

Corporate Governance

Corporate governance encompasses all aspects of responsible corporate management and supervision. In addition to internal and external controlling mechanisms, this includes the company's organisational structure and business principles and guidelines. By applying the principles of good corporate governance, companies are able to raise the level of trust placed in them by investors, financial markets, business partners, employees and the general public.

The Corporate Governance Code published by the *Government Commission on the German Corporate Governance Code* aims to render the principles of corporate management and supervision transparent and comprehensible. It is largely based on the legal regulations governing corporate management and supervision. Moreover, the Code includes recommendations which go beyond the legal regulations, from which companies, however, may deviate. The executive and supervisory boards of publicly listed companies are required to submit an annual Statement of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) outlining the extent to which they have complied with or deviated from these recommendations. Furthermore, the Code also provides suggestions from which companies may deviate without being required to disclose their reasons for doing so.

The MVV Energie Group is committed to responsible value-based corporate management. Within the framework of this objective, we provide our shareholders and the general public with up-to-date, comprehensive, open and prompt information about our current and planned course of business. In this respect, we have made particular use of our company's website (www.mvv-investor.de). The information published on this site includes the financial calendar, which sets out the most significant reporting dates of MVV Energie AG. Our accounting practices are also based on national and international standards. The consolidated financial statements of MVV Energie AG are compiled in accordance with *International Financial Reporting Standards (IFRS)*, while the annual financial statements of MVV Energie AG are based on the principles of the *German Commercial Code (HGB)*.

Statement of Compliance

The Executive and Supervisory Boards hereby confirm that the company has complied with and continues to comply with the recommendations made by the *Government Commission on the German Corporate Governance Code* in the version dated 21 May 2003 published by the Federal Ministry of Justice in the official section of the electronic Federal Official Gazette. The Executive and Supervisory Boards also intend to comply with the recommendations of the *Corporate Governance Code* in future. Only the following recommendations have not been complied with by the company:

Retention for D&O insurance (Directors & Officers): Point 3.8 (2): "In the event of the company taking out D&O insurance for its executive and supervisory boards, a commensurate level of retention should be agreed."

The D&O insurance policy concluded by MVV Energie AG, which protects the insured parties against possible claims for damages, does not provide insurance cover for intentional wrongdoing or wilful negligence on the part of the members of the Executive and Supervisory Boards, neither does it cover against their knowingly committing any dereliction of duty. The issue of retention therefore only applies to negligent behaviour. We remain convinced that our efforts to attract outstanding individuals to assume responsibility on our Executive and Supervisory Boards would be impeded if such individuals also had to bear the risk of liability claims in the event of negligent behaviour.

Performance-related remuneration for the supervisory board: Point 5.4.5 (2) Sentence 1: "The members of the supervisory board should receive both fixed and performance-related remuneration."

The articles of incorporation of MVV Energie AG currently only provide for the fixed remuneration of its Supervisory Board. However, this does not exclude the possibility of MVV Energie AG also including performance-related components in its remuneration of the members of its Supervisory Board in future. In this respect, we had already commented in the past that we were not convinced by the performance-related models based on partially linking Supervisory Board remuneration to the level of the dividend or to the share price. Our reservations have been underlined by the most recent ruling of the Federal High Court in respect of the admissibility of share option programmes for supervisory board members. Before introducing any performance-related components into the remuneration of the members of our Supervisory Board, we therefore intend to analyse subsequent developments in this area.

Although the following recommendation has not been applied to date, from now on it will be partially implemented as follows:

Remuneration of the members of the executive board: Point 4.2.4: "The disclosure of remuneration should be undertaken on an individual basis".

The remuneration of the members of the Executive Board has been and continues to be disclosed broken down into its fixed and variable components, as well as components of a long-term incentive nature. Such disclosure is of great relevance to any assessment as to whether the breakdown of the remuneration into guaranteed and performance-related components is appropriate and as to whether the remuneration structure provides the intended incentive effect. The Executive Board is a collective body, which means that the incentive effect of the remuneration for the overall body is of key importance. The Chairman of the Executive Board (CEO) nevertheless fulfils a more prominent function within the overall body and his remuneration attracts a greater level of public interest. In view of this, the remuneration of the CEO will now be disclosed on an individual basis. In the 2003/04 financial year, his remuneration amounted to Euro 222 thousand. The remuneration of the overall Executive Board, including its retired members, amounted to Euro 1 444 thousand. Further details can be found on Page 114 of the MVV Energie AG annual report for the 2003/04 financial year.