

# 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 Sec. 289f of the German Commercial Code (HGB) and on corporate governance pursuant to Sec. 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 2019 financial year, the Management Board and Supervisory Board worked carefully to meet the requirements of the Code. They factored in the recommendations of the Code from 7 February 2017 and, pursuant to Sec. 161 AktG, they issued their declaration of compliance with the recommendations of the Code for the 2019 financial year accompanied by statements regarding the few deviations. The declaration is published on the company’s website at <https://ir.tlg.eu/declaration-of-compliance>.



## DECLARATION OF COMPLIANCE

In November 2019, the Management Board and Supervisory Board of the company issued the following joint declaration of compliance pursuant to Sec. 161 of the German Stock Corporation Act (AktG):

The Management Board and Supervisory Board of TLG IMMOBILIEN AG declare that TLG IMMOBILIEN AG (the “company”) has fulfilled the recommendations of the amended German Corporate Governance Code dated 7 February 2017 (published on 24 April 2017 and corrected on 19 May 2017) (the “Code”) since the last declaration of compliance in March 2019, subject to the following exceptions, and intends to fulfil all of the recommendations in the future.

**RECOMMENDATION 4.2.1 SENTENCE 1 OF THE CODE: THE MANAGEMENT BOARD SHALL HAVE A CHAIR OR SPOKESPERSON**

Recommendation 4.2.1 (1) sentence 1 of the Code recommends that the Management Board have a chair or spokesperson.

Until the appointment of Mr Barak Bar-Hen as Chairperson of the Management Board and CEO of the company, the company had opted for a dual leadership model by appointing a CFO and a COO and relied on the two members of the Management Board to work together closely and productively and allocate fields of responsibility properly.

Following the appointment of Mr Barak Bar-Hen as Chairperson of the Management Board and CEO as at 3 June 2019, the company has a Management Board consisting of three persons with the traditional CEO-CFO-COO structure and has met the specifications of recommendation 4.2.1 sentence 1 of the Code ever since.

**RECOMMENDATION 5.1.2 (2) SENTENCE 3 OF THE CODE: THE SUPERVISORY BOARD SHALL SPECIFY AN AGE LIMIT FOR THE MEMBERS OF THE MANAGEMENT BOARD**

According to recommendation 5.1.2 (2) sentence 3 of the Code, the Supervisory Board shall specify an age limit for the members of the Management Board.

The company does not consider the specification of a general age limit a reasonable criterion for the selection of suitable Management Board members. An age limit is not currently an issue between the persons currently appointed to the Management Board. Additionally, with regard to decisions affecting the composition of a functional, effective Management Board, the appointment of a member with many years of experience can be in the interest of the company, rendering the specification of a general age limit unreasonable in the eyes of the company, regardless of the candidate in question.

**RECOMMENDATION 5.4.1 (4) SENTENCE 1 OF THE CODE: CONSIDERATION FOR TARGETS FOR THE SHARE OF FEMALE MEMBERS**

According to recommendation 5.4.1 (4) sentence 1 of the Code, proposals by the Supervisory Board to the general meeting shall take the targets for the share of female members on the Supervisory Board into account.

In its meeting on 23 May 2017, the Supervisory Board set the target proportion of women on the Supervisory Board at 16.67%. The Supervisory Board is not currently meeting this target and was unable to take these targets into account in its proposals to the general meeting due to a lack of available female candidates.

**RECOMMENDATION 5.4.3 SENTENCE 3 OF THE CODE: PROPOSED CANDIDATES FOR THE SUPERVISORY BOARD CHAIR**

According to recommendation 5.4.3 sentence 3 of the Code, proposed candidates for the Supervisory Board Chair shall be announced to the shareholders.

Due to the multitude of positions and candidates up for election with regard to the Supervisory Board in the 2019 annual general meeting, it was not possible to coordinate potential candidates for the Supervisory Board Chair in advance. After the end of the general meeting, the newly elected Supervisory Board elected its Chair from within its own ranks in its constitutive meeting.

