

## CORPORATE GOVERNANCE REPORT –

## DECLARATION ON CORPORATE GOVERNANCE

## Corporate governance report - Declaration on corporate governance

Every year, the Executive Board and Supervisory Board report on the company's corporate governance in the Annual Report as required by the German Corporate Governance Code (GCGC). The following statements and details are provided as a Declaration on Corporate Governance in the sense of § 289a of the German Commercial Code (HGB).

## Compliance with the Corporate Governance Code

**Text of the Declaration of Compliance**

"Pursuant to § 161 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board of MLP AG hereby declare that the company has complied with the recommendations of the "German Corporate Governance Code" government commission (version dated June 24, 2015) since the last Declaration of Compliance was issued. Only the recommendations specified in section 4.1.5, section 4.2.2 (2) sentence 2, section 4.2.3 (4) and (5), section 4.2.3 sentence 10, section 5.1.2 sentences 2 and 7, section 5.4.1 sentence 2, and section 5.4.1. (2) and (3) were not followed.

The reasons for these deviations from the recommendations are as follows:

**Section 4.1.5 (compliance with diversity at management level)**

Based on the recommendations of the German Corporate Governance Code, the Executive Board must pay attention to diversity when filling management positions and aim for an appropriate consideration of women.

Throughout the current financial year, the Executive Board has strengthened its efforts to secure diversity when filling management positions and in particular aim for an appropriate consideration of women at the management levels within the company. The Executive Board at MLP AG has already implemented measures in the past with the objective of making it easier for staff to combine their career with a family. It also continued to review these measures in the financial year 2014 to determine their effectiveness and then passed a complete concept in November 2013 to ensure that appropriate consideration is given to women in the company's management ranks, taking into account the company's specific situation. Guidelines on diversity-compliant staff promotion also form part of this concept, although these still need to be finalised. No criteria for specific selection decisions when filling vacant positions have therefore been defined to date.

The measures are therefore not yet fully compliant with every aspect of the requirements of Section 4.1.5 of the Code. As was also the case in the financial year 2014, MLP has taken the prudent approach of declaring not to follow this recommendation in the financial year 2015.

**Section 4.2.2 (2) Sentence 2 (vertical remuneration comparison)**

Based on the recommendations of the German Corporate Governance Code, the Supervisory Board should also pay attention to the ratio of Executive Board remuneration to the remuneration of the senior management level and the overall workforce over time, whereby the Supervisory Board itself specifies how the senior management level and the relevant workforce are to be defined for the purpose of comparison.

When determining the total remuneration of an individual member of the Executive Board, the Supervisory Board always ensures that this is appropriate based on the performance and duties of the respective member of the Executive Board, as well as the company situation, and does not exceed typical remuneration at this level. The Supervisory Board has regularly reviewed the appropriateness of Executive Board remuneration in the past. Within the scope of these reviews, the Supervisory Board has also taken into account the vertical appropriateness of Executive Board remuneration, namely its relation to the remuneration granted to the company's next management levels. 2014 was the first year in which the Supervisory Board also took into account the proportion of Executive Board remuneration in relation to that of upper management and the entire workforce over time. It also specified how the upper management level and the relevant workforce are to be defined for reasons of comparison. However, the Supervisory Board does intend to incorporate these additional aspects in its regular reviews of the appropriateness of Executive Board remuneration in the following years and thereby comply in full with the aforementioned recommendation.

For the first time, the measures are therefore fully compliant with the requirements of Section 4.2.2 (2) Sentence 2 of the Code. MLP can therefore now declare that it no longer deviates from this recommendation.

#### **Section 4.2.3 (4) and (5) (severance payment cap)**

As per the recommendations of the German Corporate Governance Code, attention must be paid when concluding Executive Board member contracts to ensure that any payments to members of the Executive Board do not exceed the value of two years' remuneration including fringe benefits (severance payment cap) of these Executive Board members, should their position be terminated prematurely without serious cause. If the employment contract is terminated for an important reason, for which the member of the Executive Board in question is responsible, no payments are made to said member of the Executive Board. Calculation of the severance payment cap should be based on the total remuneration of the previous financial year and, if available and appropriate, also the total anticipated remuneration of the current financial year. In the event of premature termination of Executive Board membership due to a change of control, any commitment for payments should not exceed 150% of the severance payment cap.

