

Supervisory Board Report

Dr. Peter Kurz
Supervisory Board Chairman
of MVV Energie AG



DEAR LADIES AND GENTLEMEN,

Great tasks lie ahead of us: Sustainability, cutting CO₂ emissions and climate neutrality are topics that will have to be tackled with great commitment and rapidly implemented on all levels of society. Far-reaching decisions have to be taken so that climate targets can be reached as soon as possible. MVV is tackling the associated challenges with extraordinary commitment, strategic farsightedness and economic success. In the 2021 financial year, MVV was able to significantly increase its adjusted EBIT compared with the previous year's figure, and that against the backdrop of the coronavirus pandemic. The success of its strategic alignment is apparent not only in economic terms; MVV is also making substantial progress with its target of achieving CO₂ savings. This documents that MVV has taken the right decisions in recent years and made targeted investments in forward-looking business fields. It also means that MVV is in a position to continue drawing extensively on the opportunities presented by the energy system of the future. All this gives us reason to begin the 2022 financial year with a positive outlook, even if the environment in which we operate remains challenging.

Key focuses of Supervisory Board activities

We fulfilled all aspects our duty to advise the Executive Board in its management of the company and to supervise its business activities once again in the 2021 financial year. We were in dialogue with the Executive Board throughout the period under report and were provided with regular, prompt and comprehensive information both about the latest developments in the energy industry and energy policy, as well as about the Group's strategic alignment, business performance and situation, including its risk management and risk situation. The Executive Board dealt in particular with any variances between the business performance and the original planning and substantiated these in detail. The Supervisory Board held extensive discussions concerning the company's investment decisions. As Supervisory Board Chairman, I was in close contact with the CEO outside the meeting framework as well. We regularly exchanged views on current topics and events at the company. During the period under report, these particularly involved the direct and indirect impact of the coronavirus pandemic on 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. The Executive Board provided us with the necessary information in good time so that we always had sufficient time to prepare the meetings. Due to the pandemic, we held our training and development measures in an online format in June 2021. Key focuses here were the European “Green Deal”, German climate protection legislation, MVV’s climate targets and its course towards climate neutrality, as well as current developments in the topics of compliance, governance and confidentiality.

Supervisory Board meetings and attendance

In the 2021 financial year, the Supervisory Board held four regular meetings and one constitutive meeting. The Audit and Personnel Committees held five and three meetings respectively in the year under report. The Nomination Committee met once. Consistent with the recommendation made by the German Corporate Governance Code, we disclose the attendance of members at the respective meetings.

Attendance at committee meetings FY 2021				
	Supervisory Board	Audit Committee	Personnel Committee	Nomination Committee
Dr. Peter Kurz, Chairman	5/5	–	3/3	1/1
Johannes Böttcher	5/5	–	–	–
Angelo Bonelli (since 12 March 2021)	3/3	3/3	2/2	–
Timo Carstensen	5/5	–	–	–
Sabine U. Dietrich	4/5	–	–	–
Ralf Eisenhauer (until 12 March 2021)	2/2	–	1/1	–
Peter Erni (until 12 March 2021)	0/2	0/2	0/1	–
Detlef Falk	5/5	5/5	–	–
Gabriele Gröschl-Bahr (until 12 March 2021)	2/2	–	–	–
Martin F. Herrmann (since 12 March 2021)	3/3	3/3	–	–
Barbara Hoffmann	5/5	–	2/2	1/1
Heike Kamradt	5/5	5/5	3/3	–
Gregor Kurth	4/5	4/5	2/3	1/1
Thoralf Lingnau	5/5	–	–	–
Dr. Lorenz Näger	5/5	5/5	–	–
Tatjana Ratzel	5/5	–	–	1/1
Thorsten Riehle (since 12 March 2021)	3/3	–	–	1/1
Susanne Schöttke (since 12 March 2021)	2/3	–	–	–
Bernhard Schumacher	5/5	–	–	–
Dr. Stefan Seipl	5/5	–	–	–
Christian Specht	5/5	–	–	–
Prof. Heinz-Werner Ufer (until 12 March 2021)	2/2	2/2	–	1/1
Susanne Wenz	4/5	–	–	–
Jürgen Wiesner	5/5	–	2/3	–

