

CORPORATE GOVERNANCE REPORT AND DECLARATION ON CORPORATE GOVERNANCE

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, the composition and methods of the Management and Supervisory Boards and Supervisory Board committees, as well as information on other significant corporate governance structures.

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 and Supervisory Boards of TLG IMMOBILIEN AG feel committed to corporate governance; all divisions of the Company adhere to it. We focus on values such as expertise, transparency and sustainability.

In the 2015 financial year, the Management and Supervisory Boards worked carefully to meet the standards of the Code. They factored in the amendments to the Code from 5 May 2015 and, in March 2016, pursuant to § 161 AktG, they issued their declaration of compliance with the recommendations of the Code for the 2015 financial year accompanied by statements regarding the few deviations. The declaration is available to shareholders and interested investors alike at <http://ir.tlg.eu/declaration-of-compliance>.



DECLARATION OF COMPLIANCE

In March 2016, the Management and Supervisory Boards of the Company issued the following joint declaration of compliance pursuant to § 161 AktG:

The Management and Supervisory Boards of TLG IMMOBILIEN AG declare that 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), recommendation 5.4.1 (with regard to the limit on the term of membership of the Supervisory Board) and recommendation 7.1.2 line 4 (shorter publication deadlines for financial reports in the 2015 financial year). Furthermore, the Management and Supervisory Boards 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 of the Code recommends that the Management Board consist of several people and have a chairperson or spokesperson.

Due to the size and composition of the Management Board, the chosen structure ensures good, close cooperation among its members.

Recommendation 5.4.1 of the Code: concrete objectives regarding the composition of the Supervisory Board

Pursuant to recommendation 5.4.1 of the Code, the Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of recommendation 5.4.1 of the Code, an age limit to be specified for the members of the Supervisory Board and diversity. In listed companies that are subject to the German Co-Determination Act (MitbG), the German Coal and Steel Industry Co-Determination Act (MontanMitbestG) or the German Co-Determination Amendment Act (MitbErgG), the Supervisory Board must consist of at least 30% women and 30% men. In other companies that are subject to the German General Equal Treatment Act (AGG), the Supervisory Board determines the minimum proportion of women. Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account and the concrete objectives of the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report.

The Supervisory Board has addressed these objectives in detail. Specifically, in the **meeting held on 25 September 2015**, it presented its objectives in terms of the composition of, and the minimum proportion of women on, the Supervisory Board. In 2015, recommendation 5.4.1 of the Code was amended to the effect that, in the future, the term of membership on the Supervisory Board must be limited. Such an objective has not yet been set.

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. Internet). In order to preserve the nature of the general meeting as a face-to-face meeting between our shareholders, the company has opted not to follow this recommendation.

MANAGEMENT PRACTICES

The management practices of TLG IMMOBILIEN AG are as follows:

Working methods of the Management and Supervisory Boards

As an Aktiengesellschaft incorporated under German law, TLG IMMOBILIEN AG has a dual management system consisting of the Management Board and Supervisory Board. The Management and Supervisory Boards work closely together to further the interests of the Company. In this context, the Management Board is responsible for management, and the role of the Supervisory Board involves control, monitoring and consultation. The shareholders of TLG IMMOBILIEN AG exercise their rights in the general meeting.

Management Board

The Management Board is responsible for the management of TLG IMMOBILIEN AG in line with the statutory provisions, the Articles of Association and the rules of procedure for the Management Board. Obligated to generate long-term value, it serves 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 within the Company and for submitting regular, prompt and comprehensive reports to the Supervisory Board.

The Management Board performs its management duties as a collegial body. The Board's overall responsibility for general management notwithstanding, the members of the Management Board manage the divisions to which each has been assigned by the Management Board on their own authority. The divisions are divided between the members of the Management Board as set out in the business distribution plan. Under this plan, Mr Peter Finkbeiner is responsible for finance, controlling, accounting, investor relations, legal, IT/organisation and human resources, and Mr Niclas Karoff is responsible for investments, disposals, portfolio/asset management, marketing/public relations and branches (acquisition and sale, property management, project development). Both members of the Management Board are jointly responsible for the auditing division.

