

# REPORT BY THE SUPERVISORY BOARD

In the financial year 2015, the Supervisory Board reviewed the development of the company in depth and performed its supervisory duties to the full. It regularly advised and monitored the Executive Board in running the business of the company.

During the course of the last financial year, the Supervisory Board paid particular attention to the economic development, financial situation, prospects and further strategy of the company, and supported the Executive Board in this regard. Its work in the financial year 2015 focused in particular on supporting the Executive Board in the strategic development of the company and of the MLP Group, implementing further measures to increase efficiency and improving the opportunity and risk position of the company and of the Group. The Supervisory Board in particular supported and advised the Executive Board on the acquisition of the DOMCURA Group, approving the acquisition and associated capital increase through contributions in kind during the first half of the year.

The Supervisory and Executive Boards met regularly in the reporting year for discussions and joint consultations regarding business development, strategy and key events within the company. The Supervisory Board was directly involved in all decisions of fundamental importance to the company. The Executive Board regularly provided the Supervisory Board with written and oral reports in a timely and comprehensive manner on all relevant issues related to corporate planning, strategic development, the business situation and the position and overall development of the Group as a whole, including the risk situation, risk management, risk-bearing ability and compliance. The Supervisory Board was able to confirm the correctness of the corporate governance by the Executive Board. In 2015, the Executive Board also reported and the Supervisory Board advised on the content and anticipated effects of legislative or regulatory proposals at national German or EU level, such as the legislation to secure stable and fair services for life insurance policyholders (Life Insurance Reform Act (LVRG)).

In 2015, two personnel changes were made to the Supervisory Board. Mr. Johannes Maret resigned as a member of the Supervisory Board with effect from the close of the Annual General Meeting on June 18, June 2015. The Annual General Meeting elected Ms. Tina Müller to the company's Supervisory Board for the remainder of Mr. Maret's term in office. Ms. Müller was also elected to the company's Personnel and Nomination Committee by the Supervisory Board. No changes to the company's Executive Board were made in the last financial year.

The Supervisory Board held five regular meetings and two extraordinary meetings in the financial year 2015, which were attended by all members of the Supervisory Board in person with the exception of one meeting. Individual members of the Supervisory Board participated via telephone in the two extraordinary Supervisory Board meetings held. The Supervisory Board was also informed by the Executive Board of particularly important or urgent projects outside of the regular meetings. Where necessary, Supervisory Board resolutions were also passed as circular resolutions.

In addition to this, one meeting of the Audit Committee was also held this year. All committee members took part in this meeting.

Furthermore, the Chairman of the Supervisory Board met with the Chairman of the Executive Board on a regular basis to discuss specific issues. The Chairman of the Supervisory Board regularly informed the other members about the content of these meetings with the Executive Board.

## Supervisory Board meetings and important resolutions

Following preparations in the meeting of the Audit Committee, the Supervisory Board meeting on March 18, 2015 focused on the audit and approval of the financial statements and the consolidated financial statements as of December 31, 2014. The auditors participated in the meeting and gave detailed reports on the course and outcome of their audit of the financial statements and the consolidated financial statements. Following in-depth discussion, the Supervisory Board approved both the financial statements and the consolidated financial statements as of December 31, 2014. In addition, the Supervisory Board also reviewed the appropriateness of the remuneration of the Executive Board – as required in accordance with the Corporate Governance Code – as well as the variable remuneration components of the Executive Board for the financial year 2014 and approved these. The proposed resolutions for the company's Regular Annual General Meeting were another item on the agenda.

The regular Supervisory Board meeting on May 11, 2015 focused primarily on discussing the results and business development from the first quarter of 2015. The potential acquisition of the DOMCURA Group was discussed as well.

In an extraordinary meeting of the company's Supervisory Board, held on June 15, 2015, the intentions of the Executive Board to acquire the entire DOMCURA Group were discussed and reviewed in detail. This focused in particular on the opportunities and risks, as well as the future strategy associated with the intended takeover. The company's Supervisory Board then approved the acquisition of the DOMCURA Group in this meeting. After the German Federal Cartel Office had issued its approval for the acquisition of the DOMCURA Group in July 2015, in a further extraordinary Supervisory Board meeting held at the end of July 2015, the Supervisory Board then approved the Executive Board resolution to increase the company's share capital by € 1,456,948.00 by issuing 1,456,948 ordinary bearer shares in MLP AG in return for shares in Schwarzer Familienholding GmbH, the parent company of the DOMCURA Group.

The results of the second quarter, the business development in the first half of the year, reporting on the internal audit and risk controlling (including report on the notion of materiality, risk strategy and risk-bearing capacity concept) were all on the agenda of the regular Supervisory Board meeting on August 11, 2015. In the August meeting, a resolution was also passed on establishing a quota for the proportion of women on the company's Supervisory Board and Executive Board.

The November meeting focused on the business results of the third quarter and the first nine months of the current financial year.

At the meeting on December 16, 2015, discussions focused on the resolution regarding the Declaration of Compliance as per § 161 of the German Stock Corporation Act (AktG), alongside adherence to the regulations of the German Corporate Governance Code (GCGC). Extensive reporting was provided on the corporate governance process and the current Declaration of Compliance. Furthermore, the Supervisory Board addressed in detail and approved the strategy and budget of both the Group and the company for the financial year 2016.

## Supervisory Board committees

The Supervisory Board was regularly informed of the work carried out by its committees in 2015.