In the course of the financial year 2011, MLP changed all service contracts with members of the Executive Board to a new remuneration system. Following on from this, particular attention was paid in 2014 to ensuring compliance with the requirements the German Banking Act (KWG) and the Ordinance on the Supervisory Requirements for Institutions' Remuneration Systems (InstitutsVergV). MLP has been complying with the aforementioned recommendations since the changeover in 2011.

There is no entitlement to severance payment in the case of termination of contract by mutual agreement. For contractual reasons, provisions regulating severance payment arrangements concerning the termination of contracts by mutual agreement can in any case only be seen as a guideline. And the parties involved are free to deviate from these provisions at any time with mutual consent. For this reason, any provisions of this nature would be no more than a formality.

As was also the case in 2014, MLP has therefore once again elected not to comply with this recommendation in 2015.

**Section 4.2.3 Sentence 10 (specification of the targeted level of benefits)**

Based on the recommendations of the German Corporate Governance Code, the Supervisory Board should specify the targeted level of benefits in each case when making benefit obligations – including the total service time on the Executive Board – and then take into account both the annual and long-term costs associated with these benefits for the company.

The new remuneration system introduced by the Supervisory Board within the context of implementing the stipulations of the Appropriateness of Management Board Remuneration Act (VorstAG) provides for a contribution-based commitment to grant benefits when appointing new members of the Executive Board. The level of specific contributions to be made by the company is laid down for each respective member of the Executive Board. They do not hold the risk of any unexpected knock-on effects for the company, since the respective member of the Executive Board actually bears the investment risk in relation to the company. In the course of implementing the new remuneration system, a decision was therefore taken to dispense with the notion of switching over any employer's pension commitments for members of the Executive Board which provide a fixed benefit above a contractually defined age limit to a purely contribution-based system at the time of contract changeover. With specific regard to these employer's pension commitments, which are to remain in place, the company does not comply in full with this recommendation.

Therefore the Supervisory Board is of the opinion that the implementation progress made to date is not yet sufficient to fulfil the requirements of Section 4.2.3 Sentence 10 of the Code in full. As was also the case in the financial year 2014, MLP declares not to follow this recommendation in the financial year 2015.

**Section 5.1.2 Sentence 2 (diversity in the composition of the Executive Board)**

Based on the recommendations of the German Corporate Governance Code, the Supervisory Board should also pay attention to diversity in the composition of the Executive Board and in particular aim for an appropriate consideration of women.

The Supervisory Board at MLP AG aims at increasing its efforts in respecting diversity and, in particular, ensuring appropriate consideration of women in future appointments of Executive Board members. The Supervisory Board gives specific consideration to applications from suitable women in its selection procedures. It continued to address this topic in the financial year 2014 and will implement further measures so that appropriate consideration is also given to women on the company's Executive Board, following on from the Group-wide overall concept passed by the Executive Board for implementation of the recommendation in the Code pursuant to Section 4.1.5 (taking into account diversity when filling managerial positions), considering the company's specific situation. Irrespective of this, the Supervisory Board at MLP AG intends to continue basing its selection decisions primarily on personal and professional qualifications.

The Supervisory Board is of the opinion that the implementation progress made to date is not yet sufficient to fulfil the requirements of Section 5.1.2 Sentence 2 of the Code in full. As was also the case in the financial year 2014, MLP has taken the prudent approach of declaring not to follow this recommendation in the financial year 2015.

**Section 5.1.2 Sentence 7 (age limit for members of the Executive Board)**

Based on the recommendations of the German Corporate Governance Code, an age limit should be set for members of the Executive Board.

MLP did not follow this recommendation in 2014. No age limit is set for members of the Executive Board at MLP. The appointment of members of the Executive Board should be based solely on their knowledge, skills and specialist experience. As was the case in 2014, MLP has therefore also opted not to follow this recommendation in 2015.

#### **Section 5.4.1 Sentence 2 (age limit for members of the Supervisory Board)**

Based on the recommendations of the German Corporate Governance Code, an age limit should be set and taken into account when considering proposals for the election of Supervisory Board members.