Furthermore, the company voluntarily fulfils the recommendations of the Code with the following exception:

According to recommendation 2.3.3 of the Code, the company should make arrangements to allow shareholders to follow the general meeting using modern means of communication (e.g. the Internet). In order to preserve the character of the general meeting as a personal meeting of its shareholders, the company has decided not to follow this recommendation. Instead, the results of votes and the presentation of the Management Board are published on the company's website.

## MANAGEMENT PRACTICES

TLG IMMOBILIEN AG is managed in the following way:

### 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. They work closely together to further the interests of the company. The Management Board runs 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 accordance 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.

The Management Board performs its management duties as a collegial body in which the members of the Management Board hold the same voting rights. The Board's overall responsibility for 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. Mr Barak Bar-Hen is the CEO of the Management Board. The divisions are divided between the members of the Management Board as set out in the rules of procedure for the Management Board. Mr Gerald Klinck is responsible for finance, controlling, accounting, investor relations, legal, IT/organisation and human resources. Mr Jürgen Overath is responsible for investments, portfolio/asset management, marketing and public relations, acquisitions and disposals, property management and development projects. All 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. The rules of procedure stipulate that the strategic orientation of the company and the strategic allocation of resources are determined by the entire Management Board. Additionally, measures and transactions which are of extraordinary significance to the company and/or Group companies, or which involve an extraordinarily high economic risk, require the prior approval of the entire Management Board. Furthermore, the rules of procedure and Articles of Association require certain transactions of fundamental significance to be approved by the Supervisory Board or one of its committees in advance.

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 and advises the Management Board. It works closely with the Management Board to further the interests of the company and is involved in all decisions of fundamental importance.

Its rights and duties are determined by the statutory provisions, the Articles of Association, the rules of procedure for the Supervisory Board and the rules of procedure for the Management Board. 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 (more details 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 whenever the interests of the company require it. Four Supervisory Board meetings are currently scheduled for the 2020 calendar year.

In particular, the members of the Supervisory Board are selected by virtue of their expertise, abilities and professional suitability. In its rules of procedure and profile of skills and expertise, the Supervisory Board has set itself the objective of taking the following into consideration with regard to its composition and as part of the specific situation of the company: shareholder structure, current and potential conflicts of interest and competitive relationships, other professional activities, the number of independent members, an age limit of 75, a regular limit of the term of office of 15 years or three terms and the diversity of the members of the Supervisory Board. Besides the statutory requirements (Sec. 100 AktG), the proposals of the Supervisory Board regarding the appointment of members of the Supervisory Board adhere to the regulations of the German Corporate Governance Code as amended concerning the personal requirements of Supervisory Board members and the composition targets set by the Supervisory Board. At least one member of the Supervisory Board must be an expert in either accounting or auditing (Sec. 100 (5) clause 1 AktG). According to Sec. 100 (5) clause 2 AktG, all of the members of the Supervisory Board must also be familiar with the sector in which the company operates. 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.

## PROPORTION OF WOMEN

In its meeting on 23 May 2017, the Supervisory Board set the target proportion of women on the Supervisory Board at 16.67%. The Supervisory Board is not currently meeting this target and was unable to take these targets into account in its proposals to the general meeting due to a lack of available female candidates.

The minimum target proportion of women on the Management Board of TLG IMMOBILIEN AG is zero.

In its meeting on 29 June 2017, the Management Board set the minimum proportion of women on the first management level below the Management Board at 10% and the minimum proportion of women on the second management level below the Management Board at 30%; the proportion of women on these management levels may not fall below this target before 30 June 2022.

**COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD**

Pursuant to the Articles of Association, the Management Board consists of at least two people. The Supervisory Board specifies the number of members. In the 2019 financial year, the Management Board initially consisted of two equal members, each of whom was responsible for the divisions to which they had been assigned. The Management Board has had a third member, the CEO, since June 2019.

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

Dr Claus Nolting stepped down from the Supervisory Board on 31 December 2018. Mr Jonathan Lurie was appointed as a new member of the Supervisory Board by the local court of Berlin Charlottenburg on 15 February 2019 until the end of the general meeting in 2019 in which Mr Lurie was elected as a member of the Supervisory Board. Mr Lurie was appointed as a member of the Supervisory Board until the end of the general meeting that resolves on the exoneration of the Supervisory Board for the fourth financial year after the start of his term of office, not counting the financial year in which his term of office started.