Main topics of discussion at Supervisory Board meetings

At our meeting on **2 December 2020**, we prepared the agenda for the Annual General Meeting on 12 March 2021 and voted on the necessary draft resolutions, including those relating to the Executive Board remuneration system and the election of the auditor for the 2021 financial year. Further topics addressed included the review and approval of the consolidated financial statements (IFRS) and annual financial statements for the 2020 financial year. Furthermore, we dealt with the investment project to secure the supply of district heating (Rheinufer Neckarau and Friesenheimer Insel), the takeover of the shares held by Stadtwerke Bernburg GmbH in MVV Biogas Bernburg GmbH and the reappointment of Ralf Klöpfer as the Executive Board member responsible for sales.

At its meeting on **11 March 2021**, the Supervisory Board approved the resolution to acquire a windfarm in Mecklenburg-Western Pomerania from the Group's subsidiary Juwi and to include this windfarm in the generation portfolio at MVV Energie AG. Moreover, we adopted the resolution to found sMArt City Mannheim GmbH, a joint venture with Mannheimer Kommunalbeteiligungen GmbH. This joint venture is intended to press further ahead with decarbonising and digitalising activities in the municipal sector. The objectives here on the one hand involve ensuring that the electricity used by municipal properties, including schools and municipal undertakings, comes from climate-neutral generation by 2027. On the other hand, Mannheim is to be further developed into a "smart city". Furthermore, we were informed about current IT topics, the progress made with digitalisation and IT security at MVV.

The constitutive meeting of the Supervisory Board held directly after the Annual General Meeting on **12 March 2021** voted to elect the Supervisory Board Chairman and committee members. The Supervisory Board additionally adopted the Executive Board remuneration system and took leave of the retired Supervisory Board members.

At the meeting on **28 June 2021**, we approved the construction of a river heat pump in Mannheim and a further initiative in the sewage sludge business. Moreover, we adopted the resolution to increase our stake in the IT service provider and data centre operator DC-Datacenter-Group GmbH from 74.9 % to 100 %. Further topics addressed at the meeting included the company's growth strategy in its private and commercial customer business ("Future Retail") and the expansion in our product solutions in this area.

The key focus of our meeting on **24 September 2021** was the Group's long-term strategic alignment and the approval of its business plan for the 2022 financial year. In this context, the Supervisory Board also discussed the three-year plan. Further topics addressed were a project to recycle phosphorous from sewage sludge, the Declaration of Compliance with the German Corporate Governance Code, which we approved for the 2021 financial year, and the reappointment of Verena Amann as the Executive Board member responsible for personnel.

Committee work

To improve the efficiency of the work performed by the Supervisory Board, many topics and resolutions due to be discussed and adopted at Supervisory Board meetings are prepared by the relevant Supervisory Board Committees ▣ **Page 188**. The committee chairs keep our full body regularly and promptly informed about their 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. Upon the retirement of Prof. Heinz-Werner Ufer from the Supervisory Board, the chairmanship passed to Dr. Lorenz Näger in March 2021. Consistent with its remit, the committee focused in particular on the audit of the annual financial statements of MVV Energie AG, the consolidated financial statements and the combined management report for the 2020 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 2021 financial year. Furthermore, the committee dealt with the company's risk situation and risk management on a quarterly basis.

Together with the Executive Board, the committee also discussed the company's 2022 business plan and its medium-term planning and strategic alignment. Following careful scrutiny, it recommended that the Supervisory Board should approve the budget for the 2022 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 inspected the mechanisms underlying MVV's decentralised management and control systems. Moreover, it determined the key audit focuses for the 2021 financial year. Other topics addressed by the committee included the grids business field and its return on capital, the concluding status report on the gas-fired CHP plant in Kiel and status of the energy from waste plant in Dundee/Scotland, a review of plant availability, the scope and utilisation of the guarantee framework, assumptions of liability and shareholder loans, the development of cost-to-serve and project development in the field of renewable energies.