MLP did not follow this recommendation in 2014. No age limit is set for members of the Supervisory Board at MLP. In light of the knowledge, skills and specialist experience stipulated in Section 5.4.1 Sentence 1 of the Code, it makes little sense to specify an age limit. As was the case in 2014, MLP has therefore also opted not to follow this recommendation in 2015.

#### **Section 5.4.1 (2) and (3) (specification of concrete objectives for the composition of the Supervisory Board)**

Based on the recommendations of the German Corporate Governance Code, the Supervisory Board is to stipulate concrete objectives regarding its composition. As well as giving consideration to the company's specific situation, these objectives also take into account the company's international operations, any potential conflicts of interest, the number of independent members of the Supervisory Board in the sense of Section 5.4.2, an age limit to be specified for members of the Supervisory Board and diversity. These concrete objectives should, in particular, stipulate an appropriate degree of female representation. Recommendations by the Supervisory Board to the respective selection committees should also take these objectives into account. The objectives and present status of implementation are to be published in the corporate governance report.

MLP did not follow this recommendation in 2014. In its meetings during the financial years 2010, 2012 and 2014, the Supervisory Board at MLP AG addressed the topic of setting concrete targets for the composition of the Supervisory Board, paying particular attention to diversity. Assuming equivalent professional and personal suitability of the candidates, the Supervisory Board has set itself the goal of filling at least 25% of the positions on the Supervisory Board on the shareholder side with suitable female members. However, largely due to the low number of members that sit on the Supervisory Board as per the company's Articles of Association, the Supervisory Board does not currently consider it prudent to specify a concrete timetable for implementation of this objective. Therefore, it is currently also not possible to report on any concrete measures for the achievement of objectives in the corporate governance report.

As was the case in the financial year 2014, MLP therefore chose not to follow this recommendation in the financial year 2015."

In December 2014, the Executive and Supervisory Boards issued the above Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders via the company's website. You can also view the text of the Declaration of Compliance of December 16, 2014 at [www.mlp-ag.com](http://www.mlp-ag.com).

You can also find more information on the topic of corporate governance at MLP on the aforementioned homepage.

## Corporate governance

Responsible and value adding management

By mainly complying with the stipulations of the German Corporate Governance Code (GCGC) in the version of June 24, 2014, MLP continues to reinforce the confidence of its shareholders, clients, employees and other stakeholders in the management of the company. Responsible management geared toward long-term added value is a high priority for us. The Executive and Supervisory Boards ensure that MLP continues to review and develop corporate governance across the Group.

### Management and controlling structure

Executive Board

As the management body of an “Aktiengesellschaft” (public limited company), the Executive Board runs the business and is tied to the interests and business principles of the company within the scope of corporation law. The responsibilities and duties of the Executive Board are laid down in the German Stock Corporation Act (AktG), in MLP AG’s Articles of Association, as well as in a set of rules of procedures and the schedule of responsibilities of the Executive Board attached to it.

The members of the Executive Board hold joint responsibility for the entire management. Decisions made by the Executive Board are reached during Executive Board meetings held at regular intervals. Resolutions are drafted as ordinary resolutions with majority votes and recorded accordingly.

The members of the Executive Board are Dr. Uwe Schroeder-Wildberg (Chairman), Manfred Bauer and Reinhard Loose.

Supervisory Board

The Supervisory Board advises and monitors the Executive Board. The responsibilities and duties of the Supervisory Board are derived from the German Stock Corporation Act (AktG), MLP AG’s Articles of Association and a set of rules of procedures for the Supervisory Board.

Resolutions of the Supervisory Board are made during meetings convened by the Chairman of the Supervisory Board or on his behalf and require a majority vote. The Supervisory Board is informed of particularly important or urgent projects outside of the regular meetings. Where necessary, resolutions can also take the form of circular resolutions or be passed via telephone. A transcript of each meeting is drafted.

