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# **Corporate Governance Declaration 2020**

# Corporate Governance Declaration

MVV views high-quality transparent corporate governance as forming the basis for responsible company management and supervision aimed at long-term value creation. That is why we promote close cooperation based on trust between the Executive and Supervisory Boards and employees, take account of the interests of all our stakeholders, comply with applicable laws and structure our reporting and corporate communications transparently and openly. After all, we are convinced: High-quality corporate governance boosts the trust placed in our company, whether by shareholders, customers, business partners, employees or the general public.

The following Corporate Governance Declaration pursuant to § 289f and § 315d of the German Commercial Code (HGB) includes both the Declaration of Conformity with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG) and those further disclosures on corporate governance at MVV Energie AG requiring inclusion pursuant to § 289f HGB.

MVV's Executive and Supervisory Boards addressed the company's corporate governance in detail once again in the 2020 financial year. As in previous years, in the year under report MVV Energie complied with all recommendations made by the Code in its version dated 7 February 2017. Since 16 December 2019, there has been a new version of the Code. This was presented to the Executive and Supervisory Boards and discussed in both bodies. The following Declaration of Conformity shows: MVV Energie complies with the recommendations made in the new version of the Code with just one exception. We intend to follow the suggestions made by the Code in future as well.

## **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 2020:

The Executive and Supervisory Boards of MVV Energie AG hereby declare that the company complied and complies with the recommendations made by the German Corporate Governance Code Government Commission. For the past, this declaration refers to 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. For the future, it refers to the version of the Code dated 16 December 2019 and published in the Federal Gazette on 20 March 2020.

No application has been made of the following recommendation of the Code in its version dated 16 December 2019:

**G.10:** "Management Board members' variable remuneration shall be predominantly invested in company shares by the respective Management Board member or shall be granted predominantly as share-based remuneration. Granted long-term variable remuneration components shall be accessible to Management Board members only after a period of four years. Any benefits granted to Management Board members in a later year should be suitably explained in the remuneration report."

MVV does not provide any remuneration by way of shares in the company, share ownership obligations or corresponding share-based remuneration models. Variable remuneration is settled with a payment. MVV's remuneration system nevertheless accounts for the interest of the company and its stakeholders in long-term, value-based and sustainable growth. The variable sustainability bonuses presented in greater detail in the Remuneration Report on [Page 75](#) are based on the company's operating performance in the given financial year as expressed in its adjusted EBIT and on the company's average return on capital employed (ROCE) over a three-year period. Variable remuneration is disbursed when minimum thresholds specified in advance are exceeded. In particular, the link to ROCE and its development over a three-year period enables account to be taken of MVV's capital-intensive business and the long-term performance of the company to be reflected in variable remuneration. The ROCE measures how efficiently a company uses its capital. It is the most suitable key figure for assessing whether MVV has developed sustainably with its capital-intensive infrastructure and taken the right long-term strategic decisions. Moreover, MVV's shareholder structure, and in particular its low level of free float, make it less appropriate to offer variable remuneration based on shares in the company or other share-based remuneration models.

## 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. Furthermore, they may submit relevant questions and motions. For the purposes of voting, 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. Here, 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 accordance with their instructions, or by a bank or shareholders' association. Moreover, shareholders can submit their votes by post in advance of the Annual General Meeting provided that they register within the relevant deadlines. Alternatively, they have the option of communicating all declarations electronically using our password-protected shareholder portal at MVV's website.

Despite the coronavirus pandemic, we were still able to hold our 2020 Annual General Meeting as a physical event. We adhered to the hygiene and safety measures recommended by the health authorities. Not least as significantly fewer people were expected to attend in person, we broadcast our Annual General Meeting for the first time live and in its entirety on our website. Not only that, votes could be cast via the interest-based shareholder portal through to the end of the general debate. This way, our shareholders could also decide on how to cast their votes at very short notice. We have already taken precautions enabling us to hold a virtual Annual General Meeting should the restrictions on large-scale events still apply in March 2021 and the provisions of the Act on Mitigating the Consequences of the COVID-19 Pandemic be extended beyond 31 December 2020. We currently expect both requirements to be met, as a result of which we are very likely to hold our Annual General Meeting in virtual form.