The **Personnel Committee** met three times in the 2021 financial year and adopted corresponding recommendations for the Supervisory Board. It mainly discussed matters relating to the remuneration of Executive Board members and the Executive Board remuneration system and prepared the reappointment of the Executive Board members responsible for sales and for personnel.

The **Nomination Committee** held one meeting in the 2021 financial year, at which it determined the candidates to be proposed for election to the Supervisory Board at the 2021 Annual General Meeting.

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

Composition of the Supervisory and Executive Boards

By ruling of Mannheim District Court dated 21 September 2020 and effective as of 1 October 2020, Sabine U. Dietrich, supervisory board member and consultant, Tatjana Ratzel, lawyer and department head at INTER Krankenversicherung AG Mannheim, and Dr. Stefan Seipl, businessman and independent management consultant, were appointed as members of the Supervisory Board of MVV Energie AG and confirmed by the Annual General Meeting on 12 March 2021. Martin F. Herrmann, business angel and mentor, and Thorsten Riehle, managing director of Capitol-Betriebs GmbH, were newly elected as members of the Supervisory Board by the Annual General Meeting on 12 March 2021. They thereby succeeded Prof. Heinz-Werner Ufer and Ralf Eisenhauer, who retired from the Supervisory Board.

Further new members of the Supervisory Board since 12 March 2021 are Angelo Bonelli, trade union secretary at ver.di, Baden-Württemberg state district, and Susanne Schöttke, state district director at ver.di Nord, both of whom assumed their positions as employee representatives. They are the successors to Peter Erni and Gabriele Gröschl-Bahr, who retired from the Supervisory Board upon the conclusion of the 2021 Annual General Meeting.

On behalf of the entire Supervisory Board, I would like to thank those members of the Supervisory Board who retired in the year under report very sincerely for the commitment they showed to the benefit of the company. Their dedication and our trust-based cooperation contributed significantly to the company's further development.

Ralf Klöpfer was appointed for a further five years as a member of the Executive Board of MVV Energie AG on 2 December 2020, as was also the case for Verena Amann on 24 September 2021.

Corporate governance

In the year under report, we once again dealt closely with the recommendations and provisions of the German Corporate Governance Code (DCGK). As in previous years, we endorsed the Declaration of Compliance 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 Compliance for the 2021 financial year at our meeting on 24 September 2021 [▢ Page 82](#).

In view of the new composition of the Supervisory Board introduced in the year under report, we have postponed the self-assessment of the effectiveness of the Board's activities recommended by the Code to the 2022 financial year in order to enhance the meaningfulness of the assessments submitted and improvements thereby proposed.

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. No such conflicts arose in the year under report. 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 2021 financial year by the Annual General Meeting on 12 March 2021. The declaration of independence from the auditor has been submitted to the Supervisory Board.

The annual financial statements of MVV Energie AG for the 2021 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 2021 financial year are published in the Federal Gazette (Bundesanzeiger).

We received the following documents in good time for our own audit: 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 3 December 2021, 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.

According to the Executive Board report on relationships with affiliated companies (Dependent Company Report) for the 2021 financial year, MVV Energie AG was not disadvantaged by the legal transactions performed with affiliated companies outlined therein. The auditor audited the Dependent Company 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." We received in good time both the Dependent Company Report and the associated audit report compiled by the auditor. Based on our own review, we concur with the auditor's assessment and approve its report.

Thanks

Although conditions on the energy market and the coronavirus pandemic were consistently challenging, MVV concluded the 2021 financial year on an extremely successful note. The company's employees can rightly be proud of this great success as it was due to the efforts made by all involved: 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!



Dr. Peter Kurz
Chairman

Mannheim, December 2021