Supervisory Board composition

The Supervisory Board currently consists of six members. These are four shareholder representatives, elected by the Annual General Meeting in 2013, and two employees’ representatives, elected by employees in 2013. The members of the Supervisory Board are currently Dr. Peter Lütke-Bornefeld (Chairman of the Supervisory Board), Dr. h.c. Manfred Lautenschläger, Dr. Claus-Michael Dill, Hans Maret, Alexander Beer (employees’ representative) and Burkhard Schlingermann (employees’ representative).

Based on the recommendations of the GCGC, the Supervisory Board is to stipulate concrete objectives regarding its composition, which, whilst considering the company’s specific situation, take into account the company’s international operations, any potential conflicts of interest, the number of independent members of the Supervisory Board, an age limit to be specified for members of the Supervisory Board and diversity.

The Supervisory Board has set itself concrete targets for its composition. One item worthy of particular note here is a requirements profile for Supervisory Board candidates, which was passed in the financial year and which summarises the knowledge, skills, professional experience and

personal aptitude characteristics necessary for candidates to be considered. In addition to this, appraisals were made regarding diversity and the number of independent members.

The Supervisory Board considers itself as already consisting of a suitable number of independent members who have no business or personal relationship with the company or members of the Executive Board which could form grounds for a conflict of interest. The Supervisory Board has set itself the goal of having at least three shareholder representatives as members of the Supervisory Board who are “independent” in the sense of § 100 (5) of the German Stock Corporation Act (AktG). This goal has already been achieved. The Supervisory Board has also set itself the additional goal of filling at least 25% of Supervisory Board member positions on the shareholder side with suitable female members, in the presence of candidates of equal professional and personal suitability. However, largely due to the low number of members that sit on the Supervisory Board as per the company’s Articles of Association, the Supervisory Board does not currently consider it prudent to specify a concrete timetable for implementation of this objective. The Supervisory Board also reviewed the knowledge and experience required of the Supervisory Board members and of the Chairman of the Audit Committee under the German Corporate Governance Code with regard to reporting and internal control procedures. The Chairman of the MLP AG Audit Committee fully complies with these requirements.

In the absence of the Executive Board, the Supervisory Board also reviewed the efficiency of its own activities in 2014. Particular attention was paid to the efficiency of the 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. Further measures aimed at increasing efficiency were drafted in the course of intensive discussions.

Efficiency of the Supervisory Board

The Supervisory Board of MLP AG has set up committees in order to improve the effectiveness of its work. The Personnel Committee prepares the resolutions on HR issues concerning Executive Board members with the company. The Audit Committee is responsible for auditing the accounting processes, risk management issues and the auditing system itself, as well as ensuring the independence of the auditors, awarding the audit contract to the auditors, determining the focal points of the audits and agreements on fees. The Committee also discusses the annual financial statements, the consolidated financial statements and the management reports of MLP AG and the MLP Group and submits a recommendation for resolution to the Supervisory Board. The Supervisory Board has also formed a Nomination Committee, composed exclusively of shareholder representatives, that proposes suitable Supervisory Board candidates for recommendation to the Annual General Meeting and addresses the requirements that these candidates must meet. The members of the Personnel Committee are Dr. Peter Lütke-Bornefeld (Chairman of the Personnel Committee), Dr. h.c. Manfred Lautenschläger, Mr. Johannes Maret and Mr. Burkhard Schlingermann. The Audit Committee comprises Dr. Claus-Michael Dill (Chairman of the Audit Committee), Dr. h.c. Manfred Lautenschläger, Dr. Peter Lütke-Bornefeld and Alexander Beer. The Nomination Committee comprises Dr. Peter Lütke-Bornefeld (Chairman of the Nomination Committee), Dr. h.c. Manfred Lautenschläger, Johannes Maret and Dr. Claus-Michael Dill.

Supervisory Board committees

In 2014, the Executive and Supervisory Boards of MLP AG again dealt intensively with the German Corporate Governance Code and further new legislation significant to the work performed by the Supervisory Board and its committees. The Code, and its amendments passed on June 24, 2014, were the object of intensive discussions by the Supervisory Board. Stipulations were analysed and corresponding adjustments to the internal regulations and procedures followed by the Supervisory Board were either proposed or submitted for verification.

