

Corporate Governance

Corporate governance refers to accountability in management. However, this is more today than just management pure and simple in the sense of complying with laws or any other set of standards. Lawfully and actually acquitting the duties incumbent upon both the Executive and Supervisory Boards as well as distributing these duties are the main issue. With proper and transparent corporate governance, enterprises can achieve sustainable entrepreneurial success while creating confidence on the part of investors and the public.

The "German Corporate Governance Code", which was introduced by the German Government on February 26, 2002, sets forth fundamental principles of proper corporate management and control. It is mandatory for publicly listed companies to provide a declaration indicating whether they comply with these recommendations: and if not, why not?

In the interest of value-based management, MVV Energie AG has been routinely informing its investors and the public in transparent fashion and has been careful to ensure efficient co-operation between its Executive and Supervisory Boards. The German Code offers us the opportunity to make practises more transparent that MVV has been using for sometime now. At MVV, we have been implementing efficient, accountable governance and control that has been oriented towards profitability. We have also made our declaration of compliance available to the public on our web site.

Naturally, we make certain that all of these measures are legal and ensure compliance with all legal regulations. Moreover, we have also been conforming to a major part of the statutes and recommendations of the Corporate Governance Code. We attach particular importance to observing the following principles:

Safeguarding the rights of our shareholders to co-determination and information

Safeguarding the rights of our shareholders to co-determination and information within the framework of the annual General Meeting: We report on our General Meeting via the Internet each year and make additional, comprehensive information available on our web site.

Within the framework of our transparent information policy, we have been openly and promptly disclosing new facts and figures relevant to MVV Energie AG's share price (ad-hoc press releases). In so doing, we have treated all of our shareholders equally - regardless of size. Whenever MVV's D&O or their close family members are involved in significant securities transactions with MVV's stock, we make this public immediately (Directors' Dealings).

Co-operation between Executive and Supervisory Boards

The prerogatives of the Executive Board and the flow of information to the Supervisory Board have been clearly defined: by means of the dictates of MVV's internal regulations and by the directives on reporting set down by the Supervisory Board. In this way, the Supervisory Board can ensure that it can continually perform its control function in timely fashion at any time. Both boards can thus co-ordinate the strategic direction of the enterprise and meet at regular intervals to discuss the progress of their strategies. As part of an additional control system, it is mandatory that key business transactions first be approved by the Supervisory Board.

Risks involved in our business activities are handled by our risk-management and controlling systems.

The Supervisory Board forms commissions to manage complex issues and questions of risk management as well as accounting principles and auditing. It also appoints and dismisses members of the Executive Board in light of age limits set down for said members.

Supervisory Board

Candidates for the Supervisory Board are proposed in compliance with required levels of knowledge and experience. They are also subject to established age limits. Potential conflicts of interest involving members of the Supervisory Board must be disclosed to the commission.

We comprehensively inform the public on a regular basis about business developments and future planning at MVV Energie AG. In so doing, we orient ourselves both to national as well as to international standards (IAS and HGB). We also publish key developments in English and on our web site. Important events are announced on a financial calendar, which is also accessible to the public.

Consolidated Financial Statements and Accounting Principles

Our consolidated financial statements are audited by independent auditors and are made available to the public within 90 days of the end of a respective fiscal year. Here we also report on our most important participations.

The Executive Board and the Supervisory Board do hereby declare that MVV Energie AG complies with the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice in the official section of the electronic *Bundesanzeiger*. Only the following recommendations have not been realised:

No. 3.8, Para.2: "Should a company take out D&O insurance for its executive and supervisory boards, agreement should be reached on a commensurate deductible (retention)."

Declaration of compliance

MVV Energie AG's D&O (Directors & Officers) insurance, which is intended to protect the insured against possible claims for damages, does not provide for insurance coverage for intentional wrongdoing or negligence as well as for knowingly committing acts of nonfeasance on the part of the executive board or the supervisory board. As a consequence, the question of a deductible (retention) only arises for negligent behaviour. Nevertheless, we are convinced that our efforts to gain outstanding personalities for activities either in the Executive or Supervisory Boards at MVV Energie AG would be severely restricted if said personalities had to reckon with the risk of liability claims even for negligent behaviour.

No. 5.4.5, Para. 2, Sentence 1: "The members of the supervisory board shall receive both a fixed salary and variable remuneration based on performance."

The articles of incorporation of MVV Energie AG currently only provide for fixed salaries for its Supervisory Board. However, this does not mean that MVV Energie AG may not introduce performance-based remuneration for its Supervisory Board members in future. In the near future, we intend to await developments in real-world practise. At present, we have found neither partial linkage of the Supervisory Board's remuneration to the dividend nor remuneration models based on the share price particularly convincing as criteria for performance-based remuneration. We intend to examine various concepts and will implement the one that offers a completely convincing solution for both the shareholders and the administration.