



CORPORATE GOVERNANCE REPORT

2019 Financial Year

MVV views high-quality transparent corporate governance as forming the basis for responsible company management and supervision aimed at long-term value creation. Among other factors, this involves close cooperation on a basis of trust between the Executive and Supervisory Boards and employees, consideration of the interests of all stakeholders, transparent reporting, candid corporate communications and compliance with all applicable laws. We are convinced that high-quality corporate governance enhances the trust placed in the company by our shareholders, as well as by our customers, business partners, employees and the general public.

The Executive and Supervisory Boards report below on corporate governance at MVV Energie AG. We combine this report with our Corporate Governance Declaration; the latter includes the Declaration of Conformity with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG) and those further disclosures requiring inclusion pursuant to § 289f of the German Commercial Code (HGB).

REPORT OF EXECUTIVE AND SUPERVISORY BOARDS

The Executive and Supervisory Boards once again addressed MVV's corporate governance in detail in the 2019 financial year. As in previous years, in the year under report MVV Energie AG complied with all recommendations made by the Code in its most recent version dated 7 February 2017, which was published in the Federal Gazette on 24 April 2017 and republished in the Federal Gazette in corrected form on 19 May 2017. The same applies with just one exception to the suggestions made in the Code. Point 2.3.3 of the Code suggests that shareholders should have

the possibility of watching the entire Annual General Meeting via communication channels such as the internet. However, we only broadcast the introductory words by the meeting chairman and the presentation by the CEO live on our website at www.mvv.de/investors. We also publish the introductory words and presentation as a video subsequent to the Annual General Meeting.

Shareholders and Annual General Meeting

Shareholders in MVV Energie AG exercise their voting and control rights at the Annual General Meeting. Each shareholder is entitled to participate in the Annual General Meeting if he or she registers within the relevant deadline and meets the conditions for participating in the meeting and exercising voting rights. Shareholders may make statements on all agenda items at the meeting and submit relevant questions and motions. For voting purposes, each share entitles its holder to one vote. By casting their votes before or during the meeting, our shareholders may participate in the adoption of all resolutions of material relevance to the company. In this respect, shareholders can draw on a range of options – they can vote in person or via a proxy of their choice, be represented by a voting proxy appointed by MVV Energie AG to act in line with their instructions, or by a bank or shareholders' association. Moreover, shareholders have the option of submitting their votes by post in advance of the Annual General Meeting provided that they register within the respective deadlines. Alternatively, all declarations may also be communicated electronically using our password-protected shareholder portal at MVV's website.

On our website at www.mvv.de/investors, we publish all relevant documents relating to our Annual General Meeting in line with the requirements of stock corporation law.

These particularly include the invitation to the meeting and all reports and information necessary for the respective resolutions.

Transparent and prompt communications

We aim to ensure a high degree of transparency and equal treatment for our shareholders. We have therefore set ourselves the standard of providing all stakeholders with simultaneous, equivalent and extensive information about material developments and the company's situation. Prompt sources of information for this purpose chiefly include our websites – and here especially www.mvv.de and www.mvv.de/investors. The information we publish here includes our financial reports, analysts' conference presentations, press releases, ad-hoc announcements and our financial calendar. We always meet the reporting obligations incumbent on us under the German Stock Corporation Act (AktG), the German Commercial Code (HGB) and the German Securities Trading Act (WpHG).

Disclosures on auditor

The Annual General Meeting of MVV Energie AG held on 8 March 2019 elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, (PwC), Essen, as auditor for the 2019 financial year. This was preceded by a selection process conducted in accordance with the Audit Regulation (Regulation (EU) No. 537/2014). Prior to this election, the Supervisory Board convinced itself of the auditor's independence. We comply with the statutory requirements resulting from the Audit Regulation and from § 316 et seq. HGB. These concern the selection, appointment and rotation of the auditor and of those responsible for managing the audit, as well as the commissioning of non-audit services.

Reporting and audit of financial statements

MVV Energie AG prepares its annual financial statements on the basis of the German Commercial Code (HGB). We prepare the consolidated financial statements and interim financial statements in accordance with International Financial Reporting Standards (IFRS) in the form requiring application in the European Union. We present the situation of the MVV Group and of MVV Energie AG in a combined management report.

