

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

TLG IMMOBILIEN AG performed very well in the 2016 financial year, especially by virtue of its successful acquisitions, and improved its key performance indicators yet again.

A TRUSTING PARTNERSHIP WITH THE MANAGEMENT BOARD

In the 2016 financial year, the Supervisory Board fulfilled the responsibilities incumbent upon it in line with the law, Articles of Association, German Corporate Governance Code and rules of procedure with the greatest of care. It regularly advised the Management Board on the management of the company and monitored its activities.

The Management Board provided the Supervisory Board with regular, prompt and comprehensive reports on policies, strategy and planning and the position of the company, including opportunities and risks, the course of business and risk management. Any discrepancies between planned and actual developments were discussed in detail. The Management Board coordinated all significant transactions with the Supervisory Board.

Even outside of the meetings of the Supervisory Board and its committees, the Chairman of the Supervisory Board and other members of the Supervisory Board were in regular contact with the Management Board and discussed key issues. These issues included the strategic orientation of the company and business developments.

As described in more detail below, the Supervisory Board was quickly and directly involved in all decisions of fundamental importance to the company. The Supervisory Board examined transactions requiring its approval and discussed each one with the Management Board.

MEETINGS OF THE SUPERVISORY BOARD

In the 2016 financial year, the Supervisory Board convened five times – including once by way of a teleconference – to discuss current business developments, important transactions and transactions requiring approval. The Supervisory Board passed the necessary resolution for each proposal after carrying out thorough examinations and holding detailed discussions in its meetings.

In the reporting year, Mr Michael Zahn and Mr Alexander Heße were each unable to attend one meeting in person; otherwise, all members of the Supervisory Board were present.

In the 2016 financial year, the work of the Supervisory Board focused on planning and developing the business of TLG IMMOBILIEN AG as well as the corporate strategy, property acquisitions and capital measures. The Supervisory Board regularly held in-depth consultations on the development of the office and retail portfolio as well as on the financial position and liquidity of the Group.

In its **meeting on 29 March 2016**, the Supervisory Board discussed the annual and consolidated financial statements for 2015, the recommended auditor for 2016 and matters of the Management Board in particular. Representatives of the auditor attended the discussions on the annual and consolidated financial statements for 2015 in order to provide explanations regarding line items and methods in the financial statements. Other key matters included the agenda and proposed resolutions for the general meeting in 2016, the report of the Supervisory Board and the Corporate Governance Report.



MICHAEL ZAHN, CHAIRMAN OF THE SUPERVISORY BOARD

In its **meeting on 31 May 2016**, the Supervisory Board addressed the report of the audit committee, especially on the financial report for the first quarter, potential acquisitions and matters of finance. Additionally, the Supervisory Board adopted new rules of procedure for the Management Board.

The **meeting on 9 August 2016** focused on the half-yearly financial report of the company. In the meeting, the Supervisory Board also discussed the report of the presidential and nomination committee, the disposal of a retail portfolio as well as the development of the company and its options with regard to growth in detail.

The **meeting on 11 October 2016** was held as a teleconference and focused on the acquisition of two office properties in Frankfurt including means of finance, other opportunities for growth and the report on the progress of the selection process for the vacant position on the Supervisory Board.

In its **meeting on 10 November 2016**, the Supervisory Board addressed the report of the audit committee on the financial report for the third quarter. It also approved the business plan for 2017 and examined the medium-term plan and the capital structure of the Company. Furthermore, the Supervisory Board discussed the status of the application process for the vacant position on the Supervisory Board, the German Corporate Governance Code and the sustainability report for 2015.

Besides these meetings, in the 2016 financial year the Supervisory Board **passed several resolutions** in connection with acquisitions and the engagement of consultants by providing written consent in lieu of a meeting.

EFFICIENT WORK IN THREE SUPERVISORY BOARD COMMITTEES

In order to efficiently fulfil its duties, the Supervisory Board formed committees and continuously evaluated their requirements and activities during the reporting year.

Specifically, the following three committees existed in the reporting year:

- ▼ Presidential and nomination committee
- ▼ Audit committee
- ▼ Capital measures committee



The committees' responsibilities are presented in more detail in the Corporate Governance Report available at <http://ir.tlg.eu/corporategovernance>.