Mr Stefan E. Kowski stepped down from the Supervisory Board on 15 May 2019.

The terms of office of Dr Michael Bütter and Mr Michael Zahn on the Supervisory Board ended at the end of the annual general meeting of TLG IMMOBILIEN AG on 21 May 2019.

On 21 May 2019, the annual general meeting of TLG IMMOBILIEN AG elected Mr Klaus Krägel and Mr Ran Laufer to succeed them as new members of the Supervisory Board. Mr Krägel and Mr Laufer were appointed as members of the Supervisory Board until the end of the general meeting that resolves on the exoneration of the Supervisory Board for the fourth financial year after the start of their terms of office, not counting the financial year in which their terms of office started.

All of the members of the Supervisory Board are also familiar with the commercial real estate sector.

The Supervisory Board prepared a profile of skills and expertise in 2018 and expanded the diversity criteria.



Pursuant to Sec. 285 no. 10 HGB, more information on the members of the Management Board and Supervisory Board can be found in the notes to the annual financial statements of TLG IMMOBILIEN AG ([page 12 and 13](#)).

**COLLABORATION BETWEEN THE MANAGEMENT BOARD AND SUPERVISORY BOARD**

The Management Board and Supervisory Board work closely together to further the interests of the company. The intensive, continuous dialogue between the two Boards serves as the basis of efficient, strategic corporate management. The Management Board develops the strategy of TLG IMMOBILIEN AG, coordinates it with the Supervisory Board and ensures that it is implemented.

The Management Board discusses the progress of the implementation of its strategy with the Supervisory Board at regular intervals. The Chairperson of the Supervisory Board is in regular contact with the Management Board and provides it with guidance on matters of strategy, planning, business development, the risk situation, risk management and compliance. The Management Board reports to the Chairperson of the Supervisory Board without undue delay on significant events that are of key relevance to an assessment of the situation and developments and to the management of the company and its Group companies. The Chairperson of the Supervisory Board then notifies the Supervisory Board and, if necessary, convenes an extraordinary meeting of the Supervisory Board. In the 2019 financial year, the work between the Management Board and Supervisory Board focused primarily on the strategy of the company, various development project measures and the Aroundtown SA project.

In accordance with the Articles of Association and rules of procedure of the Management Board, transactions of fundamental significance are subject to the approval of the Supervisory Board.

The members of the Management Board must report any conflicts of interest to the Supervisory Board and their fellow Management Board members without undue delay. Significant transactions between members of the Management Board or related parties and the company require the approval of the Supervisory Board, as does any secondary employment outside of the company.

A D&O group insurance policy has been taken out for the members of the Management Board and Supervisory Board. This policy contains an excess that meets the requirements of Sec. 93 (2) sentence 3 AktG and recommendation 3.8 of the Code.

#### **COMMITTEES OF THE SUPERVISORY BOARD**

In the 2019 financial year, the Supervisory Board had four committees: the presidential and nomination committee, the audit committee, the capital market and acquisitions committee and the project development committee. Other committees can be formed if necessary.

#### **PRESIDENTIAL AND NOMINATION COMMITTEE**

The presidential and nomination committee provides advice on its areas of expertise and prepares resolutions for the Supervisory Board, especially concerning 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 Supervisory 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.

In consultation with the Management Board, the presidential and nomination committee regularly advises on long-term succession planning for the Management Board.

As at March 2020, the presidential and nomination committee consisted of Mr Sascha Hettrich, Mr Jonathan Lurie and Mr Ran Laufer. 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, the consolidated financial statements), i.e. it is primarily responsible for the preliminary audit of the documents of the annual 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. 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 2020 calendar year.

As at March 2020, the audit committee consisted of Mr Helmut Ullrich (Chairperson), Mr Jonathan Lurie and Mr Sascha Hettrich. The Chairperson 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 Sec. 100 (5) clause 1 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 Regulation 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), as well as the recommendations of the Code.

**CAPITAL MARKET AND ACQUISITIONS COMMITTEE**

The committee advises the Management Board on transactions relating to the capital markets and acquisitions. It grants any necessary approvals in lieu of the plenary session.