On our website at [www.mvv.de/investors](https://www.mvv.de/investors), we publish all relevant documents relating to our Annual General Meeting in line with the requirements of stock corporation law. In particular, these include the invitation to the meeting and all reports and information needed for the resolutions.

## Transparent and prompt communications

We aim to ensure great transparency and equal treatment of our shareholders in terms of their access to information. We have therefore set ourselves the standard of providing all stakeholders with simultaneous, equivalent and extensive information about material developments and about the company's situation. Prompt sources of information for this purpose chiefly include our websites – and here especially [www.mvv.de](https://www.mvv.de) and [www.mvv.de/investors](https://www.mvv.de/investors). The information we publish on these sites includes our financial reports, analysts' conference presentations, press releases, ad-hoc announcements and our financial calendar. We always comply with 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 13 March 2020 elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, (PwC), Essen, as auditor for the 2020 financial year. Prior to this, the Supervisory Board convinced itself of the auditor's independence. We comply with all statutory requirements resulting from the Audit Regulation and from § 316 et seq. HGB, including those governing the selection, appointment and rotation of the auditor and of the persons responsible for managing the audit, through to commissioning the auditor to perform 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 the 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 which were prepared by the Executive Board. The financial statements are first discussed by the Audit Committee and then 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 first three months and first nine months and the half-year financial report are prepared by the Executive Board and discussed with the Audit Com-

mittee prior to publication. These publications are not subject to any review requirement by the auditor.

The combined non-financial declaration is subject to a limited assurance audit based on International Standards on Assurance Engagements ISAE 3000 (revised).

### Compliance and risk management

Making sure that our dealings with each individual stakeholder are characterised by transparency, trust, fairness and integrity – that is the standard we have set ourselves. 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. This 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 this, we also list the names of those employees who are responsible for our reporting system and present further details. The 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 English, which is important for our British and Czech subgroups, for example.

MVV's Compliance Officer is responsible for our CMS system with regard to its contents, organisation and processes. He compiles the relevant compliance regulations and exchanges information for this with the various organisational units involved. He documents the regulations and sees to their implementation within business processes. He is also 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 system with a preventative structure and thus pursue a systemic compliance approach. Breaches of compliance are principally 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 pro-

hibited. Payments to equity providers are made exclusively in the form of dividends.

We actively implement preventative measures within all our business processes 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 provide extensive corruption prevention training, particularly to employees working in sales, related areas and procurement. We show them, for example, how they should deal with gratuities and invitations, which we record and check. These measures enable us to minimise the risk of so-called soft bribery. We also continually monitor 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](https://www.mvv.de).

Apart from a small number of minor infringements, no compliance incidents came to light in the period under report.

All of MVV's managers and all employees with contact to customers or suppliers are provided with regular training to make sure they are well informed of general compliance requirements and are also familiar with the legal requirements relevant to their respective business units. These include, for example, legal requirements relevant to the capital market and securities, stock market, competition and cartel law, combating money laundering, handling sanction lists and the requirements of energy industry law. In the 2020 financial year, 245 employees at the Mannheim subgroup and 27 employees at other subgroups took part in this training. The coronavirus pandemic meant that many of these training sessions could not be held in person. Using the available possibilities, we therefore provided online training. Over the same period, 505 individuals completed an e-learning programme offered by our Stadtwerke Kiel and Energieversorgung Offenbach subsidiaries. From a specific management level upwards, all managers are required to submit a Compliance Management Declaration (CMD) at the end of each financial year. The same requirement applies to the managing directors of our subsidiaries and specific shareholdings. 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.

Compliance requirements governing the prevention of money laundering and terrorism financing were updated to account for the provisions of the German Money Laundering Act (GwG), which has been amended several times, most recently in June 2020. Given its customer base, products and geographical areas of activity, MVV is only subject to a low potential risk in this respect. To eliminate the risk of participating in money laundering and terrorism financing entirely, cash transactions are generally not permitted and are absolutely prohibited for amounts of Euro 10,000 upwards. Furthermore, when establishing business relationships requirements have to be met in terms of identifying the contract partners and their economic beneficiaries.

