

# 4. Report of the Supervisory Board



In addition, the Chairman of the Supervisory Board was regularly informed by the Management Board about current developments in the business situation and significant business events outside of Supervisory Board meetings. In addition, the Chairman of the Supervisory Board kept in regular contact with the Management Board and discussed issues of strategy, planning, business development, risk situation and risk management as well as compliance of the Company.

The members of the Supervisory Board always had ample opportunity to critically examine the resolutions proposed by the Management Board and to make their own suggestions. In particular, the members of the Supervisory Board discussed all significant business transactions for the Company on the basis of written and verbal reports prepared by the Management Board and checked them for plausibility. In several cases, the Supervisory Board dealt in detail with the risk situation of the Company, liquidity planning and the equity situation. In addition, the Management Board also reported to the Supervisory Board on the profitability of the Company, and in particular the profitability of its equity, at the balance sheet meeting. The Supervisory Board has given its approval for individual business transactions insofar as this was required by law, the Articles of Association or the rules of procedure for the Management Board.

## Dear Shareholders,

In the 2017/2018 financial year, the Supervisory Board of Deutsche Konsum REIT-AG duly fulfilled the duties incumbent on it by law, the Articles of Association and the rules of procedure.

## Cooperation between the Supervisory Board and the Management Board

The Supervisory Board continuously monitored and advised the Management Board on the management of the Company. The Supervisory Board was directly involved in all decisions of fundamental importance to the Company. The Management Board complied with its duties to provide information and regularly, promptly and comprehensively informed the Supervisory Board both in writing and orally about corporate planning, the course of business, the strategic development and the current situation of the Company and the current leases.

## Session attendance of the Supervisory Board

In total, four meetings of the Supervisory Board took place during the reporting period, three of which were attended in person and one meeting was held as a telephone conference. If necessary, decisions were also taken by written procedure. Approvals of draft resolutions of the Management Board were made after examination of extensive documents and intensive discussion with the Management Board. Committees of the Supervisory Board did not exist during the reporting period.

No member of the Supervisory Board attended fewer than half of the meetings. Conflicts of interest of members of the Management and Supervisory Boards that must be disclosed to the Supervisory Board without delay did not arise.

The following overview shows the attendance of the members of the Supervisory Board in the financial year 2017/2018:

Name	15 December 2017 Attended meeting in person	8 March 2018 Attended meeting in person	17 May 2018 Telephone conference	12 September 2018 Attended meeting in person
Hans-Ulrich Sutter	x	x	x	x
Achim Betz	x	x	x	x
Johannes C. G. (Hank) Boot	x (by telephone)	x	x	x
Nicholas Cournoyer	x (by telephone)	*	x	x
Kristian Schmidt-Garve	n/a	x	x	x

\* Mr Cournoyer had previously given a voting message to Mr Sutter.

## Focus of deliberations in the Supervisory Board

The deliberations of the Supervisory Board in the individual meetings focused on the following topics:

At the meeting on 15 December 2017, during which the auditors were also present in person, the Supervisory Board unanimously approved the annual financial statements of the Company for the 2016/2017 financial year, which were thus adopted.

Following the conclusion of the Annual General Meeting, the Supervisory Board was reconstituted in its meeting on 8 March 2018. Mr Sutter was unanimously elected chairman and Mr Betz unanimously elected vice-chairman. As a new fifth member, Mr Kristian Schmidt-Garve was present at a Supervisory Board meeting for the first time. In addition to dealing with the results of the Annual General Meeting, the Supervisory Board discussed and approved current acquisition and financing projects. In addition, the resolution on the variable remuneration of the Executive Board was passed.

On 17 May 2018, the Management Board presented the current business development to the Supervisory Board, discussed the current purchase pipeline with it, and reported on the status of refinancing projects. In addition, it reported on the first rating of the Scope agency, which was created with regard to the corporate bond. The issue of this six-year corporate bond with a volume of EUR 40 million, which was issued on 31 May 2018, was approved by the Supervisory Board following discussion with the Management Board at this meeting.

At the meeting on 12 September 2018, the current acquisition pipeline, further refinancing issues as well as the forecast for the development of the financial results and the adjustment of the bond terms and conditions of the convertible bond were discussed. The Management Board and the Supervisory Board also jointly adopted the corporate governance declaration for 2018. The Supervisory Board and the Management Board also conducted a tour of three retail parks in Bitterfeld, Elsterwerda and Meißen.

In addition, during the entire reporting period, the Supervisory Board accompanied the growth of the Company in close cooperation with the Management Board and passed further resolutions by way of circulation, which among other things concerned the agenda items of the Annual General Meeting on 8 March 2018.

