

Supervisory Board Report

Dr. Peter Kurz
Supervisory Board Chairman
of MVV Energie AG



DEAR LADIES AND GENTLEMEN,

The situation on the energy market can be summarised in just a few words: It is undergoing a substantial transformation. After all, numerous changes are arising not just on account of the energy turnaround but also due to the ongoing advance of digitalisation in all areas of life and business. Even though the conditions in which it operates remain challenging, MVV asserted itself well once again in the 2020 financial year, and that against the backdrop of the coronavirus pandemic, whose effects also had to be managed. This offers further proof that the right strategic decisions were taken in previous years and that the company has made well-targeted investments. As a result, MVV is sustainably and competitively positioned and will be able to benefit extensively from the opportunities presented by the energy system of the future. This gave us reason to start the 2021 financial year on an optimistic note, even if this also promises to be a challenging time.

Key focuses of Supervisory Board activities

In the 2020 financial year, we once again fulfilled all aspects of our duty to advise the Executive Board in its management of the company and to supervise its activities. To this end, we were in dialogue with the Executive Board throughout the period under report. It provided us with continuous and comprehensive information both about the latest developments in the energy industry and in energy policy and about the Group's strategic alignment, business performance and situation, including information about its risk management and risk situation. Here, the Executive Board explicitly addressed any variances between the business performance and the original planning and substantiated these in detail. Our body held in-depth discussions concerning the company's investment projects. As Supervisory Board Chairman, I was also regularly in contact with the CEO outside the meeting framework. In this ongoing exchange, we shared our views about current topics and events at the company.

In meetings of the full Supervisory Board and our committees, we reviewed, questioned and openly discussed all reports and other information provided by the Executive Board. We convinced ourselves of the legality, expediency and correctness of the business management. We always had sufficient time to prepare the meetings. Regrettably, the annual training measure scheduled for June 2020 had to be cancelled due to the coronavirus pandemic.

Supervisory Board meetings and attendance

In the 2020 financial year, the Supervisory Board held four regular meetings and two unscheduled meetings. The Audit and Personnel Committees held five and two regular meetings respectively in the year under report. Consistent with the recommendation made by the German Corporate Governance Code, we disclose the participation of members in the respective meetings.

Participation in committee meetings FY 2020			
	Supervisory Board	Audit Committee	Personnel Committee
Dr. Peter Kurz, Chairman	6/6	–	2/2
Johannes Böttcher	6/6	–	–
Timo Carstensen	5/6	–	–
Ralf Eisenhauer	6/6	–	2/2
Peter Erni	4/6	3/5	1/2
Detlef Falk	5/6	5/5	–
Gabriele Gröschl-Bahr	1/6	–	–
Dieter Hassel (until 26 June 2020)	2/4	–	–
Barbara Hoffmann	5/6	–	–
Prof. Dr. Heidrun Kämper	6/6	–	–
Heike Kamradt	6/6	5/5	2/2
Brigitte Kemmer	6/6	–	–
Gregor Kurth (since 3 July 2020)	1/1	–	–
Thoralf Lingnau (since 24 January 2020)	4/5	–	–
Dr. Lorenz Näger	6/6	4/5	–
Steffen Ratzel	6/6	–	2/2
Bernhard Schumacher	6/6	–	–
Christian Specht	5/6	4/5	–
Prof. Heinz-Werner Ufer	6/6	5/5	–
Susanne Wenz	5/6	–	–
Jürgen Wiesner	6/6	–	2/2

Main topics of discussion at Supervisory Board meetings

At our meeting on **2 December 2019**, we prepared the agenda for the Annual General Meeting on 13 March 2020 and voted on the necessary draft resolutions. Further topics addressed at this meeting included the review and approval of the consolidated financial statements (IFRS) and annual financial statements for the 2019 financial year.