The auditor audits the annual financial statements of MVV Energie AG as prepared by the Executive Board. Once they have been discussed by the Audit Committee, these financial statements are examined, approved and thus adopted by the Supervisory Board. Following detailed scrutiny by the Audit Committee, the consolidated financial statements

prepared by the Executive Board and audited by the auditor are also presented to the Supervisory Board for its own review and approval. In its audit of the financial statements, the auditor also audits the combined management report.

The quarterly statements for the 1st quarter and 1st nine months are prepared by the Executive Board and discussed with the Audit Committee prior to publication, as is the half-year financial report. These publications are not subject to any review requirement by the auditor.

CORPORATE GOVERNANCE DECLARATION WITH DECLARATION OF CONFORMITY

We published the following Corporate Governance Declaration on our website at www.mvv.de/investors on 4 November 2019. In this, we report pursuant to § 289f (2) HGB on the Declaration of Conformity with the German Corporate Governance Code submitted by the Executive and Supervisory Boards and describe those corporate governance practices at our company that go beyond legal requirements in the fields of compliance and risk management, our dual management system, the mode of operation of the Executive and Supervisory Boards and our measures to promote diversity on all levels.

Declaration of Conformity with the German Corporate Governance Code (§ 161 AktG)

The Executive and Supervisory Boards adopted the following Declaration of Conformity with the German Corporate Governance Code in September 2019:

The Executive and Supervisory Boards of MVV Energie AG hereby declare that the company complied with and continues to comply with the recommendations of the German Corporate Governance Code Government Commission in the version of the Code dated 7 February 2017, which was published in the Federal Gazette on 24 April 2017 and republished in corrected form in the Federal Gazette on 19 May 2017.

Compliance and risk management

We have set ourselves the standard of ensuring that our dealings with each individual stakeholder are characterised by transparency, trust, fairness and integrity. With our compliance management system (CMS), we aim to safeguard compliance with applicable laws, as well as with in-company guidelines and the ethical standards to which we are committed. The CMS is intended on the one hand to

ensure that our managers and employees understand and adhere to these and on the other hand to monitor all relevant business activities and processes within our Group.

The most important requirements and all necessary organisational structures and processes are summarised in our Compliance Management Handbook, in which we also list the relevant personnel responsibilities for our reporting system and present further details on this. This handbook is binding for all limited liability companies at the Mannheim subgroup of MVV Energie AG and is permanently available for downloading to all its employees. The other subgroups have introduced equivalent compliance management systems. Our Compliance Management Handbook is available both in German and in English. This is important for our British and Czech subgroups, for example.

MVV's Compliance Officer, who also heads our group legal, compliance and materials division, is responsible for our CMS in terms of its contents, organisation and processes. In cooperation with the various organisational units involved, the Compliance Officer compiles the relevant compliance regulations, documents them and sees to their implementation within business processes. Furthermore, he is responsible for ensuring that employee training measures are implemented and that all CMS processes are adhered to. The Compliance Officer reports to the Executive Board and the Audit Committee. Furthermore, he acts in an advisory capacity to accompany measures intended to prevent and, where necessary, investigate any violations of the law, corruption or deliberate acts harmful to the company.

We have provided our CMS with a preventative structure (so-called systemic compliance): Breaches of compliance are chiefly avoided by implementing preventative measures in the respective business processes. We perform advance checks on relevant processes in sensitive areas, for example, and act early to take corrective measures where necessary. Donations and payments to parties and political organisations are strictly prohibited. Payments to equity providers are made exclusively in the form of dividends.

We actively implement preventative measures within business processes already in order to avert criminal or grossly improper violations of the law. In this respect, we pursue a zero-tolerance policy towards bribery and all other forms of corruption. We therefore provide extensive corruption prevention training, particularly to our employees working in sales, related areas and procurement, and show them how to deal with gratuities and invitations which, for example, we record and check. These measures enable us to minimise the risk of so-called soft bribery. We also continually moni-

tor adherence to compliance requirements in all business fields, specialist divisions, group departments and subsidiaries. Via anonymous "whistleblower hotlines", employees and third parties can contact the Compliance Officer or an external confidence lawyer directly and thus provide tip-offs on potential misconduct. We have published the telephone number of the confidence lawyer, also on our website at www.mvv.de.

