

# ▼ REPORT OF THE SUPERVISORY BOARD

---

## DEAR SHAREHOLDERS,

As in previous years, TLG IMMOBILIEN AG performed very well in the 2019 financial year and improved its key performance indicators yet again. In addition to the successful implementation of various capital measures, we were able to initiate a merger with Aroundtown SA, a leading real estate company.

### A TRUSTING PARTNERSHIP WITH THE MANAGEMENT BOARD

In the 2019 financial year, the Supervisory Board fulfilled the role 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.

Including outside of Supervisory Board meetings, 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 deviations between actual and planned developments were also discussed and significant transactions were coordinated closely between the Supervisory Board and the Management Board.

The Chairperson of the Supervisory Board and the other members of the Supervisory Board were also in frequent contact with the Management Board outside of the meetings of the Supervisory Board in order to discuss important matters. In particular, they discussed the strategic orientation and the development of the business of the company in detail.

The Supervisory Board was quickly and directly involved in all decisions of fundamental importance to the company and in all transactions requiring approval.

### MEETINGS OF THE SUPERVISORY BOARD

Of the 24 meetings of the Supervisory Board in the 2019 financial year, eleven were meetings in person and 13 were teleconferences. The Supervisory Board discussed current business developments, important individual transactions and transactions requiring its approval. Furthermore, resolutions were passed by circulation in eleven cases.

The Supervisory Board passed the necessary resolution for each proposal after carrying out thorough examinations and holding detailed discussions in its meetings. All of the members of the Supervisory Board were present at 13 meetings in the 2019 reporting year.

In the 2019 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, the Alexanderplatz development project, property acquisitions, the expansion of the Management Board and the appointment of new members to the Supervisory Board. The merger with Aroundtown SA also played a significant role.

The Supervisory Board regularly held in-depth consultations on the development of the office and retail portfolio as well as on the cash flows and liquidity of the Group.

On 22 January 2019, the Supervisory Board passed a resolution by circulation to amend the share capital in the Articles of Association in accordance with Sec. 201 AktG due to the utilisation of the company's Authorised Capital 2017/III in 2018.

On 25 January 2019, in its first meeting in person, the Supervisory Board addressed the preparation of an extraordinary general meeting, which had been called by a shareholder. It also amended the rules of procedure for the Management Board in a circular resolution.

On 31 January 2019, the Supervisory Board passed a circular resolution on the judicial appointment to the seat on the Supervisory Board left vacant by the resignation of Dr Claus Nolting.

On 28 February 2019, the Supervisory Board passed a circular resolution on the revision of the declaration of compliance with the German Corporate Governance Code. It also resolved on the engagement of valuation services for 2019 to 2021.

In the meeting of the Supervisory Board held in person on 20 March 2019, the annual and consolidated financial statements for 2018 were presented and approved and both the appropriation of net retained profit and the appointment of the auditor were approved. The report of the Supervisory Board to the general meeting and the corporate governance report were also approved. Furthermore, resolutions were passed on the agenda for the annual general meeting in 2019 and on the selection of a notary for it. The portfolio analysis report was presented and matters relating to the Management Board were discussed.

On 22 March 2019, the Supervisory Board passed a circular resolution on the Alexanderplatz project.

In the meeting of the Supervisory Board held in person on 24 April 2019, the Board discussed the possibilities of a bond issue in May 2019 and resolved to engage Ernst & Young in connection with this. In the meeting of the Supervisory Board held as a teleconference on 16 May 2019, a resolution was passed to issue a bond.

In the meeting of the Supervisory Board held in person on 21 May 2019, the Supervisory Board elected a Chairperson (Mr Sascha Hettrich) and a Vice-chairperson (Mr Ran Laufer), as well as various members for the committees of the Supervisory Board. It also discussed the appointment of a new Supervisory Board member.

In the meeting of the Supervisory Board held as a teleconference on 28 May 2019, the Supervisory Board resolved to appoint a third member to the Management Board, Mr Barak Bar-Hen.

In three teleconferences and one circular resolution on 25 and 26 June 2019, the Supervisory Board addressed the execution of a capital increase from the company's Authorised Capital 2017/II.

In a teleconference held on 8 July 2019, the Supervisory Board had a comprehensive strategic discussion and then passed a circular resolution on 10 July 2019 approving the appointment of a strategic advisor.

