

# Supervisory Board Report

**Dr. Peter Kurz**  
Supervisory Board Chairman  
of MVV Energie AG



DEAR LADIES AND GENTLEMEN,

The energy market is undergoing fundamental transformation, with not only the energy turnaround but also the advance of digitalisation leading to far-reaching changes. Even though the conditions in which it operates remain difficult, MVV was able to assert itself once again in the 2019 financial year. That gives us reason to be pleased, as it offers further proof that we took the right strategic decisions in past years and focused our investments accordingly. The company is sustainably and competitively positioned and will be able to seize the opportunities presented by the energy system of the future. The 2020 financial year, which we have begun with great optimism, also promises to be challenging.

## Key focuses of Supervisory Board activities

We fulfilled all aspects of our duty to advise and supervise the Executive Board once again in the 2019 financial year. To this end, we were in ongoing dialogue with the Executive Board throughout the period under report. It kept us continuously and comprehensively informed of latest developments in the energy industry and energy policy, as well as of the Group's strategic alignment, business performance and situation, including its risk situation and risk management. Furthermore, the Executive Board presented and substantiated variances between the business performance and the original planning. Our body held in-depth discussions concerning the company's investment decisions. As Supervisory Board Chairman, I was also in close contact with the CEO outside of meetings in order to share views with him on current topics and developments.

We reviewed, questioned and openly discussed all reports and other information provided by the Executive Board in the full Supervisory Board and our committees. We received all documents sufficiently well in advance for us always to have enough time to prepare the meetings. We convinced ourselves of the legality, expediency and correctness of the business management. In our training and development measures, we dealt with current trends in digitalisation, the global challenges presented by the energy turnaround and MVV's new smart cities activities. We also visited the construction site for linking up the CHP plant in Mannheim to the existing district heating grid. This enabled us to form our own impression on location of the construction challenges involved.

## Supervisory Board meetings and attendance

In the 2019 financial year, the Supervisory Board held four regular meetings and one unscheduled meeting. All Supervisory Board members complied with the expectation stated in the German Corporate Governance Code that they should attend more than half the meetings. Supervisory Board meetings were attended by an average of 88 % of the members. For the meetings of the full Supervisory Board and of its committees, we can report overall average attendance of 85 %.

### Main topics of discussion at Supervisory Board meetings

At an unscheduled meeting held on **8 November 2018**, the Supervisory Board approved the acquisition of all outstanding shares in Juwi AG. For MVV, Juwi is a major strategic pillar with which we aim to exploit the growth opportunities presented by onshore wind power project development in Germany and by photovoltaics in the international arena.


At our meeting on **7 December 2018**, we prepared the agenda for the Annual General Meeting on 8 March 2019 and voted on the necessary draft resolutions. Apart from that, at this meeting we also reviewed and approved the consolidated financial statements (IFRS) and annual financial statements for the 2018 financial year. Furthermore, Verena Amann presented herself to the Supervisory Board for the first time. The resolution appointing Verena Amann to the Executive Board of MVV Energie AG was adopted by circulation and written approval at the end of February 2019.

At the meeting on **7 March 2019**, the Supervisory Board approved the resolution to extend MVV's wind power portfolio with Siegfriedeiche Windfarm. MVV's subsidiary Windwärts began work on building this windfarm in the year under report. Further topics addressed at this meeting included the development of smart cities activities and current challenges in the field of e-mobility.

The meeting on **7 June 2019** looked closely at ways in which the district heating supply in Mannheim and the region can be brought in line with climate targets in the long term, as well as at the disposal of shares held in Vents d'Oc Énergies Renouvelables SARL. We also discussed the Non-Financial Declaration to be submitted for the year under report. Consistent with the requirements of the German Corporate Governance Code, we addressed our efficiency review. To continually improve the activities of our body, we analysed and evaluated our structures and the quality and effectiveness of our work.

The key focus of our meeting on **19 September 2019** was the approval of the business plan for the 2020 financial year. Based on the company's long-term strategy, our body discussed the three-year plan. One major component of this is the strategic development of the biomethane and organic waste fermentation business. Consistent with this, the Supervisory Board approved the resolution to build an organic waste fermentation plant in the Bernburg area. A further topic involved the Corporate Governance Report, which we approved for the 2019 financial year. The Non-Financial Declaration was once again on the meeting agenda.

### Committee work

The relevant Supervisory Board committees  **Page 175** ensure that topics and resolutions due to be discussed and adopted at Supervisory Board meetings are prepared efficiently. The committee chairmen inform our full body regularly and promptly about committee activities and about any decisions due to be taken at the next Supervisory Board meeting.

The **Audit Committee** held five scheduled meetings in the year under report. Key focuses of its work included the annual financial statements of MVV Energie AG, the consolidated financial statements and combined management report for the 2018 financial year and the financial reporting upon conclusion of the 1<sup>st</sup> quarter, 1<sup>st</sup> half, and 1<sup>st</sup> nine months of the 2019 financial year. In each of these quarters, the committee also addressed the company's risk situation and risk management.

Together with the Executive Board, the committee also discussed the company's 2020 business plan, medium-term planning and strategic alignment. Following careful examination, it recommended that the Supervisory Board should approve the budget for the 2020 financial year. The committee also accepted supplementary reports from the company: These related to group internal audit, the internal control system (IKS) in respect of the financial reporting process and the compliance management system. It reviewed these and established that all systems were appropriate, functional and effective. In this context, the committee also addressed MVV's decentralised management and control systems in several meetings. Furthermore, it determined the key audit focuses for the 2019 financial year. Other topics addressed by the committee included reporting on Juwi, Windwärts, MVV Trading and Beegy, the progress made with building the gas-powered CHP plant in Kiel, construction of the CHP plant in Dundee, the report on the selection of the auditor and the Non-Financial Declaration requiring submission for the year under report.

