

# Report of the Supervisory Board



DR. JOST A. MASSENBERG,  
CHAIRMAN OF THE SUPERVISORY BOARD

In the last financial year, the Supervisory Board of VTG Aktiengesellschaft again fulfilled the responsibilities placed on it by the law, the Articles of Association and the Rules of Procedure. On the basis of detailed verbal and written reports provided to us promptly by the Executive Board, we regularly monitored its work and provided continuous support. Additionally, there was a regular exchange of information between the Chairman of the Supervisory Board and the Chairman of the Executive Board. Through this contact, the Chairman of the Supervisory Board was kept continuously informed about the situation of the company and the Group.

Regular subjects of reporting were the current situation of the Group, the development of the business in the individual segments, corporate planning and strategy, the profitability of the company, the risk situation, risk management and compliance management. The Executive Board informed us about and discussed with us important business transactions in the company's divisions. Deviations in the course of business from the agreed plans and targets were explained to us in detail.

The Supervisory Board was also included in all decisions of importance for the company. The Executive Board consulted with us and gained our agreement on the strategic orientation of the company. Before passing resolutions, we discussed in depth all measures requiring the approval of the Supervisory Board under

the Rules of Procedure for the Executive Board decided by the Supervisory Board.

## Ongoing consultation with and supervision of the Executive Board

In the year under review, there were four ordinary meetings of the Supervisory Board. Additionally, as required, resolutions were adopted by written procedure or in conference calls. All members of the Supervisory Board attended more than half of the meetings. The issues addressed in all meetings included corporate strategy and the performance of the divisions.

In February 2016, the Supervisory Board adopted a resolution by written procedure. Subject matter of this resolution was the approval of the Corporate Governance Report including the joint declaration of the Executive Board and Supervisory Board in accordance with Section 161 of the German Stock Corporation Act on compliance with the recommendations of the German Corporate Governance Code.

At the accounts review meeting of March 24, 2016, the Executive Board provided us with a summary of the earnings and financial situation and the key business events in the financial year 2015 in the company, the VTG Group and the joint ventures. Subsequently, after detailed discussion with the Executive Board and the auditor, we approved the annual and consolidated financial

statements and management reports for 2015. The meeting also included the examination and approval of the 2015 Dependent Company Report and approval of the agenda and proposed resolutions for the 2016 Annual General Meeting. Furthermore, the Executive Board presented us in this meeting the compliance report for the year 2015 and also reported to us on the risk management and the activities of the internal audit department of the VTG Group. Finally, at this meeting, the Supervisory Board approved a proposal by the Executive Board to update its Rules of Procedure.

Another meeting of the Supervisory Board was held directly prior to the Annual General Meeting on May 31, 2016. At this meeting, we approved an open call for tenders for the statutory audit of the annual and consolidated financial statements of VTG Aktiengesellschaft for the financial year 2017, including the applicable selection criteria. Furthermore, we charged the Executive Committee with performing the preparatory tasks that would generally be performed by the Supervisory Board in such a selection process in the absence of an audit committee in accordance with the EU Regulation regarding statutory audit of public-interest entities and the German Statutory Audit Reform Act.

Following the Annual General Meeting the Supervisory Board approved the appointment of the auditor elected by the shareholders for the financial year 2016 by resolution adopted by written procedure.

In a conference call of July 22, 2016, we discussed which of the ten auditing firms that had since responded to the call for tenders for the statutory audit of annual and consolidated financial statements of VTG Aktiengesellschaft for the financial year 2017 should be invited to submit an offer. After detailed discussion, the Supervisory Board passed a resolution to send the five applicants that had best met the preselection criteria the tender documents.

As in previous years, a closed-door session took place ahead of the further meeting on September 15, 2016, at which the Executive Board explained to us the medium- and long-term strategic direction of the company and the measures required for this. These measures were discussed and agreed with us in detail. At the meeting itself, the Executive Board presented and discussed with us its forecast for the development of the business and financial situation for the rest of the financial year based on the results and developments of the first six months. A resolution also had to be passed again as part of the selection process for the statutory auditor for the financial year 2017. After systematic appraisal of the five offers submitted, the Supervisory Board decided to have further talks with three of the applicants. Finally, the Executive Board informed us in this meeting of the available options for hedging the interest rate risk arising from the existing financing arrangements.

Subsequently, in mid-November 2016, the Supervisory Board approved by written procedure several interest rate hedges proposed by the Executive Board.