On 11 July 2019, the Supervisory Board passed a circular resolution establishing a subsidiary in Luxembourg and engaging Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (Luxembourg) to audit its opening balance.

In the meeting of the Supervisory Board held in person on 8 August 2019, the Supervisory Board discussed the bond issue in May and the capital increase in June 2019. The Supervisory Board also discussed potential acquisitions and the status of development projects. It also discussed the future strategy of the company again.

In the meeting of the Supervisory Board held in person on 30 August 2019, the Aroundtown SA project was presented to the Supervisory Board. This project was discussed again by the Supervisory Board in a teleconference on 31 August 2019. In the following teleconference of the Supervisory Board on 1 September 2019, the Supervisory Board approved the conclusion of an agreement concerning the acquisition of up to 15% of the shares of Aroundtown SA and on the opening of negotiations regarding a merger with it. In this context, the Supervisory Board passed a resolution to procure interim finance in another teleconference on 5 September 2019.

In another Supervisory Board teleconference held on 15 September 2019, the Supervisory Board approved the issuance of a bond and of a hybrid bond, each with a nominal value of up to EUR 600 m.

In the meeting of the Supervisory Board held in person on 22 October 2019, the Supervisory Board discussed the Aroundtown SA project, potential acquisitions, ongoing development projects, the call for tenders for the auditor, the strategy with regard to the interest in WCM Beteiligungs- und Grundbesitz Aktiengesellschaft and other matters relating to the Supervisory Board.


Subsequently, the Aroundtown SA project was monitored closely in three Supervisory Board meetings held in person (on 14 and 18 November and 17 December 2019) and four Supervisory Board teleconferences (on 24 and 26 October, 12 November and 22 December 2019) in which the Supervisory Board approved the term sheet and the conclusion of the business combination agreement as well as the publication of the joint report of the Management Board and Supervisory Board.

Furthermore, the Supervisory Board met in person on 4 November 2019 to approve the business plan for 2020 and discuss upcoming acquisitions, the business distribution plan of the Management Board and various matters pertaining to compliance.

On 16 December 2019, the Supervisory Board passed a circular resolution on the execution of the development project "Annenhöfe" in Dresden.

## 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, there were four committees in the reporting year; the presidential and nomination committee, the audit committee, the capital market and acquisitions committee and the project development committee whose duties are described 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** met once in the 2019 reporting year (on 28 May 2019). In this meeting, the committee discussed the appointment of Mr Barak Bar-Hen as another member of the Management Board and as CEO of TLG IMMOBILIEN AG and made a recommendation to this effect to the Supervisory Board.

In the reporting year, the **audit committee** met five times (on 20 March, 6 May, 28 May, 8 August and 4 November 2019) and passed one resolution by circulation (on 10 June 2019). In particular, the subjects discussed by the committee included the preliminary audit of the annual financial statements, consolidated financial statements and interim reports of TLG IMMOBILIEN AG. It provided the Supervisory Board with a recommendation on which auditor to appoint for the 2019 financial year, procured the independence declaration from the auditor and monitored the activities of the auditor. Furthermore, the audit committee approved the engagement of the Berlin office of Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, with other assurance services in connection with the voluntary audit of a subsidiary and consulting as part of the Aroundtown SA project. 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** met three times in the 2019 financial year (on 10 July, 30 July and 17 September 2019). The agendas of the meetings were strategic discussions and the capital measures implemented by TLG IMMOBILIEN AG.

The **project development committee** met a total of three times (on 6 March, 8 May and 30 July 2019). The meetings focused on the development project on Alexanderplatz and other 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 in accordance with 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 2019, including management reports, prepared by the Management Board were examined by the auditor appointed by the general meeting on 21 May 2019 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 without undue delay. The auditor attended the audit committee meeting held on 27 March 2020 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 27 March 2020. 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 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 2019 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 0.96 per share (based on 107.6 m shares as at 31 December 2019) to the agenda of the general meeting in 2020. The proposal of the Management Board will remain subject to the further development of the coronavirus pandemic and the performance of the markets until the invitation to the annual general meeting is published.

#### CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

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.

Mr Barak Bar-Hen was appointed as another member of the Management Board and as CEO of TLG IMMOBILIEN AG with effect from 3 June 2019.

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

Berlin, March 2020  
For the Supervisory Board



Sascha Hettrich  
Chairperson of the Supervisory Board