The energy industry supply chain is characterised by fuel trading, which is handled on energy exchanges or in bilateral agreements. Only a comparatively small share of our total procurement volumes relates to suppliers who provide us with goods or perform highly qualified services for us. We attach great importance to compliance in our cooperation with these suppliers as well. We make use of supplier management systems and request information from new suppliers, particularly regarding anti-corruption measures, environmental protection and social responsibility. Our cooperation with suppliers and service providers in Germany and the European Union is based on applicable laws and regulations, as well as on 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. We agree with our suppliers that they will adhere to our compliance guidelines, which we publish on our website [www.mvv.de/de/partner/lieferanten/zentraleinkauf/downloadbereich](https://www.mvv.de/de/partner/lieferanten/zentraleinkauf/downloadbereich). Our suppliers undertake to comply with legal requirements governing the combating of corruption, and the protection of employees and the environment. Should these obligations be breached, then contractual sanctions, including contractual penalties, termination and damages payments, are provided for.

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 system covers relevant accounting and financial reporting processes at all major locations. The aim is to minimise those 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 the consolidated financial statements, the financial statements of MVV Energie AG and the combined management report of MVV.

### Dual management system

As a listed stock corporation with its legal domicile in Mannheim, MVV Energie AG is governed by the requirements of German stock corporation law. One basic principle of this legislation is the dual management system, which provides for a strict separation between the Executive and Supervisory Boards 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 manages the company under its own responsibility and 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. It takes due account of the interests of the company's stakeholders when reaching decisions.

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 the Executive Board adopts resolutions and those transactions which require Supervisory Board approval. The Executive Board, which has to comprise at least two members, 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. Executive Board members otherwise have equal rights and bear joint responsibility 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 June 2020, the Supervisory Board decided to adapt the diversity concept for the composition of the Executive Board to the amended recommendations of the current German Corporate Governance Code.

The composition of the Executive Board is consistent with MVV's entrepreneurial approach. Together with the Executive Board, the Supervisory Board ensures that long-term succession planning is in place. 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 ensured for MVV Energie AG and the MVV Group. Candidates for the Executive Board of MVV Energie AG therefore 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 Executive Board members are not each expected to have the full range of specialist skills, competencies and experience that are specifically required. Overall, their qualities should nevertheless complement each other in such a way that the Executive Board as a whole has the necessary expertise and a suitable breadth of experience. The members of the Executive Board bear joint responsibility for managing the company and the Group. They must therefore have sufficient expertise for mutual supervision and deputisation.

When concluding employment contracts, an upper age limit of 65 years should be complied with. 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 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. With the appointment of Verena Amann to the Executive Board, this target was met as of 1 August 2019, two years earlier than planned.

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

### **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. It is involved in all decisions that are of fundamental significance for the company. In view of this, the Executive Board provides the Supervisory Board with regular, prompt and comprehensive information about its strategy and other fundamental matters of corporate planning. Moreover, the Executive Board provides report 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; they have identical terms in office. Eight of the shareholder representatives are elected by the Annual General Meeting, while two, namely the Lord High Mayor and the relevant specialist head of department, are directly delegated by the City of Mannheim. This 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. Employee representatives are elected by employees in accordance with the German Codetermination Act (MitbestG). The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, whose activities are governed by a Code of Procedure. We have published the Code of Procedure for the Supervisory Board on our website at [www.mvv.de/investors](https://www.mvv.de/investors).