Alongside a number of minor infringements, two more notable incidents occurred at a subgroup in the period under report. One related to breaches of the law committed by a temporary manager, who was dismissed immediately, while the other involved a tax-related error.

All of MVV's managers and all of its employees with contact to customers or suppliers are provided with regular training to make sure that they are well informed of general compliance requirements and familiar with the legal requirements relevant to their respective business units. These include, for example, the requirements of capital market, securities and stock market law, competition and cartel law, combating money laundering, handling sanction lists and the requirements of energy industry law. We provide extensive training to new management staff. To this end, upcoming management staff and newly appointed managing directors attend a seminar held over several days, with attendance obligatory for all management staff from section manager upwards. In the 2019 financial year, 304 employees at the Mannheim subgroup and 330 employees at the other subgroups took part in this training. During this period, a further 190 individuals completed an online training programme provided by our Stadtwerke Kiel subsidiary. From a specific management level upwards, all managers and managing directors of our subsidiaries and specific shareholdings are required to submit a Compliance Management Declaration (CMD) at the end of each financial year. In this, they must state whether all compliance regulations and legal requirements have been complied with. In the CMD we also ask, among other issues, whether the employees of the individual manager have received the required instruction and suitable training for the CMS. Moreover, in the context of the CMD the managers also respond in detail to questions specifically tailored to circumstances at their respective business unit.

The energy industry supply chain is greatly influenced by fuel trading, which is handled on energy exchanges or in bilateral agreements. A significantly smaller share of our total procurement volumes relate to other suppliers who provide us with goods or perform highly qualified services for us. Here too, we attach great value to compliance in our

cooperation with these suppliers. We work with supplier management systems and request information from new suppliers, particularly with regard to anti-corruption measures, environmental protection and social responsibility. The basis for our cooperation with suppliers and service providers in Germany and the European Union is provided by the applicable laws and regulations, as well as by those compliance regulations, forms of conduct and work practices relevant to us. These include, for example, the international conventions of the United Nations (UN), the International Labour Organization (ILO) and the Organisation for Economic Cooperation and Development (OECD), as well as the UN Global Compact.

Further major components of our corporate management include our risk management system and internal control system in respect of the financial reporting process (IKS). Our IKS covers relevant accounting and financial reporting processes at all major locations. The aim is to minimise risks that might contravene our objective of ensuring correct, complete, prompt and understandable financial reporting. To this end, we regularly analyse all processes and interfaces involved in preparing MVV's consolidated financial statements and combined management report.

Dual management system

MVV Energie AG is a listed stock corporation with its legal domicile in Mannheim and is therefore governed by the requirements of German corporate law. The dual management system comprising the Executive and Supervisory Boards is one basic principle of this legislation. These two boards are strictly separate in terms of their composition and function. The Executive Board is responsible for managing the company and conducting its business, while the Supervisory Board is entrusted with advising and monitoring the Executive Board. The Executive and Supervisory Boards of MVV Energie AG work together closely and on a basis of trust in the interests of the company.

Composition and mode of operation of Executive Board

The Executive Board, which manages the company under its own responsibility, pursues the objective of generating sustainable and profitable growth. It determines the company's strategic alignment and lays down its financial, investment and personnel planning. It assesses whether the strategy is being implemented in a targeted manner and whether the risk management system is fit for purpose. Furthermore, it monitors risk controlling, the internal control system in respect of the financial reporting process (IKS) and the compliance management system, as well as more far-reaching decentralised management and controlling

systems. When reaching decisions, it takes due account of the interests of the company's stakeholders.

The Supervisory Board has imposed a Code of Procedure governing the activities of the Executive Board: This lays down the divisional responsibilities as well as those tasks and decisions incumbent on the overall Executive Board. Moreover, it defines the responsibilities of the Chief Executive Officer (CEO), the ways in which Executive Board resolutions are adopted and those transactions which require Supervisory Board approval. The Executive Board must comprise at least two members and currently has four positions/divisions: CEO/Commercial Affairs, Personnel, Technology and Sales.