At its meeting on **12 March 2020**, the Supervisory Board approved the resolution to restructure the company's relationships with the large power plant in Mannheim (Grosskraftwerk Mannheim – GKM) and measures to secure the future supply of district heating. We also dealt with the implementation of the EU Shareholder Rights Directive in German law (ARUG II) and thus with the adjustments that will arise at MVV on this account. Among others, these include the requirement for the 2021 Annual General Meeting to adopt a resolution approving the remuneration system for Executive Board members (“say on pay”). Furthermore, we were informed about changes introduced in the new German Corporate Governance Code. A further group of topics addressed at this meeting related to sustainability. In connection with the “Green Deal”, we were informed about the EU's climate protection targets for the periods to 2030 and 2050. We received information about MVV's sustainability reporting and discussed ideas as to how this might be developed further. Moreover, we were informed about the current status of the national hydrogen strategy. Further topics addressed included the path towards decarbonisation for the Czech subgroup. The objective here is to implement the coal exit by 2030 and to convert to natural gas and biomass.

At an unscheduled meeting held on **3 April 2020**, the Supervisory Board was informed about the status of the process to change the shareholder structure. We commissioned the preparation of a reasoned opinion in respect of the public takeover offer and appointed a proprietary lawyer to provide the Supervisory Board with legal advice. Moreover, we were informed about the implications of the coronavirus pandemic for MVV. We were advised of the precautions introduced to protect staff and customers and of the measures taken to safeguard the company's liquidity.

At a further unscheduled meeting, in this case on **15 May 2020**, we approved the joint reasoned opinion of the Executive and Supervisory Boards of MVV Energie AG with respect to the voluntary takeover bid made by FS DE Energy GmbH and discussed the fairness opinion and the valuation.

At our meeting on **30 June 2020**, we dealt with the personnel report and key focuses of future HR activities. Further topics discussed included the future positioning of the company's retail business ("Future Retail") and the resolution to acquire the remaining shares in Fernwärme Rhein-Neckar GmbH from EnBW. The Supervisory Board also decided to update the diversity concepts for the Supervisory and Executive Boards. Furthermore, we addressed the progress made with regard to sustainability. On the one hand, we obtained information about how far the company had moved towards climate neutrality. On the other hand, we dealt with key progress in terms of decarbonisation. This is due, among other factors, to the regular operations at the gas-fired CHP plant in Kiel, the linking up of the waste-fired CHP plant in Mannheim to the district heating grid and the new windfarms.

The key focus of our meeting on **28 September 2020** was the approval of the business plan for the 2021 financial year. Based on the corporate strategy and the energy industry framework, our body discussed the three-year plan. A further topic was the Declaration of Conformity with the German Corporate Governance Code, which we approved for the 2020 financial year.

Committee work

The relevant Supervisory Board committees [█ Page 171](#) ensure that topics and resolutions due to be discussed and adopted at Supervisory Board meetings are prepared efficiently. The committee chairs keep our full body regularly and promptly informed about committee activities. Any decisions due to be taken at the next Supervisory Board meeting are also discussed.

The **Audit Committee** held five scheduled meetings in the year under report. Consistent with its remit, the committee focused in particular on the annual financial statements of MVV Energie AG, the consolidated financial statements and the combined management report for the 2019 financial year, as well as on the financial reporting upon the conclusion of the first three months, the first half and the first nine months of the 2020 financial year. Furthermore, the committee also addressed the company's risk situation and risk management on a quarterly basis.

Together with the Executive Board, the committee also discussed the company's 2021 business plan and its medium-term planning and strategic alignment. Following careful examination, it recommended that the Supervisory Board should approve the budget for the 2021 financial year. The committee took receipt of supplementary reports from the company. It assured itself that both the group internal audit and the internal control system (IKS) in respect of the financial reporting process and compliance management system were appropriate, functional and effective. In this context, the committee also addressed MVV's decentralised management and control systems in several meetings. Moreover, it determined the key audit focuses for the 2020 financial year. Other topics addressed by the committee included the gas-fired CHP plant in Kiel, key control parameters in the retail and business customer sales activities, advance discussion of the joint opinion by the Executive and Supervisory Boards concerning the takeover bid from FS DE Energy GmbH, as well as of the valuation and fairness opinion, the approval process for guarantees at Juwi and the Combined Non-Financial Declaration requiring submission for the year under report.