To perform its activities efficiently and provide effective support, the Supervisory Board of MVV Energie AG has formed five committees with a specialist focus. The members of these committees are each particularly qualified in terms of their specialism. The Audit Committee meets regularly, and at least five times a year. By contrast, the Personnel, Nomination, Mediation and New Authorised Capital Creation Committees are only 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. Its responsibilities also include preparing the selection of the auditor, reviewing and discussing the annual and consolidated financial statements and discussing the interim consolidated financial statements for the first half of and the interim financial statements for the first three and first nine months with the Executive Board. The Committee monitors the effectiveness of the internal control system (IKS) and the internal audit and risk management system. It checks whether the organisational precautions taken are sufficiently effective to ensure compliance with legal requirements and internal company guidelines. 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. The Chairman of this committee is Prof. Heinz-Werner Ufer. As an independent and expert member, he meets the requirements of § 100 (5), § 107 (4) 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 Audit Committee had the following members at 30 September 2020: Prof. Heinz-Werner Ufer (Chairman), Heike Kamradt (Deputy Chair), Peter Erni, Detlef Falk, Dr. Lorenz Näger and Christian Specht. At the end of the 2020 financial year, Christian Specht stood down from his position. Gregor Kurth was newly elected to the committee as of 1 October 2020. Moreover, since 1 October 2020 Christian Specht and Dr. Stefan Seipl will attend Audit Committee meetings as permanent guests.

The work of the **Personnel Committee** relates in particular to preparing Supervisory Board resolutions concerning the conclusion of employment contracts with Executive Board members, as well as any amendments to or rescission of such. 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 made by the German Corporate Governance Code. Subsequent to this preparation 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 Personnel Committee had the following members at 30 September 2020:

Dr. Peter Kurz (Chairman), Heike Kamradt (Deputy Chair), Ralf Eisenhauer, Peter Erni, Steffen Ratzel and Jürgen Wiesner. Steffen Ratzel stood down from his position as of 30 September 2020. Gregor Kurth was newly elected to the committee as of 1 October 2020.

The **Nomination Committee** determines targets for the composition of the Supervisory Board and recommends 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 of the German Corporate Governance Code. The five committee members include the Supervisory Board Chairman, who also chairs the committee, and four further shareholder representatives. The Nomination Committee had the following members at 30 September 2020: Dr. Peter Kurz (Chairman), Ralf Eisenhauer, Barbara Hoffmann, Steffen Ratzel and Prof. Heinz-Werner Ufer. Steffen Ratzel stood down from his position as of 30 September 2020. Gregor Kurth and Tatjana Ratzel were newly elected to the committee as of 1 October 2020. With six members, all the positions on the committee are occupied.

Consistent with § 27 (3) of the German Codetermination Act (MitbestG), the **Mediation Committee** submits further personnel proposals to the Supervisory Board if the two-third majority required to appoint and dismiss Executive Board members is not achieved in the first ballot. The Mediation Committee had the following members at 30 September 2020: Dr. Peter Kurz (Chairman), Heike Kamradt, Steffen Ratzel and Jürgen Wiesner. Steffen Ratzel stood down from his position as of 30 September 2020. Gregor Kurth was newly elected to the committee as of 1 October 2020.

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 chairs the committee, his deputy and six further Supervisory Board members, of which one employee and five shareholder representatives. Dieter Hassel stood down from the committee as of 26 June 2020. The New Authorised Capital Creation Committee had the following members at 30 September 2020: Dr. Peter Kurz (Chairman), Ralf Eisenhauer, Peter Erni, Heike Kamradt, Steffen Ratzel, Christian Specht and Prof. Heinz-Werner Ufer. Steffen Ratzel stood down from his position as of 30 September 2020. Gregor Kurth and Tatjana Ratzel were newly elected to the committee as of 1 October 2020.

## Diversity concept for composition of Supervisory Board

The diversity concept for the composition of the Supervisory Board was also adapted in June 2020 to account for the amended recommendations made in the current version of the German Corporate Governance Code.

The specialist and personal requirements set for the Supervisory Board are intended both to ensure a transparent and systematic selection process for new Supervisory Board members and to provide a suitable and well-balanced composition for the Board as a whole. The aim is for the Supervisory Board of MVV Energie AG, as is the case in its current composition, to be able at all times to provide qualified supervision and advice to the Executive Board in its activity 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 context of a listed energy supplier with municipal roots and 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 in such a way that the full Board has the competence and experience 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.

When proposing candidates, due account should be taken of the upper age limit of 70 years. As a general rule, this limit should also not be exceeded during the term in office.