The work of the Management Board is governed in more detail by rules of procedure which assign responsibilities from a functional perspective. The rules of procedure for the Management Board were most recently amended by the Supervisory Board in November 2015. The rules of procedure stipulate that the strategic orientation of the Company and the strategic allocation of resources in particular are determined by the entire Management Board. Additionally, the rules of procedure stipulate that measures and transactions which are of extraordinary significance to the Company and/or TLG IMMOBILIEN Group companies, or which involve an extraordinarily high economic risk, require the prior approval of the entire Management Board. Furthermore, the rules of procedure require certain transactions of fundamental significance to be approved by the Supervisory Board or one of its committees in advance. The Articles of Association also stipulate that transactions of fundamental significance require the approval of the Supervisory Board.

The Management Board provides the Supervisory Board with regular, prompt and comprehensive reports on all relevant matters of strategy, planning, business development, risk, risk management and compliance.

Supervisory Board

The Supervisory Board monitors, controls and advises the Management Board. It works closely with the Management Board to further the interests of the Company and is involved in decisions of fundamental importance to the Company.

Its rights and duties are determined by the statutory provisions, the Articles of Association and the rules of procedure for the Supervisory Board dated 8 September 2014. It appoints and dismisses the members of the Management Board and, together with the Management Board, ensures long-term succession planning. It works both in plenary sessions and in committees (see below). The committees work to improve the efficiency of the Supervisory Board's activities. The chairpersons of the committees regularly report to the Supervisory Board on the work of their committees. In line with its rules of procedure, the Supervisory Board must convene at least twice every six months. Otherwise, it convenes as often and as soon as the interests of the Company demand. Four Supervisory Board meetings are currently scheduled for the 2016 calendar year.

The members of the Supervisory Board are selected in particular by virtue of their expertise, abilities and professional experience, which they will need in order to carry out their work. Only persons who will still be under the age of 75 as of the date of appointment may stand for election to the Supervisory Board of the Company. In its rules of procedure, the Supervisory Board has set itself the requirement that at least one independent member of the Supervisory Board must be an expert in either accounting or auditing (§ 100 (5) AktG). Furthermore, the rules of procedure stipulate that a member of the Supervisory Board who also belongs to the management board of a listed company may not be a member of more than two other supervisory boards of listed companies or companies with similar requirements which do not belong to the TLG IMMOBILIEN Group in which the Management Board activities are being performed. Additionally, members of the Supervisory Board may not perform any executive functions or serve as consultants for major competitors of the TLG IMMOBILIEN Group. Diversity must also be taken into account. The Company has followed the specific recommendations of recommendation 5.4.1 (2) and (3) of the Code, which concern the composition of the Supervisory Board under certain criteria, the inclusion of these objectives in the recommendations of the Supervisory Board and the publication of the objectives and their implementation status in the Corporate Governance Report, with the exception that the limit on the term of membership on the Supervisory Board set out in recommendation 5.4.1 of the Code since 2015 has not been defined.

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.

The Supervisory Board currently consists of five men and one woman. This is equivalent to a rounded 16.67% representation of women. Both members of the Management Board are male.

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.

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.

The first management level below the Management Board currently consists of eight men and one woman. This is equivalent to an 11.11% representation of women.

The second management level below the Management Board currently consists of four men and five women. This is equivalent to a 55.56% representation of women.

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%; the proportion of women on these management levels may not fall below this target before 30 June 2017.

Composition of the Management and Supervisory Boards

Pursuant to the Articles of Association, the Management Board consists of at least two people. The Supervisory Board, which appoints the members, specifies the number of members. In the 2015 financial year, the Management Board consisted of two members. The Management Board has no chairperson.