Corporate governance in the Supervisory Board

Cooperation between  
Executive Board and  
Supervisory Board

Intensive dialogue between the Executive and Supervisory Boards forms the basis of transparent and responsible company management. The Executive Board of MLP AG provides the Supervisory Board with regular, timely and comprehensive information on the Group's position, including information on its risk situation, risk management and compliance. The Supervisory Board is informed of particularly important or urgent projects outside of the regular meetings. Furthermore, the Chairman of the Supervisory Board meets with the Executive Board on a regular basis to discuss specific issues. The Chairman of the Supervisory Board informs the other members of the Supervisory Board in detail about the content of his meetings with the Executive Board. The Supervisory Board discussed the Group's corporate planning and plans for strategic growth with the Executive Board.

Significant legal transactions by the Executive Board require the consent of the Supervisory Board. A set of rules of procedures issued by the Supervisory Board in particular governs the distribution of business, powers of approval and co-operation with the Executive Board. Further details on the co-operation between Executive Board and Supervisory Board can be found in the report by the Supervisory Board.

Further disclosures on the Supervisory Board's activities can be found in the report by the Supervisory Board.

## Transparency

### Shareholdings of members of the Executive and Supervisory Boards as of the balance sheet date

As of December 31, 2014, the shares held by the members of the company's Executive and Supervisory Boards were distributed as follows:

Supervisory Board member	Number of shares as of Dec. 31, 2013	Number of shares as of Dec. 31, 2014
Dr. Peter Lütke-Bornefeld	100,000	150,000
Dr. h.c. Manfred Lautenschläger <sup>1</sup>	25,383,373	25,383,373
Johannes Maret	100,000	100,000
Dr. Claus-Michael Dill	–	–
Burkhard Schlingermann	50	50
Alexander Beer	–	–

<sup>1</sup> Incl. additional voting rights in line with § 22 of the German Securities Trading Act (WpHG).

Executive Board member	Number of shares as of Dec. 31, 2013	Number of shares as of Dec. 31, 2014
Dr. Uwe Schroeder-Wildberg	–	–
Manfred Bauer	11,254	11,254
Reinhard Loose	5,000	5,000

## Directors' Dealings

Pursuant to § 15a of the German Securities Trading Act (WpHG), persons discharging managerial responsibilities as an issuer of shares must notify the issuer and the Federal Financial Supervisory Authority (BaFin). This duty also applies to persons with a close relationship to such a person.

Directors' Dealings

Pursuant to § 15a of the German Securities Trading Act (WpHG) one transaction was reported to us in the financial year 2014. This can be viewed on our website [www.mlp-ag.com](http://www.mlp-ag.com).

## Compliance

The trust of our clients, shareholders and business partners in our capacity to act professionally and responsibly forms the basis of our business operations. Compliance with all relevant legislation and codes of conduct for the capital market represents the foundation of our business activities and an integral part of our corporate culture. Violations against applicable legislation and regulations not only have the potential to lead to legal disputes and financial losses, but can also have a negative effect on our Group's reputation. The Executive Board at MLP ensures Group-wide compliance with legal provisions and internal company guidelines, while also guaranteeing both a trusting and transparent system of corporate governance.

Compliance regulations

The basic principles of abidance to laws, integrity and economically successful business practices are firmly anchored in our internal compliance guidelines. Our compliance activities are based on a Group-wide compliance strategy, which is specifically designed with preventive measures to avoid risks that could arise from non-compliance with applicable legislation, internal standards and processes. The primary focus here is on compliance with the applicable legal provisions and internal company directives, as well as preventing and combating illegal practices, such as insider trading, money laundering, fraud or any other criminal conduct. In the interests of our clients, shareholders and employees, the Compliance department supports and advises the Executive Board in establishing uniform standards for all Group companies. Taking into account the constantly changing regulatory requirements and market conditions, Compliance steers the continuous further development of our internal behavioural standards and monitors implementation of all applicable requirements.

On the basis of a Group-wide risk analysis, the Compliance department identifies, analyses and evaluates the compliance risks relevant to MLP's business operations. Compliance also collaborates with the specialist departments responsible for developing risk-reducing measures and continuously monitors their effectiveness in our day-to-day business.