The CEO coordinates the work within the Executive Board. Furthermore, he represents the Executive Board externally. Other than this, Executive Board members enjoy equal rights and are jointly responsible for managing the company. Each member of the Executive Board manages their division under their own responsibility but nevertheless subordinates the specific interests of their division to the overriding interests of the company.

Diversity concept for composition of Executive Board

In 2018, the Supervisory Board compiled and adopted a diversity concept which formulates the targets and criteria underlying the composition of the Executive Board.

The composition of the Executive Board is consistent with MVV's entrepreneurial approach. The Executive Board of MVV Energie AG should be composed in such a way that qualified leadership, control and business management is at all times guaranteed for MVV Energie AG and the MVV Group. Candidates for the Executive Board of MVV Energie AG have to be able to correctly assess the economic situation and technical framework of a listed energy supplier with municipal roots and to successfully shape its sustainable development. Individual members of the Executive Board are not expected to have the full range of specific specialist skills, competencies and experience required. However, their qualities should complement each other and, where appropriate, overlap in such a way that the Executive Board as a whole has the necessary specialist skills and variety of experience. The members of the Executive Board bear joint responsibility for managing the company and the Group. They should therefore have sufficient expertise to be able to supervise each other's activities and represent each other.

We have published the CVs of Executive Board members on our website at www.mvv.de/investors to provide information about their experience, expertise and skills.

Furthermore, the following aspects are also accounted for in the diversity concept for the composition of the Executive Board:

The upper age limit of 65 years should be complied with when concluding employment contracts. The term of first-time appointments should not exceed three years. Moreover, the Supervisory Board should work together with the Executive Board to find long-term succession solutions. The Supervisory Board had set itself the target of raising the share of women on the Executive Board: In 2017, it set a target of 25 % to be reached by 30 September 2021. The appointment of Verena Amann to the Executive Board as of 1 August 2019 meant that this target was achieved two years earlier.

Composition and mode of operation of Supervisory Board and its committees

The Supervisory Board advises the Executive Board with regard to its management of the company and supervises its activities. Its responsibilities also include appointing and dismissing members of the Executive Board. The Supervisory Board is involved in all decisions of fundamental significance for the company. In view of this, the Executive Board informs the Supervisory Board regularly, promptly and comprehensively of its strategy and other fundamental matters of corporate planning. Furthermore, the Executive Board reports to the Supervisory Board on the company's business performance and situation, as well as on its risk situation and risk management.

The Supervisory Board of MVV Energie AG consists of 20 members – of these, ten represent the company's shareholders and ten its employees; their terms in office are identical. Eight of the shareholder representatives are elected by the Annual General Meeting, while two are directly delegated by the City of Mannheim, namely the Lord High Mayor and the relevant specialist head of department. This provision applies to the extent that the City of Mannheim is a shareholder and – directly or indirectly – holds shares corresponding to more than half of the company's share capital. The employee representatives are elected by employees in accordance with the German Codetermination Act (MitbestG). The Supervisory Board Chairman coordinates the work of the Supervisory Board, whose activities are governed by a Code of Procedure.

To perform its activities efficiently, the Supervisory Board of MVV Energie AG has formed five specially qualified permanent committees which prepare and supplement its own activities. The Audit Committee regularly meets at least five times a year, while the Personnel, Nomination, Mediation

and New Authorised Capital Creation Committees are convened when necessary.

The **Audit Committee** addresses corporate planning, strategy and the performance of individual business fields, as well as the development and structure of individual controlling systems. It also deals with fundamental financial reporting issues. Furthermore, it is responsible for preparing the selection of the auditor, performing an advance review of and discussing the annual and consolidated financial statements and discussing the interim consolidated financial statements for the 1st half and the interim financial statements for the 1st quarter and the 1st nine months of the financial year with the Executive Board. The Committee also monitors the effectiveness of the internal control system (IKS), internal audit and risk management system and checks whether the organisational precautions taken to comply with legal requirements and internal company guidelines (compliance) are sufficiently effective. The tasks incumbent on the Audit Committee also include determining key audit focuses and setting thresholds for the commissioning of non-audit services. The Audit Committee comprises three shareholder and three employee representatives. Professor Heinz-Werner Ufer is the Chairman of this committee. As an independent and expert member, he meets the requirements of § 100 (5) and § 107 (4) of the German Stock Corporation Act (AktG) and of Point 5.3.2 (3) Sentences 2 and 3 of the German Corporate Governance Code (DCGK). The Supervisory Board Chairman is a permanent guest in the committee.