According to § 96 (2) Sentence 1 AktG, the Supervisory Board of a listed company should comprise at least 30 % women and at least 30 % men. § 96 (2) Sentence 2 AktG states that this requirement basically applies for the overall Supervisory Board. At MVV Energie AG, however, both the employee and the shareholder representatives on the Supervisory Board have drawn on the possibility provided for in § 96 (2) Sentence 3 AktG, namely of deciding 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 made by the German Corporate Governance Code. Before nominating a proposed candidate, the Supervisory Board ascertains whether the potential candidate has sufficient time at his or her disposal to discharge the duties involved in the position and whether he or she has any business and/or personal links to the group of companies or any of its competitors. The selection of employee representatives is governed by the provisions of codetermination law.

Information about the experience, expertise and skills of our Supervisory Board members can be found in their CVs as published on our website at [www.mvv.de/investors](https://www.mvv.de/investors).

The Supervisory Board last conducted a self-assessment to evaluate the effectiveness of its work and that performed by its committees in the 2019 reporting year. Based on the findings, ideas and recommendations were then devised as to how the Supervisory Board might optimise its efficiency and effectiveness. The next evaluation is scheduled for the 2022 financial year.

## 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 its report to the Annual General Meeting, the Supervisory Board provides information as to whether any conflicts of interest arose and, if so, how these were addressed.

In respect of Point 5.4.2 of the German Corporate Governance Code in its version dated 7 February 2017 and Points C1 and C6 et seq. of the German Corporate Governance Code in its version dated 16 December 2019, we are of the opinion that all members of our Supervisory Board were and are independent in the spirit of the Code. Both the previous version and the new version of the Code consider a Supervisory Board member to be independent if he or she is independent of the company and its Executive Board and independent of any controlling shareholder. This is the case for all Supervisory Board members. 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 independent in this sense. 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 majority 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 accordance with the Articles of Incorporation, 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 2020 financial year.

Even if a differing view is taken as to the independence of those Supervisory Board members who are simultaneously members of the city administration or city council of the City of Mannheim, the Supervisory Board nevertheless includes an appropriate number of independent members, namely Sabine Dietrich, Barbara Hoffmann, Dr. Lorenz Näger, Gregor Kurth, Tatjana Ratzel, Dr. Stefan Seipl and Prof. Heinz-Werner Ufer. The three members who stood down from the Supervisory Board at the end of the financial year also met the criteria of being independent of the Executive Board, the company and the controlling shareholder.

Some members of our Supervisory Board have been members for more than twelve years. These include Dr. Peter Kurz (since 2007) and Christian Specht (since 2005), who are shareholder representatives delegated to the Supervisory Board in accordance with the Articles of Incorporation, and Detlef Falk (since 2007) and Johannes Böttcher (since 2006) as employee representatives. Despite the length of their membership, the Supervisory Board does not harbour any doubts as to their independence of the company and its Executive Board.

## Report on equal participation of women and men

The Supervisory and Executive Boards of MVV Energie AG firmly believe that the company can generate sustainable business success only 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 others, this approach has the benefit of proactively countering 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 one 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 27 % as of 30 June 2015. With a 28 % share of female employees as of 30 September 2020, we came slightly closer to reaching this target. We also aim to raise the share of female managers, in this case from 14 % as of 30 June 2015 to 25 %. At the balance sheet date on 30 September 2020, this key figure came to 15 %. To enable us to meet our targets by 30 September 2021, we will consistently implement and in the years ahead further expand our range of promotional measures and programmes. That is particularly true for our targeted personnel development for women with suitable potential.

For MVV Energie AG, we report on the share of women in both the first and the second management tiers. In August 2017, the Executive Board set targets which are to be met by 30 September 2021. By then, women should account for 25 % of managers in the first and 30 % in the second management tier. At 10 %, the share of female managers in the first management tier as of 30 September 2020 was at the previous year's level (30 September 2019: 10 %). Women accounted for 27 % of managers in the second management tier (30 September 2019: 29 %). This share has thus almost reached the specified target. In addition to those measures that are already in place to promote women, we are implementing measures to increase the number of applications we receive from promising external and internal female candidates.