

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

TLG IMMOBILIEN performed very well in the 2017 financial year, especially by virtue of its successful transactions, and improved its key performance indicators yet again. The takeover of WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft (WCM AG), two capital increases and the issuance of the company's first bond were important milestones in its future growth.

A TRUSTING PARTNERSHIP WITH THE MANAGEMENT BOARD

In the 2017 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 written and oral 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 Chairperson 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 2017 financial year, the Supervisory Board convened seven times – including three times 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, Dr Michael Bütter and Mr Frank D. Masuhr were each unable to attend one meeting in person (they were excused); otherwise, all members of the Supervisory Board were present.

In the 2017 financial year, the work of the Supervisory Board focused on planning and developing the business of TLG IMMOBILIEN as well as the corporate strategy and takeover of WCM AG, 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 7 March 2017**, the Supervisory Board discussed the annual and consolidated financial statements for 2016, the recommended auditor for 2017 and matters of the Management Board in particular. Representatives of the auditor attended the discussions on the annual and consolidated financial statements for 2016 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 2017, the report of the Supervisory Board and the corporate governance report. Furthermore, Dr Michael Bütter was elected Vice-chairperson of the Supervisory Board in the meeting and other matters of the Supervisory Board were resolved.

In its **meetings on 26 April 2017 and 10 May 2017**, the Supervisory Board focused on the takeover of WCM AG.

The **meeting on 23 May 2017** focused on amendments to the rules of procedure for the Supervisory Board and the rules of procedure for the Management Board, a change to the organisational structure of the company and the definition of targets for the proportion of women on the Supervisory Board and Management Board.

The **meeting on 10 August 2017** centred on the half-yearly financial report of the company as well as its strategic and organic growth options. The Supervisory Board also discussed and decided on matters of the Supervisory Board and Management Board.

The **meeting on 4 October 2017** focused on other measures in connection with the takeover of WCM AG, matters of finance and the agenda and proposals for the extraordinary general meeting on 22 November 2017.

In its **meeting on 7 November 2017**, the Supervisory Board discussed capital measures, one acquisition project and two development projects. It also approved the business plan for 2018 and examined the medium-term plan and the capital structure of the company. Furthermore, the Supervisory Board discussed matters of the Management Board and the introduction of a company pension scheme. Finally, the Supervisory Board approved the declaration of compliance of the Management Board and Supervisory Board with the recommendations of the German Corporate Governance Code.

Furthermore, in the 2017 financial year the Supervisory Board **passed several resolutions** in connection with matters of the Supervisory Board, acquisitions and the engagement of consultants by providing written consent **in lieu of a meeting**.



MICHAEL ZAHN, CHAIRPERSON OF THE SUPERVISORY BOARD

EFFICIENT WORK IN FOUR 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 four committees existed in the reporting year:

- ▼ Presidential and nomination committee
- ▼ Audit committee
- ▼ Capital market and acquisitions committee (formerly the capital measures committee)
- ▼ Project development committee (est. 29 November 2017)



whose responsibilities are presented in more detail in the corporate governance report available at <https://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 (once as a teleconference): on 7 March 2017, 27 March 2017, 7 August 2017 and 18 December 2017. The meetings focused primarily on matters of the Management Board (remuneration issues and revision of the contracts of the members of the Management Board), strategic considerations of the company and matters of the Supervisory Board (proposal to fill a position on the Supervisory Board and remuneration issues).

The **audit committee** convened four times in the reporting year: on 7 March 2017, 10 May 2017, 10 August 2017 and 7 November 2017. In particular, these meetings involved a preliminary audit of the annual financial statements, consolidated financial statements and interim reports of TLG IMMOBILIEN as well as a discussion of the internal auditing and cybersecurity systems and a potential change to the company's ERP system of the company. It provided the Supervisory Board with a recommendation on which auditor to appoint for the 2017 financial year, procured the independence declaration from the auditor and monitored the activities of the auditor. Additionally, the audit committee approved the engagement of the Berlin branch of Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, to render other assurance services in connection with capital measures by providing written consent in lieu of four meetings. The members of the audit committee have particular knowledge and experience in the application of GAAP and internal control processes.

The **capital market and acquisitions committee** convened nine times (eight of those times by phone). In its meetings on 27, 30 and 31 January 2017, the committee focused primarily on a capital increase; in its meetings on 5 and 10 May 2017, 4 October 2017, 9 November (two meetings) and 17 November 2017, it discussed the takeover of WCM AG, another capital increase and the issuance of a bond.

The new **project development committee** formed by resolution of the plenary session of 29 November 2017 convened once on 20 December 2017. The meeting focused on two planned development projects.

CORPORATE GOVERNANCE



The Supervisory Board continuously monitored and discussed the development of the corporate governance of the company. The corporate governance report available at <https://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 according to Sec. 161 AktG and published it on the website of TLG IMMOBILIEN at <https://ir.tlg.eu/declaration-of-compliance>.

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 2017, including management reports, prepared by the Management Board were examined by the auditor appointed by the general meeting on 23 May 2017 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, 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 21 March 2018 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 21 March 2018. 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 2017 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 0.82 per share (based on 102.0 m shares as at 31 December 2017) to the agenda of the general meeting in 2018.

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; he was then elected by the general meeting on 23 May 2017.

Additionally, Ms Elisabeth Talma Stheeman resigned from her position on the Supervisory Board with effect from 29 January 2018. Mr Stefan E. Kowski was appointed as a new member of the Supervisory Board by the local court of Berlin Charlottenburg on 21 February 2018 until the end of the general meeting in 2018.

Finally, Mr Frank D. Masuhr resigned from the Supervisory Board with effect from 31 January 2018. On 5 March 2018, Mr Sascha Hettrich was appointed to the Supervisory Board by the local court of Berlin Charlottenburg until the end of the general meeting in 2018.

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 2018
For the Supervisory Board



Michael Zahn
Chairperson of the Supervisory Board