Regular training sessions, during which all employees of the MLP Group familiarise themselves with the relevant regulations as a way of preventing any accidental infractions while also providing support in applying our corporate guidelines, represent an important element of our risk prevention measures. They include in particular web-based training sessions on the topics of compliance and the prevention of money laundering, financing terrorist activities and criminal conduct. Compliance is also available to all employees as a point of contact for reporting anything suspicious with regard to criminal activities or violations against compliance regulations. Any violations determined are investigated immediately, comprehensively clarified and then used to eliminate any weaknesses identified. The Executive Board and Supervisory Board are regularly informed of all relevant actions and measures taken by the Compliance department.



An extensive system of compliance rules and standards in the MLP Group explains the legal regulations on insider law both to members of the Executive Bodies and employees, and describes the internal guidelines for performing investment business. In this respect, the compliance guidelines serve to secure the responsible handling of sensitive information at MLP and set out defined guidelines for advising and supporting our clients, while also providing our employees with the legal framework for both accepting and issuing invitations and gifts. To prevent any impairment of client interests, we have defined policies regarding the avoidance and monitoring of conflicts of interest and the acceptance and granting of benefits. These policies are regularly reviewed and adapted to changing requirements.

### Corporate management practices

Defined company values

MLP redefined its core values a few years ago; a process in which a large number of employees and consultants were involved. “Performance” and “Trust” were identified as values which the corporate mission relies and builds on. You can find details on our corporate mission on our homepage at [www.mlp-ag.de](http://www.mlp-ag.de). In a third step, the following management principles were then derived from this for MLP.

MLP managers:

- are committed to the interests of MLP clients
- live out the core values of “Performance” and “Trust”
- implement agreed targets and decisions consistently
- are proactive in shaping the future
- work together openly as team players
- ensure systematic development of managers and staff

As a contribution to the discussion on the quality of financial advice in Germany, MLP presented a Consulting Code in the form of guidelines for client consulting in 2009. This code summarises MLP’s consulting and client support standards, many of which have already been in use at the company for several years. The aim is to increase transparency for clients, interested parties and the general public. All guidelines are based on MLP’s company values, which shape the relationship between employees, consultants and all stakeholders. Our “Guidelines on consulting and supporting private clients” are published on our company website at [www.mlp-ag.com](http://www.mlp-ag.com).

As per the recommendation in Section 4.1.5. of the Corporate Governance Code, the Executive Board has further intensified its efforts to secure diversity when filling management positions. It will also test the effectiveness of the adopted measures in the financial year 2015 and either make any changes deemed necessary or implement additional measures to ensure that women are given appropriate consideration at the management levels of the company, taking into account the company’s specific situation.

An explanation of the business and risk strategy as well as the risk management system can be found in the chapter “Risk and disclosure report” of the Annual Report.

### Information

By law, the shareholders are involved in all fundamentally important decisions at MLP AG, such as decisions on amendments to the Articles of Association and the issue of new shares. In order to help shareholders assert their rights, MLP offers them the option of having their voting rights exercised in writing by non-discretionary proxies appointed by the company or by postal vote. We report on the main content of the Annual General Meeting on our website at [www.mlp-ag.com](http://www.mlp-ag.com), where the Chairman's speech can also be accessed online.

We also use the internet in order to provide comprehensive and timely information on the company's position and significant changes in a way that ensures all stakeholders are treated equally. We provide access to both German and English versions of annual and quarterly reports, press releases, conference calls and presentations on our homepage at [www.mlp-ag.com](http://www.mlp-ag.com). Our financial calendar includes important events and dates for investors. Analysts' and media conferences are held at least once a year. In accordance with legal provisions, ad-hoc notices are published on our website, where we also provide comprehensive information on corporate governance at MLP. We provide access to our Declaration of Compliance on our homepage for at least five years.

Information of all target groups

### Accounting and audit

Group accounting is performed in line with International Financial Reporting Standards (IFRS). KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was appointed as auditor by the Annual General Meeting and has audited the 2014 consolidated financial statements. The Supervisory Board gave its assurance that the relations existing between the auditors and MLP or its governing bodies give no cause for doubting the independence of the auditor. The Supervisory Board at MLP AG also discusses the annual and Group financial statements.