The **Personnel Committee** met twice in the 2020 financial year and mainly discussed matters relating to the remuneration of Executive Board members.

The **Nomination Committee** did not hold any meetings in the year under report, as was also the case for the **New Authorised Capital Creation Committee** and the **Mediation Committee**.


Composition of Supervisory and Executive Boards

Thoralf Lingnau, a member of the Works Council of MVV Energie AG, has been a new member of the Supervisory Board since 24 January 2020 and has assumed his position as an employee representative. He has succeeded Peter Sattler, who stood down from his position as of the end of the 2019 financial year.

Dieter Hassel, a member of the Executive Board at RheinEnergie AG, Cologne, stood down from his position as of 26 June 2020. A ruling passed by Mannheim District Court appointed Gregor Kurth, Head of Transactions, Infrastructure Investments, Europe, First Sentier Investors (FSI), London, UK, as a member of the Supervisory Board of MVV Energie AG as of 3 July 2020. He has assumed his position as a shareholder representative.

Furthermore, Prof. Dr. Heidrun Kämper, Brigitte Kemmer and Steffen Ratzel stood down from their positions upon the conclusion of the 2020 financial year. A ruling passed by Mannheim District Court on 21 September 2020 and taking effect as of 1 October 2020 appointed Sabine U. Dietrich, supervisory board member and consultant, Tatjana Ratzel, head of the sickness allowance department at INTER Versicherungsgruppe Mannheim, and Dr. Stefan Seipl, businessman and independent management consultant, as members of the Supervisory Board of MVV Energie AG. These changes to the composition of the Supervisory Board were due in part to the amended shareholder structure.

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). We endorsed the Declaration of Conformity with the Code submitted by the Executive Board. MVV Energie AG fully complies with all but one of the recommendations made by the Code. We approved the Declaration of Conformity at our meeting on 28 September 2020  **Page 67**.

Handling conflicts of interest and independence

All members of our Supervisory Board have undertaken to disclose without delay any conflicts of interest that may arise. Given the change in the shareholder structure in the year under report, Dieter Hassel did not participate in the unscheduled meetings of the Supervisory Board on 3 April 2020 and 15 May 2020. 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 2020 financial year by the Annual General Meeting on 13 March 2020. The declaration of independence from the auditor has been submitted to the Supervisory Board.

The annual financial statements of MVV Energie AG for the 2020 financial year have been prepared in accordance with 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 2020 financial year are published in the Federal Gazette (Bundesanzeiger).

Our body received the following documents in good time: the consolidated financial statements, combined management report, annual financial statements of MVV Energie AG, proposal by the Executive Board 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. We discussed them in detail in both bodies in the presence of the auditor. No objections were raised. At our meeting on 2 December 2020, 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. The auditor also audited the monitoring system established by the Executive Board pursuant to § 91 (2) AktG. The auditor determined that the system was suited to detect at an early stage any developments that could threaten the company's continued existence.

The Executive Board submitted a Combined Non-Financial Declaration for the 2020 financial year. At meetings of the Audit Committee and the Supervisory Board, we previously discussed both the contents and the respective internal processes and checks. We critically reviewed and assessed the plausibility and expediency of the Non-Financial Declaration in respect of MVV's business model. The Supervisory Board did not raise any objections to the reporting by the Executive Board.

The Executive Board report on relationships with affiliated companies (Dependent Company Report) for the 2020 financial year states that 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 can report on another successful financial year, and that despite ongoing difficult conditions in the energy market and the challenges presented by the coronavirus pandemic. This success, which our 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. On behalf of the entire Supervisory Board, I would like to thank everyone for all their work and for the dedication they have shown!

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

Dr. Peter Kurz
Chairman

Mannheim, December 2020