At the meeting of November 29, 2016, the Executive Board explained to the Supervisory Board the annual budget including the financial and investment plans for the financial year 2017 along with the investment plans for the years ahead. We approved these after detailed discussion. Furthermore, at this meeting, the Executive Committee, which had been charged with the preparatory tasks involved in the preselection process, recommended Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, and KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, to the Supervisory Board, for selection as statutory auditor for the financial year 2017. The Executive Committee provided detailed reasons for this and communicated a preference for Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The Supervisory Board endorsed this. Finally, at this meeting, the Supervisory Board passed a resolution to appoint Mr. Günter-Friedrich Maas as a member of the Executive Board for another three years from the end of his term of office, with effect from June 1, 2017.

The Executive Committee held a total of four meetings in the year under review. The subjects covered included matters relating to the Executive Board, the remuneration system for the Executive Board, the composition of the Executive Board and the long-term succession planning for the Executive Board and executive management staff. Additionally, approval was given for the taking up of positions requiring the consent of the Supervisory Board in accordance with § 88 of the German Stock Corporation Act as well as the preparatory tasks prior to the Supervisory Board's final selection of the statutory auditor for the financial year 2017. The Executive Committee did not have to address any conflicts of interest of members of the Executive Board or the Supervisory Board in the year under review.

#### **Audit of annual and consolidated financial statements**

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, (PwC) was appointed by the Annual General Meeting as auditor for the year under review. PwC examined and gave an unqualified opinion on the annual financial statements of VTG Aktiengesellschaft drawn up in accordance with the principles of the German Commercial Code and on the consolidated financial statements for the financial year 2016 drawn up according to IFRS, including the corresponding management reports. Moreover, the auditor confirmed that the risk management system set up by the Executive Board complies with the legal requirements. The auditor has assured the Supervisory Board that no business, financial, personal or other relationships exist between, on the one hand, the auditor and its executive bodies and head auditors, and, on the other hand, the company

and the members of its executive bodies that could call its independence into question. The Supervisory Board has agreed with the auditor that the Chairman of the Supervisory Board shall be informed immediately of any grounds for disqualification or conflicts of interest arising during the audit, unless such grounds are eliminated immediately.

The Supervisory Board itself also checked the annual and consolidated financial statements of the company and the Group, the management report and Group management report. The audit reports were submitted in good time to all members of the Supervisory Board and were discussed in depth first, while still in draft form at an additional meeting of the Supervisory Board of March 3, 2017 and, finally, at today's meeting with the Executive Board and the auditors, who were also present in each case. The Supervisory Board endorsed the findings of the audit by PwC of the annual financial statements, the consolidated financial statements and the management reports and approved the annual and consolidated financial statements for the financial year 2016 at today's meeting. After completing its examination of the annual financial statements, the consolidated financial statements and the management reports, the Supervisory Board has no objections. We endorse the proposal by the Executive Board for the appropriation of net profit with payment of a dividend of € 0.75 per share and the remainder to be carried forward.

### Code recommendations largely met

On February 14, 2017, the Executive Board and Supervisory Board issued a Declaration of Conformity in accordance with § 161 of the German Stock Corporation Act and published it on the company's website. VTG Aktiengesellschaft complies to a great extent with the recommendations of the Commission of the German Corporate Governance Code as amended on May 5, 2015 and has largely complied with these in the past financial year.

### Composition of Supervisory Board and Executive Board

Dr. Wilhelm Scheider resigned as a member and chair of the Supervisory Board as of the end of December 31, 2016. The Supervisory Board had already decided at its meeting of November 29, 2016, to appoint Dr. Jost A. Massenberg as the new chair of the Supervisory Board with effect from January 1, 2017. In recognition of Dr. Scheider's service of more than a decade as chair of the Supervisory Board, the Supervisory Board has also decided to appoint him honorary chair of the Supervisory Board with effect from 1 January 2017.

After the end of the year under review, at the request of the Executive Board, Mr. Karl Gernandt was appointed by an order of the Local Court of Hamburg of January 13, 2017 as a further member of the Supervisory Board until the end of the next Annual General Meeting of the company.

Mr. Günter-Friedrich Maas by resolution of the Supervisory Board of November 29, 2016 was once again appointed a member of the Executive Board for the period from June 1, 2017 to May 30, 2020.

We wish to thank the Executive Board and all employees of the Group for their commitment and the success achieved through their efforts in the financial year 2016.

Hamburg, March 30, 2017

The Supervisory Board

DR. JOST A. MASSENBERG  
CHAIRMAN OF THE SUPERVISORY BOARD