Where legally permissible, individual committees were granted decision-making powers by the rules of procedure or resolution of the Supervisory Board. At the meeting of the Supervisory Board following each committee meeting, the chairpersons of the committees reported on the work of the committees.

The **presidential and nomination committee** convened four times in the reporting year: on 29 March 2016, by phone on 14 June 2016, on 17 October 2016 and on 31 October 2016. The meetings focused primarily on matters of the Management Board (remuneration issues), strategic considerations of the company and matters of the Supervisory Board (proposal to fill a position on the Supervisory Board).

The **audit committee** convened four times in the reporting year on 29 March 2016, 11 May 2016, 9 August 2016 and 10 November 2016. In particular, these meetings involved a preliminary audit of the annual financial statements, consolidated financial statements and interim reports of TLG IMMOBILIEN AG, as well as a discussion of the internal auditing and cyber security systems and a potential change to the ERP system of the company. It provided the Supervisory Board with a recommendation on which auditor to appoint for the 2016 financial year, procured the independence declaration from the auditor and monitored the activities of the auditor. Additionally, the audit committee approved the engagement of Ernst & Young Real Estate GmbH and the Berlin office of Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, to render non-audit services in connection with capital measures by providing written consent in lieu of three meetings. The members of the audit committee have particular knowledge and experience in the application of GAAP and internal control processes.

The new **capital measures committee**, formed by resolution of the plenary session of 10 November 2016, advised the Management Board on issues relating to the capital markets in two teleconferences on 15 and 22 November 2016.

CORPORATE GOVERNANCE



The Supervisory Board continuously monitored and discussed the development of the corporate governance of the company. The Corporate Governance Report <http://ir.tlg.eu/corporategovernance> contains detailed information on this system, including the structure and amount of remuneration paid to the Supervisory Board and Management Board.



The Management Board and Supervisory Board have discussed the requirements of the German Corporate Governance Code as applicable in the reporting year in detail, as well as their implementation. They have issued their updated joint declaration of compliance pursuant to § 161 AktG and published it on the website of TLG IMMOBILIEN AG <http://ir.tlg.eu/corporategovernance>.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements of TLG IMMOBILIEN AG and the consolidated financial statements as at 31 December 2016, including management reports, prepared by the Management Board were examined by the auditor appointed by the general meeting on 31 May 2016 and engaged by the Supervisory Board, the Berlin office of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, and given an unqualified opinion.

Once prepared, the annual and consolidated financial statements of TLG IMMOBILIEN AG, including management reports and the audit reports of the auditor, were issued to all members of the Supervisory Board immediately. The auditor attended the audit committee meeting held on 7 March 2017 and reported on the key results of the audit. After an in-depth discussion, the audit committee agreed with the results of the audit.

The Chairperson of the audit committee reported on the annual financial statements and the audit in detail at the meeting of the Supervisory Board held on 7 March 2017. Additionally, the auditor explained the main outcomes of the audit, answered questions and provided more information to the members of the Supervisory Board. The Supervisory Board carefully examined the annual financial statements, the management report, the consolidated financial statements, the Group management report, the proposed appropriation of net retained profits and the audit reports prepared by the auditor. No objections were raised. Therefore, the Supervisory Board accepted the recommendation of the audit committee and approved the annual and consolidated financial statements as at 31 December 2016 that had been prepared by the Management Board. The annual financial statements were therefore adopted.

The adopted annual financial statements contained net retained profits. The Supervisory Board accepted the proposal made by the Management Board as to the appropriation of the net retained profits. Therefore, the Supervisory Board and Management Board will add a vote on the payment of a dividend of EUR 0.80 per eligible share to the agenda of the general meeting.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

Mr Alexander Heße resigned from his position as a member of the Supervisory Board, effective from the end of the general meeting on 31 May 2016.

On 10 February 2017, the local court of Berlin Charlottenburg appointed Mr Frank D. Masuhr as a new member of the Supervisory Board. His position as a judicially appointed member of the Supervisory Board shall end at the end of the general meeting which resolves on dismissals for the 2016 financial year at the latest.

On behalf of the Supervisory Board, I would like to thank the members of the Management Board as well as the employees of TLG IMMOBILIEN AG and all Group companies for their commitment and the constructive work we have done this year.

Berlin, March 2017
For the Supervisory Board



Michael Zahn
Chairman of the Supervisory Board