Pursuant to the Articles of Association, the Supervisory Board consists of six members. It is not subject to any employee participation. All of the members are elected by the general meeting as representatives of the shareholders.



Pursuant to § 285 No. 10 HGB, more information on the members of the Management and Supervisory Boards can be found in the notes to the annual financial statements of TLG IMMOBILIEN AG (page 60–62).

Collaboration between the Management and Supervisory Boards

The Management and Supervisory Boards work closely together to further the interests of the Company. The intensive and ongoing dialogue between the Boards is the basis for efficient and effective corporate governance. The Management Board develops the strategy of TLG IMMOBILIEN AG, coordinates it with the Supervisory Board and ensures that it is implemented. The Management and Supervisory Boards regularly meet to discuss the implementation of the strategy. The Chairperson of the Supervisory Board is in regular contact with the Management Board and discusses matters of strategy, planning, business development, risk, risk management and compliance with it. The Management Board immediately informs the Chairperson of the Supervisory Board of any major events of significance to the analysis of the Company's situation and development and to the management of the Company and its Group companies. The Chairperson of the Supervisory Board then immediately informs the Supervisory Board and, if necessary, convenes an extraordinary Supervisory Board meeting.

The Articles of Association and the rules of procedure for the Management Board stipulate that transactions of fundamental significance require the approval of the Supervisory Board.

The members of the Management Board must immediately reveal any conflicts of interests to the Supervisory Board and their fellow Management Board members. Likewise, significant transactions between members of the Management Board or related parties and the Company require the approval of the Supervisory Board, as does the commencement of secondary employment outside of the Company.

A D&O group insurance policy was 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) Code.

Committees of the Supervisory Board

In the 2015 financial year, the Supervisory Board had two committees: the presidential and nomination committee and the audit committee. Other committees can be formed if necessary.

The presidential and nomination committee provides advice on its areas of expertise and prepares resolutions for the Supervisory Board. In particular, it prepares the resolutions of the Supervisory Board on the following matters:

- a) Appointing and dismissing members of the Management Board;
- b) Concluding, amending and terminating the employment contracts of members of the Management Board;
- c) The structure of the remuneration system for the Management Board, including the key contractual elements and the total remuneration for each member of the Management Board;
- d) Supervisory Board recommendations for the general meeting in connection with the election of suitable members of the Management Board;
- e) Principles of financing and investments, including the capital structure of TLG IMMOBILIEN Group companies and dividend payments;
- f) Principles of acquisition and disposal strategies, including the acquisition and disposal of individual shareholdings of strategic significance.

The presidential and nomination committee regularly advises the Management Board on long-term succession planning.

Presidential and nomination committee

As at March 2016, the presidential and nomination committee consisted of Mr Michael Zahn, Mr Alexander Heße and Dr Michael Bütter. The Chairperson of the Supervisory Board is also the Chairperson of the presidential and nomination committee.

Audit committee

The audit committee predominantly monitors the accounting process, the effectiveness of the internal control system and audit system, the audit of the financial statements – especially the independence of the auditor – the additional services rendered by the auditor, the selection of an auditor, the identification of main audit points, the auditor's fee and compliance.

The audit committee prepares the resolutions of the Supervisory Board on the annual financial statements (and, if necessary, also the consolidated financial statements), i.e. it is primarily responsible for the preliminary audit of the documents of the financial statements and consolidated financial statements, the preparation of their approval/adoption and the proposed appropriation of profits by the Management Board. Furthermore, the audit committee prepares the agreements with the auditor (especially the awarding of the audit contract, the definition of focal points for the audit and the agreed fees) as well as the appointment of the auditor by the general meeting. This also involves the verification of the necessary degree of independence, in which regard the audit committee takes reasonable steps to determine and monitor the independence of the auditor. In lieu of the Supervisory Board, the audit committee approves contracts with auditors for additional consultancy services if such contracts require consent under the Articles of Asso-

ciation or the rules of procedure for the Management Board. The audit committee discusses the principles of compliance, risk documentation, risk management and the suitability and effectiveness of the internal control system with the Management Board. Four audit committee meetings are currently scheduled for the 2016 calendar year.