The members of the capital market and acquisitions committee are Mr Sascha Hettrich (Chairperson), Mr Helmut Ullrich and Mr Jonathan Lurie.

**PROJECT DEVELOPMENT COMMITTEE**

The committee advises the Supervisory Board on development projects.

The committee consists of Mr Klaus Krägel (Chairperson), Mr Sascha Hettrich and Mr Ran Laufer.

**MANAGEMENT BOARD COMMITTEES**

The Management Board has not formed any committees. The Management Board performs its management duties as a collegial body with a chairperson, although the individual members of the Management Board are responsible for their own divisions.

## GENERAL MEETING AND SHAREHOLDERS

The shareholders of TLG IMMOBILIEN AG can exercise their rights in the general meeting, including their voting rights. Every share in the company grants one vote.

The 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 company's website at <https://ir.tlg.eu/agm>.



Fundamental resolutions are passed in general meetings. These include resolutions on the appropriation of profits, the exoneration of the Management Board and Supervisory Board, the election of members to the Supervisory Board, the appointment of the auditor, amendments to the Articles of Association and capital measures. The general meeting is an opportunity for the Management Board and Supervisory Board 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 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 MATTERS OF 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 remuneration components. For all members of the Management Board, the variable remuneration is adapted to the requirements of Sec. 87 (1) sentence 3 AktG. It is contingent on the achievement of economic targets 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, which optimises the effects of risks and rewards of the variable remuneration.

The detailed remuneration report of TLG IMMOBILIEN AG for the 2019 financial year is published on the website of the company at <https://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 the development of external factors (e.g. the FTSE EPRA/NAREIT Europe Index) 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.



**REMUNERATION OF THE SUPERVISORY BOARD**

The remuneration of the Supervisory Board is set out in Sec. 13 of the Articles of Association. In accordance with Sec. 13, the members of the Supervisory Board receive fixed annual remuneration of EUR 40,000. The Chairperson of the Supervisory Board receives three times this amount and the Vice-chairperson receives one and a half times this amount. The sum of all remuneration per member of the Supervisory Board may not exceed EUR 150,000 (excluding VAT) per calendar year.

Additionally, members of the audit committee receive fixed annual remuneration of EUR 10,000 and members of other committees of the Supervisory Board receive fixed annual remuneration of EUR 7,500. The Chairperson of each committee receives double this fixed amount.

Additionally, the expenses of the members of the Supervisory Board are reimbursed. Additionally, the company has added the members of the Supervisory Board to a D&O group insurance policy for corporate bodies. This policy features an excess for the members of the Supervisory Board in accordance with recommendation 3.8 of the Code.

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

**REPORTABLE SECURITY TRANSACTIONS AND SHAREHOLDINGS OF THE MANAGEMENT AND SUPERVISORY BOARDS**

Under Article 19 (1) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation), the members of the Management Board and Supervisory Board 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 without undue delay, or within three working days of the date of the transaction at the latest. Pursuant to Article 19 (3) of the Market Abuse Regulation, the company publishes these transactions without undue delay after having been informed of them, or within three working days of the transaction at the latest. The disclosures are available on the company's website at <https://ir.tlg.eu/directors-dealings>.

**COMPLIANCE AS A SIGNIFICANT MANAGERIAL RESPONSIBILITY**

In order to ensure adherence to the code of conduct 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 legal requirements. 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. The system is continuously enhanced and adapted based on the changing general conditions.

More detailed information on the risk monitoring system of the company is available in the management report: The risk management system of TLG IMMOBILIEN AG is presented on *page 35*. Information on Group accounting can be found on *page 44*.



### 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 published on the website of the company at <https://ir.tlg.eu/financial-calendar>.



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 published on the company's website immediately.

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 published by TLG IMMOBILIEN AG in line with the statutory provisions. They are also available on the company's website at <https://ir.tlg.eu/directors-dealings>.



### FINANCIAL REPORTING

Once again, the Berlin office of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, was appointed auditor and Group auditor for 2019 by the general meeting. Before the general meeting, the auditor 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 the impartiality of the auditor into question.

### 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.