The **Personnel Committee** met five times in the 2019 financial year. It discussed the appointment of the new Personnel Director and recommended that the Supervisory Board should appoint Verena Amann in this capacity to the Executive Board as of 1 August 2019. Moreover, matters relating to the compensation of Executive Board members also formed part of the committee's discussions.

Neither the **Nomination Committee**, nor the **New Authorised Capital Creation Committee** nor the **Mediation Committee** held any meetings in the year under report.

### Composition of Supervisory and Executive Boards

Katja Udluft, trade union secretary at ver.di Rhine-Neckar, stood down from the Supervisory Board as of 30 June 2019. By resolution of Mannheim District Court, Susanne Wenz, Deputy State Regional Director of ver.di Baden-Württemberg, was appointed as a member of the Supervisory Board of MVV Energie AG as of 11 July 2019 and assumed her position as an employee representative. Furthermore, Dr. Antje Mohr, trade union secretary at ver.di Kiel, and Peter Sattler, facility management officer, stood down from their positions at the end of the 2019 financial year. Gabriele Gröschl-Bahr was appointed by court order to the Supervisory Board of MVV Energie AG as of 1 October 2019. She is a member of ver.di's Federal Executive Board and has succeeded Dr. Antje Mohr.

Verena Amann, Personnel Director, was newly appointed to the Executive Board on 1 August 2019. Her contract has a term of three years. A graduate in business administration, she previously held responsible HR positions at United Internet Group and its subsidiaries from 2007 onwards. Since January 2015, she headed the Group HR Department and was also Managing Director of the service company United Internet Corporate Services GmbH.

### Corporate governance

In the year under report, as in previous years, we dealt closely with the recommendations and provisions of the German Corporate Governance Code (DCGK) and endorsed the Declaration of Conformity with the Code submitted by the Executive Board. MVV Energie AG fully complies with all of the recommendations made by the Code. We approved the Corporate Governance Report, which also includes the Declaration of Conformity and the Corporate Governance Declaration, at our meeting on 19 September 2019 and published this on the internet on 4 November 2019 [www.mvv.de/corporate-governance](https://www.mvv.de/corporate-governance) and [Page 64](#).

### Handling conflicts of interest and independence

All members of our Supervisory Board have committed themselves to disclosing any conflicts of interest immediately, should any such conflicts arise. Due to the consideration RheinEnergie AG was giving at the time to the possibility of selling its shares in MVV Energie AG, as a matter of precaution Dieter Hassel opted not to participate in the "Corporate Planning 2020" agenda item at the Supervisory Board meeting on 19 September 2019 and also not to receive the accompanying documents. We conducted a review and ascertained that all members of our body are independent in the sense defined in the German Corporate Governance Code.

### Audit of annual and consolidated financial statements

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Essen, was elected as auditor of the financial statements for the 2019 financial year by the Annual General Meeting on 8 March 2019. The declaration of independence from the auditor has been submitted to the Supervisory Board.

The annual financial statements of MVV Energie AG for the 2019 financial year have been prepared pursuant to the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). MVV's consolidated financial statements and combined management report have been prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU. The auditor audited the consolidated financial statements and combined management report of MVV and the annual financial statements of MVV Energie AG and granted unqualified audit opinions. Both the annual financial statements and the consolidated financial statements and combined management report for the 2019 financial year are published in the Federal Gazette (Bundesanzeiger).

The Supervisory Board was provided sufficiently in advance with the consolidated financial statements, the combined management report, the annual financial statements of MVV Energie AG, the Executive Board proposal concerning the appropriation of profits and the auditor's audit reports. Both the Audit Committee and the full Supervisory Board examined these documents carefully and extensively. Both bodies discussed them in detail in the presence of the auditor. No objections were raised. At our meeting on 2 December 2019, we approved the consolidated financial statements and combined management report of MVV and the annual financial statements of MVV Energie AG. The annual financial statements are thus adopted. We endorsed the Executive Board proposal concerning the appropriation of profits. Moreover, the auditor audited the monitoring system which the Executive Board has established pursuant to § 91 (2) AktG. The auditor determined that the system was suited to the early detection of any developments that could threaten the company's continued existence.

The Executive Board submitted a Combined Non-Financial Declaration for the 2019 financial year. Prior to this, we discussed both the contents and the respective internal processes and checks at meetings of the Audit Committee and the Supervisory Board. We critically reviewed and assessed the plausibility and expediency of the Non-Financial Declaration for MVV's business model. The Supervisory Board did not raise any objections to the reporting by the Executive Board.

According to the Executive Board report on relationships with affiliated companies (Dependent Company Report) for the 2019 financial year, MVV Energie AG was not disadvantaged by the legal transactions performed with affiliated companies outlined therein. The auditor audited the report and granted the following audit opinion: "Following our audit and assessment performed in accordance with professional standards, we confirm 1. That the factual disclosures made in the report are accurate and 2. That the company's compensation in the transactions listed in the report was not incommensurately high." Both the Dependent Company Report and the associated audit report compiled by the auditor were submitted to the Supervisory Board in good time. Based on our own review, we concur with the auditor's assessment and approve its report.

### Thanks

MVV was successful in the 2019 financial year, and that despite the difficult market climate in the energy industry. This success, which employees can feel proud of, was the result of everyone's contribution: from the Executive Board of MVV Energie AG to the executive boards and management teams at subsidiaries and shareholdings through to employees and works council members. Speaking on behalf of the entire Supervisory Board, I would like to express my thanks for all their work and dedication!

A handwritten signature in black ink, appearing to read 'P. Kurz' followed by a large checkmark and the number '2'.

Dr. Peter Kurz

Chairman

Mannheim, December 2019