The work of the **Personnel Committee** relates in particular to preparing Supervisory Board resolutions concerning the conclusion, amendment and rescission of employment contracts with Executive Board members. It proposes suitable candidates to the Supervisory Board for appointment to the Executive Board. In this, it takes due account of legal requirements and of the recommendations and suggestions contained in the German Corporate Governance Code. Based on these preparatory measures performed by the Personnel Committee, the Supervisory Board is responsible for appointing new members to the Executive Board and for decisions relating to existing employment contracts. When selecting new Executive Board members, the Supervisory Board develops and works with current requirement profiles based on the diversity concept for the composition of the Executive Board. The Personnel Committee comprises six members: the Supervisory Board Chairman, who is also Personnel Committee Chairman, his deputy and four Supervisory Board members, of which two shareholder and two employee representatives.

The responsibilities of the **Nomination Committee** involve proposing suitable candidates to the Supervisory Board for its own proposals to the Annual General Meeting. In this, it takes particular account of legal requirements, the diversity concept and the recommendations and suggestions made by the German Corporate Governance Code. Moreover, it determines the targets for the composition of the Supervisory Board. The five committee members include the Supervisory Board Chairman, who also chairs the committee, and four further shareholder representatives.

Consistent with § 27 (3) of the German Codetermination Act (MitbestG), the **Mediation Committee** submits further personnel proposals to the Supervisory Board in cases where the two-third majority required to appoint and dismiss Executive Board members is not achieved in the first ballot.

The **New Authorised Capital Creation Committee** is charged with exercising the powers of the Supervisory Board in connection with any capital increase based on authorised capital. This committee comprises eight members: the Supervisory Board Chairman, who also chairs the committee, his deputy and six further Supervisory Board members, of which one employee representative and five shareholder representatives.

Diversity concept for composition of Supervisory Board

A diversity concept has also been developed for the Supervisory Board. This formulates the targets for and criteria governing the composition of the Supervisory Board.

The specialist and personal requirements set out in the profile – which the Supervisory Board of MVV Energie AG meets in its current composition – are on the one hand intended to ensure a transparent and systematic selection process for new Supervisory Board members and on the other to provide a suitable and well-balanced composition for the Board as a whole. The aim is to ensure that the Supervisory Board of MVV Energie AG is composed in such a way that it can at all times provide qualified supervision and advice to the Executive Board in its activities on behalf of MVV. Candidates for the Supervisory Board of MVV Energie AG have to be able to correctly assess the economic situation and technical framework of a listed energy supplier with municipal roots and to successfully accompany its sustainable development. Individual Supervisory Board members are not expected to have the full range of specific specialist skills, competencies and experience required. However, their qualities should complement each other and, where appropriate, overlap in such a way that the full Board has the competence and variety of experi-

ence needed for it to perform the duties incumbent on the Supervisory Board and its committees.

Furthermore, the Board must include at least one financial expert with the qualifications called for by the German Stock Corporation Act (AktG) and the German Corporate Governance Code. The Supervisory Board should include an adequate number of independent members.

To provide information about the experience, expertise and skills of our Supervisory Board, we have published members' CVs on our website at www.mvv.de/investors.

Furthermore, the following aspects are also accounted for in the diversity concept for the composition of the Supervisory Board:

Due account must be taken of the upper age limit of 70 years when proposing candidates; as a general rule, this limit should not be exceeded during the term in office. With regard to the length of membership, elected Supervisory Board members should, where possible, remain on the Board for no less than one and no more than three full terms in office.

