors in 2015 and 2016. The expenses totalled EUR 0.2 m in 2015 and EUR 0.2 m in 2016.

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.

Mr Alexander Heße, Vice Chairman of the Supervisory Board, resigned from his position on the Supervisory Board on 31 May 2016 and did not claim any remuneration for 2016.

The members of the Supervisory Board receive fixed basic annual remuneration of EURk 30. The Chairman of the Supervisory Board (Mr Michael Zahn) receives 200% of this amount (EURk 60). Members of the presidential and nomination committee (Dr Michael Bütter) or the audit committee (Ms Elisabeth Stheeman, Dr Claus Nolting) receive fixed basic annual remuneration of EURk 5. The Chairman of each committee (Mr Michael Zahn for the presidential and nomination committee and Mr Helmut Ullrich for the audit committee) receives 200% of this amount (EURk 10).

Supervisory Board remuneration in detail

Remuneration paid or to be paid to the members of the Supervisory Board for the 2016 financial year:

in EURk	Supervisory Board	Presidential and nomination committee	Audit committee	Capital measures committee	Attendance fees	VAT	Total
Michael Zahn	60,000.00	10,000.00	0.00	1,000.00	7,500.00	14,915.00	93,415.00
Alexander Heße	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Helmut Ullrich	30,000.00	0.00	10,000.00	500.00	7,500.00	9,120.00	57,120.00
Elisabeth Stheeman	30,000.00	0.00	5,000.00	0.00	7,500.00	0.00	42,500.00
Dr Michael Bütter	30,000.00	5,000.00	0.00	500.00	9,000.00	8,455.00	52,955.00
Dr Claus Nolting	30,000.00	0.00	5,000.00	0.00	6,000.00	7,790.00	48,790.00

In the 2016 financial year, Mr Heße waived his claim to remuneration for work on the Supervisory Board.

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