As at 30 March 2016, the audit committee consisted of Mr Helmut Ullrich (Chairman), Ms Elisabeth Stheeman and Dr Claus Nolting. The Chairman of the audit committee is independent and has particular knowledge and experience in the application of GAAP and internal control processes, and therefore meets the requirements of § 100 (5) AktG. The members of the audit committee are experts in accounting and auditing, and the composition of the committee meets all independence requirements in terms of the European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC), OJEU L 52 of 25 February 2005, page 51, as well as the recommendation of the Code.

The Management Board has not formed any committees. However, as a collegial body, it performs its management duties whereby individual organisational units have been assigned to each member of the Management Board.

General meeting and shareholders

As set out by the Articles of Association, the shareholders of TLG IMMOBILIEN AG can exercise their rights in the general meeting, including their voting rights. Every share grants one vote.

The annual general meeting takes place annually, within the first eight months of the financial year. The agenda of the general meeting and the reports and documents required for the general meeting are published on the website of TLG IMMOBILIEN AG.

Fundamental resolutions are passed in general meetings, including resolutions on the appropriation of profits, the dismissal of Management and Supervisory Board members, the election of members to the Supervisory Board, the appointment of the auditor, amendments to the Articles of Association and measures affecting the capital of the Company. The general meeting is a good opportunity for the Management and Supervisory Boards to come face to face with the shareholders and discuss the future course of the Company.

In order to make it easier for them to exercise their rights, TLG IMMOBILIEN AG provides its shareholders with a proxy, who is bound to follow their instructions; the proxy remains available during the general meeting. The invitation to the general meeting explains how instructions can be issued in the run-up to the general meeting. Additionally, the shareholders are free to have an authorised representative of their choice represent them in the general meeting.

OTHER CORPORATE GOVERNANCE

REMUNERATION OF THE MANAGEMENT BOARD

The remuneration system for the Management Board is regularly the subject of consultation, examination and revision in the plenary sessions of the Supervisory Board.

The contracts of the members of the Management Board of TLG IMMOBILIEN AG contain fixed and variable components. For all members of the Management Board, the variable remuneration is adapted to the requirements of § 87 (1) line 3 AktG. It is contingent on the achievement of economic targets for the Company and is predominantly based on multi-year assessment principles. The variable remuneration is only payable if the course of business was sufficiently positive. The remuneration structure has been designed to ensure sustainable corporate development and it optimises the risks and rewards of the variable remuneration.



The full remuneration report of TLG IMMOBILIEN AG for the 2015 financial year is available on the website of the Company at <http://ir.tlg.eu/remuneration-report>.

REMUNERATION OF (EXECUTIVE) EMPLOYEES

In January 2015, a long-term incentive programme was introduced for executives and other individual employees whose incentives, like a share option scheme, are based on external factors such as the performance of the FTSE EPRA/NAREIT Europe Index and the development of its factors, over a period of four years. The calculations and defined targets of this programme comply with the long-term incentive regulations of the Management Board, which are set out in the remuneration report published at <http://ir.tlg.eu/remuneration-report>.



REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board was set out in § 13 of the Articles of Association by the general meeting. The members of the Supervisory Board receive fixed annual remuneration of EUR 30,000. The Chairperson of the Supervisory Board receives double this amount and the Vice Chairperson receives one and a half times this amount. Additionally, every member of the Supervisory Board receives fixed remuneration of EUR 5,000 per financial year for their membership in the audit committee of the Supervisory Board. The Chairperson of the Supervisory Board receives double this amount. Every member of the Supervisory Board receives fixed remuneration of EUR 5,000 per financial year for their membership in the presidential and nomination committee. The Chairperson of the Supervisory Board receives double this amount. Additionally, every member of the Supervisory Board receives an attendance fee of EUR 1,500 every time they attend a physical meeting of the Supervisory Board and its committees in person. Expenses are reimbursed. Additionally, the Company provides the members of the Supervisory Board with insurance cover at its own expense as part of a D&O group insurance policy for corporate bodies and managers. In this context, an excess in line with the requirements of recommendation 3.8 (3) in connection with 3.8 (2) of the Code was agreed for the members of the Supervisory Board.