The Audit Committee held one regular meeting in the financial year 2015. Representatives of the audit firm also took part in the meeting, providing the committee with detailed reports. In the presence of the auditors, the Chairman of the Executive Board and the Chief Financial Officer, the Audit Committee discussed the financial statements of MLP AG and the MLP Group as well as the proposed appropriation of earnings. Furthermore, the relationship to the auditor, proposals for selecting the auditor, auditor fees, audit assignment and monitoring of the auditor's independence were the subject of extensive discussions. The Audit Committee received regular reports on the work of the Internal Audit and of the Compliance and Risk Management department and was informed on legal and regulatory risks and risks to reputation.

The Nomination Committee did not hold any regular meetings in the financial year 2015, as the election nominations for the shareholder representatives to be newly elected to the Supervisory Board had already been drawn up for the 2013 Annual General Meeting in the plenary meeting of the Supervisory Board in December 2012.

## Corporate governance

The Supervisory Board regularly deals with the application of the corporate governance principles.

Last year, the Supervisory Board dedicated its meeting on December 16, 2015 in particular to in-depth discussions on the amendments to the German Corporate Governance Code (DCGK) in the version dated May 5, 2015.

In the meeting held on December 16, 2015, the Supervisory Board reviewed the efficiency of its actions based on an evaluation form made available to the members of the Supervisory Board in good time prior to the meeting. The Supervisory Board also discussed procedures in the Supervisory Board, the information flow between the Committees and the Supervisory Board, and the timeliness and sufficient content of reporting by the Executive Board to the Supervisory Board on this occasion. Measures aimed at increasing efficiency were analysed.

During the same meeting, MLP AG's Supervisory Board also satisfied itself that the company had met the recommendations of the German Corporate Governance Code (DCGK) as per its Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG) in the last financial year and will continue to comply strictly with the recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 5, 2015. In December, the Supervisory Board and Executive Board issued a Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG) for the financial year 2015 and made it permanently available to the shareholders via its website.

In accordance with the German Corporate Governance Code government commission, we understand conflicts of interest to mean any special professional or private interests of any member of the Supervisory Board that could potentially pose a threat to or contradict the interests of the company. Conflicts of interest in this sense do not include plurality or the existence of various streams of interests when these express diversity in terms of the Supervisory Board composition desired by the legislator or the German Corporate Governance Code government commission. There were no conflicts of interest in this sense in the last financial year. A summary of corporate governance at MLP, including the Declaration of Compliance from December 16, 2015, can be found in the Executive and Supervisory Board's corporate governance report. All relevant information is also available on our homepage at [www.mlp-ag.com](http://www.mlp-ag.com).

## Audit of the annual financial statements and consolidated financial statements for 2015

The financial statements and the joint management report of MLP AG as of December 31, 2015 have been compiled by the Executive Board pursuant to the German Commercial Code (HGB). The consolidated financial statements and the joint management report as of December 31, 2015 were drafted as per § 315a of the German Commercial Code (HGB) in line with international financial reporting standards (IFRS) as applied in the EU. As of December 31, 2015, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin audited the financial statements and the joint management report of MLP AG in accordance with the principles of commercial law, as well as the Group financial statements and the joint management report in accordance with the principles of IFRS, issuing an unqualified auditor's opinion in each case. The auditor performed the audit in compliance with the basic principles of sound auditing practices determined by the Institut der Wirtschaftsprüfer (German Institute of Auditors).

The financial statements, together with the joint management report, the auditor's reports and the Executive Board's proposal for use of the unappropriated profit were made available to all Supervisory Board members in good time.

The Audit Committee of the Supervisory Board reviewed these documents in detail and reported to the Supervisory Board on its audit. The auditor also reported on the key results of the audit and on the fact that there are no significant weaknesses in the internal monitoring system, the risk management system nor with regard to the Compliance. The Audit Committee also reviewed the risk management system, the accounting processes and the effectiveness of the internal monitoring, risk management and auditing systems, as well as the relationship to the auditor, the proposals for selection of the auditor, the auditor's remuneration, the audit assignment and monitoring of the auditor's independence, as well as the additional services performed by the auditor. The Supervisory Board also checked and discussed the documentation and reports in detail. In the presence of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, which reported on the key findings of its audit, the audit reports were reviewed in detail in the Supervisory Board meeting held on March 16, 2016. At this meeting, the Executive Board explained the financial statements of MLP AG and of the MLP Group, the risk management system, the accounting processes and the effectiveness of the internal monitoring, risk management system, audit system and of the compliance, as well as giving detailed reports on the scope, focuses and costs of the audit.

The Supervisory Board concurred with the outcome of the auditor's audit and, on the basis of the final outcome of the Audit Committee's audit and its own audit, found no grounds for raising an objection. Accordingly, at its meeting on March 16, 2016, the Supervisory Board approved the annual financial statements and the joint management report MLP AG, as well as the consolidated financial statements and the joint management report in accordance with IFRS prepared by the Executive Board. The annual financial statements are therefore adopted.

After performing its own reviews, the Supervisory Board agreed with the Executive Board's proposal to pay out a dividend of € 0.12 per share for the financial year 2015. The equity and liquidity situation, future regulatory requirements and the company's budget, as well as the shareholders' interest in an appropriate dividend were included and weighed up against one another in its considerations.

The Supervisory Board would like to thank the Executive Board, the Management of the respective Group companies, as well as all employees and consultants of the MLP Group for their exemplary personal commitment and achievements in the financial year 2015.

Wiesloch, March 2016

The Supervisory Board



Dr. Peter Lütke-Bornefeld

Chairman