The Supervisory Board of a listed company should, pursuant to § 96 (2) Sentence 1 AktG, comprise at least 30 % women and at least 30 % men. According to § 96 (2) Sentence 2 AktG, this requirement basically applies for the Supervisory Board as a whole. For the Supervisory Board of MVV Energie AG, however, both employee and shareholder representatives have drawn on the possibility provided for in § 96 (2) Sentence 3 AktG, namely of stipulating that these minimum shares should be met not only for the Supervisory Board as a whole, but also for employee and shareholder representatives respectively. Accordingly, of the positions allocable to shareholder and employee representatives at least three for each group must be held by women and at least three by men.

One task incumbent on the Nomination Committee involves implementing the diversity concept for the composition of the Supervisory Board. It proposes suitable candidates to the Supervisory Board for its election proposals to the Annual General Meeting. In this, it takes due account of legal requirements and of the recommendations and suggestions in the German Corporate Governance Code. Before nominating a proposed candidate, the Supervisory Board ascertains whether the potential candidate has sufficient time to perform the duties associated with the position and whether he or she has any business and/or personal links to the group of companies or its competitors. The selection of

employee representatives for the Supervisory Board is governed by the provisions of codetermination law.

Conflicts of interest and independence of Supervisory Board members

Any conflicts of interest arising on the part of Executive or Supervisory Board members are disclosed to the Supervisory Board immediately. In respect of Point 5.4.2 of the German Corporate Governance Code, we are of the opinion that all members of the Supervisory Board are independent in the spirit of the Code. There are no personal or business, i.e. commercial, links between the company and its management bodies. We also view Supervisory Board members who sit on the city council or work for the city administration and are delegated by the City of Mannheim as being independent in the sense of this recommendation. The City of Mannheim owns a majority of the shares in MVV Energie AG. Pursuant to the Municipalities Code of the State of Baden-Württemberg, the city council is the topmost political body representing the city. It is therefore logical that the City of Mannheim, as principal shareholder in MVV Energie AG, should be represented on the company's Supervisory Board by members of the city council and the city administration. The decisive factor in determining independence is whether there are any material conflicts of interest. This is particularly not the case for those Supervisory Board members appointed in line with the Articles of Association, namely Dr. Peter Kurz and Christian Specht. The same is true of the other Supervisory Board members who sit on the city council or did so in the 2019 financial year.

Report on equal participation of women and men

The Supervisory and Executive Boards of MVV Energie AG are convinced that the company can only generate sustainable business success when responsibility is assigned to women and men on a basis of equality. Particularly in view of demographic change, it makes sense – for both social and economic reasons – to promote all talents regardless of their gender. Among other benefits, this approach also proactively counters the effects of any shortage of specialist and management staff. To date, women have only made up a comparatively low share of the overall workforce at companies operating in the energy sector. The Supervisory and Executive Boards of MVV Energie AG believe that increasing the share of women working at the group of companies on a long-term basis is key to the company's successful further development. We therefore aim to gradually raise the female share of our Group's workforce to 35 % by 30 September 2021, up from the equivalent figure of 27 % as of 30 June 2015. With a 29 % share of female employees as of 30 September 2019, we came slightly closer to reaching this target. We also aim to raise the share of fe-

male managers, in this case to 25 % compared with 14 % as of 30 June 2015. As of the balance sheet date on 30 September 2019, this key figure came to 15 %. To enable us to meet our targets by 30 September 2021, we will consistently implement our range of promotional measures and programmes, and in particular our targeted personnel development for women with suitable potential, and will expand these measures and programmes in the years ahead.

For MVV Energie AG, we report on the share of women in both the first and second management tiers. In August 2017, the Executive Board set new targets to be achieved by 30 September 2021. By that date, the share of women in the first management tier should have reached 25 %, with a corresponding target of 30 % for the second management tier. At 10 %, the share of female managers in the first management tier as of 30 September 2019 was slightly lower than in the previous year (30 September 2018: 11 %). The share of women in the second management tier rose year-on-year and, at 29 %, almost reached the specified target (30 September 2018: 22 %). Alongside measures already in place to promote female employees, we are implementing measures to attract more applications from promising external and internal female candidates.