No performance-based remuneration is paid to the members of the Supervisory Board. The remuneration report contains a breakdown of the remuneration of the Supervisory Board for each member.

REPORTABLE SECURITY TRANSACTIONS AND SHAREHOLDINGS OF THE MANAGEMENT AND SUPERVISORY BOARDS



Under § 15a of the German Securities Trading Act (WpHG), the members of the Management and Supervisory Boards of TLG IMMOBILIEN AG, including related parties, are obliged to disclose transactions involving shares of TLG IMMOBILIEN AG or financial instruments relating to said shares within five working days. The Company immediately publishes these transactions after they are reported to it. These transactions are published on the Company's website at http://ir.tlg.de/websites/tlg/English/3400/directors_-dealings.html.

COMPLIANCE AS A SIGNIFICANT MANAGERIAL RESPONSIBILITY

In order to ensure adherence to the code of conduct and standards of the Code, as well as the statutory provisions, TLG IMMOBILIEN AG has appointed a compliance officer and a capital market compliance officer. The former informs the management and employees of any relevant general legal circumstances. The latter maintains the insider list of the Company and informs the management, employees and business partners of the consequences of breaches of insider trading regulations.

REASONABLE RISK AND OPPORTUNITY MANAGEMENT

For TLG IMMOBILIEN AG, responsible conduct in the face of opportunities and risks is of fundamental importance. This is ensured by comprehensive opportunity and risk management which identifies and monitors significant opportunities and risks. This system is continuously enhanced and adapted based on the changing general conditions.



More-detailed information is available in the report on the position of the company and of the Group: the risk management of TLG IMMOBILIEN AG is presented from page 84 of the report on the position of the company and of the Group, strategic opportunities are described on page 94 and information on Group accounting can be found on page 117 of the notes.

COMMITTED TO TRANSPARENCY



As part of ongoing investor relations, at the start of the year, all dates of importance to shareholders, investors and analysts are marked in the financial calendar for the duration of each financial year. The financial calendar, which is updated continuously, is available on the Company's website at <http://ir.tlg.de/websites/tlg/English/6000/financial-calendar.html>.

The Company provides information to shareholders, analysts and journalists in line with holistic criteria. The information is transparent and consistent for all market participants. Ad hoc announcements, press releases and presentations of press and analysts' conferences are immediately published on our website.



Insider information (ad hoc publicity), voting rights notifications and security transactions involving members of the Management and Supervisory Boards or their related parties (directors' dealings) are immediately published by TLG IMMOBILIEN AG in line with the statutory provisions. These are also published on the Company's website at http://ir.tlg.de/websites/tlg/English/3400/directors_-dealings.html.

FINANCIAL REPORTING

Once again, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was appointed auditor and Group auditor for 2015 by the general meeting. Before the general meeting, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft issued a declaration that there were no business, financial, personal or other relationships between the auditor, its bodies or audit managers and the Company or the members of its bodies which could bring its independence into question.

As set out in the declaration of compliance with recommendation 7.1.2 of the Code, TLG IMMOBILIEN AG intends to adhere to the Code's publication deadlines of 90 days after the financial statements for the consolidated financial statements and 45 days after the end of the reporting period for interim reports.

MORE INFORMATION

More information on the activities of the Supervisory Board and its committees, and on its collaboration with the Management Board, is available in the report of the Supervisory Board.