The members of the Supervisory Board have expertise and experience in the application of accounting principles. They are also familiar with the real estate sector. The Vice Chairman of the Supervisory Board, Mr Achim Betz, complies with all requirements in accordance with section 100 (5) AktG.

#### **Corporate Governance and Declaration of Conformity**

At the same time, the Management Board also reports on corporate governance at Deutsche Konsum REIT-AG to the Supervisory Board in the Corporate Governance Report, which was published in connection with the Corporate Governance Declaration on the Company's website at <https://www.deutsche-konsum.de/en/> in the Investor Relations/Corporate Governance section as well as in the Annual Report 2017/2018.

The Management Board and the Supervisory Board have repeatedly discussed the recommendations and suggestions of the German Corporate Governance Code and issued a Declaration of Conformity on 12 September 2018 in accordance with § 161 German Stock Corporation Act (AktG). In addition, a supplement to this Declaration of Conformity was issued on 12 November 2018.

#### **Annual audit**

The annual financial statements of Deutsche Konsum REIT-AG as of 30 September 2018, prepared by the Management Board, and the management report of the Company were audited by the auditor, appointed by the Annual General Meeting on 8 March 2018 and by the Supervisory Board, DOMUS AG Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft,

Berlin, and provided with an unqualified audit certificate.

The annual financial statements of Deutsche Konsum REIT-AG and the management report of the Company as well as the auditors' reports were made available to all members of the Supervisory Board in good time. The auditor attended the meeting of the Supervisory Board meeting on 15 December 2017 and reported on the key findings of his audit. This included his comments on the internal control system and risk management in relation to the accounting process. In addition, he was available to the members of the Supervisory Board for additional questions and information. The Supervisory Board approved the result of the audit of the annual financial statements and the management report of the Company after detailed discussion.

The Supervisory Board carefully examined the annual financial statements and the management report of the Company, the proposal for the appropriation of profits and the auditors' reports. There were no objections. The Supervisory Board then approved the annual financial statements as of 30 September 2018 prepared by the Management Board. The annual financial statements are, thus, established. The Supervisory Board approved the Management Board's proposal for the appropriation of profits after its own review and taking into account the development of earnings, the financial position and the requirements of the REIT Act. Together with the Management Board, the Supervisory Board proposes to the Annual General Meeting that a dividend of EUR 0.20 per share be distributed for the 2017/2018 financial year. This corresponds to a distribution of 99% of the net income of kEUR 6,052 under commercial law. The remaining net income is to be carried forward to new account.

#### **Examination of the report of the Management Board on relationships with affiliated companies (dependent company report)**

In accordance with § 312 German Stock Corporation Act (AktG), the Management Board prepared a report for the period of control on relations with affiliated companies and submitted it to the Supervisory Board in good time. The report of the Management Board on relations with affiliated companies was subject of the audit by the auditor. He has issued the following audit opinion on the result of his audit:

*"After our dutiful examination and assessment, we confirm that*

- 1. the actual details of the report are correct,*
- 2. in the transactions listed in the report, the company's performance was not unduly high."*

The audit report was also available to the Supervisory Board in good time. The Supervisory Board examined both the dependency report of the Management Board and the audit report of the auditor, and the auditor participated in the Supervisory Board's hearing on the dependency report and reported on the key findings of his audit. Following the final result of the Supervisory Board's review, the Supervisory Board agrees with the dependency report of the Management Board and the auditors' report and raises no objections to the final declaration of the Management Board contained in the dependency report.

#### **Personnel changes in the Management Board and Supervisory Board**

There were no personnel changes in the Management Board during the reporting period.

The Annual General Meeting of Deutsche Konsum REIT-AG on 8 March 2018 confirmed the previous four members of the Supervisory Board Mr Hans-Ulrich Sutter, Mr Achim Betz, Mr Nicholas Cournoyer and Mr Johannes C. G. (Hank) Boot by re-election in their office. In addition, the shareholders elected

Kristian Schmidt-Garve to the Supervisory Board as a new member. Since the change of the Articles of Association to the Commercial Register on 5 April 2018 required for the admission of the further member to the Supervisory Board, the Supervisory Board of Deutsche Konsum REIT-AG thus consists of five persons.

The Supervisory Board would like to thank the Management Board and employees for their commitment in the 2017/2018 financial year.

Broderstorf, December 2018

For the Supervisory Board

Hans-Ulrich Sutter  
Chairman of the Supervisory Board