

# Corporate Governance Report of the Executive and Supervisory Boards

The German Corporate Governance Code formulates principles of value-based company management and control. The Executive and Supervisory Boards of MVV Energie AG recognise the recommendations in the Code as guiding principles for their activities and have implemented these virtually in full. Our Statement of Compliance provides information as to why we have deviated from the recommendations in a few cases.

## Transparency

In the past, MVV Energie AG always fulfilled the relevant transparency requirements in the German Commercial Code (HGB) and Securities Trading Act (WpHG) and complied in full with the Code's recommendations in this respect. We will ensure that this remains the case in future. We make particular use of our website [www.mvv-investor.de](http://www.mvv-investor.de) to provide information about our company and about the latest developments at our Group.

Group accounting is based on International Financial Reporting Standards (IFRS), while the separate financial statements of MVV Energie AG are compiled in accordance with the German Commercial Code (HGB). The dates for our regular financial reporting are published in the financial calendar on our website.

## Compensation Report (Component of Group Management Report)

The members of the Executive Board of MVV Energie AG also act as executive board members of the group company MVV RHE AG; the Chairman of the Executive Board is also the managing director of MVV GmbH. The compensation attributable to these functions is paid by MVV Energie AG and charged to the respective companies.

The Executive Board was paid compensation totalling Euro 1 774 thousand during the year under report. This was structured as follows:

Compensation in Euro 000 s	Fixed <sup>1</sup>	Variable <sup>2</sup>	Supervisory Board compensation <sup>3</sup>	Total
Dr. Rudolf Schulten	403	305	15	723
Dr. Werner Dub	239	230	10	479
Matthias Brückmann <sup>4</sup>	41	39	1	81
Hans-Jürgen Farrenkopf	243	230	8	481
Karl-Heinz Trautmann <sup>5</sup>	10	—	—	10
<b>Total</b>	<b>936</b>	<b>804</b>	<b>34</b>	<b>1774</b>

<sup>1</sup> including allowances for pension insurance, health insurance, nursing care insurance, voluntary contributions to employers' mutual insurance association and non-cash benefits, as well as the CEO allowance of Euro 160 thousand and compensation of the Chairman of the Executive Board for his activity as spokesman of the management of MVV GmbH

<sup>2</sup> provisions

<sup>3</sup> supervisory board activities at shareholdings

<sup>4</sup> in office from 1 August 2007

<sup>5</sup> in office until 15 October 2006

Variable compensation is calculated on the basis of two components – the annual net surplus of the MVV Energie Group after minority interests pursuant to IFRS and the ROCE (return on capital employed). A suitable cap is in place. No compensation components of a long-term incentive nature were granted during the year under report. No further payments were either committed or made by third parties.

Upon reaching retirement age, the members of the Executive Board are entitled to receive pension benefits amounting to a certain percentage of their fixed compensation. This percentage rises by 2% for every full year of service up to a maximum value of 70% of fixed compensation. Pension payments are reduced by income earned from employment elsewhere, benefits received under the state pension scheme and any other pension benefits attributable at least in half to employers' contributions. Any premature claiming of the pension results in the benefits paid being reduced by 0.5% for every month by which the claimant falls short of the applicable retirement age.

One component of the pension scheme involves a claim to provision for surviving dependants. In the event of any partial reduction in the employee's working capacity, partial reduction in working capacity due to occupational disability, total inability to work or fatality, the pension benefit amounts to 55 % of the employee's fixed compensation and rises by 1 % for every full year of service up to a maximum of 70 %.

The pension obligations are structured as follows:

Pension obligations Euro 000s	Value of final pension <sup>1</sup>	Benefit percentage <sup>2</sup>	Benefit percentage <sup>3</sup>	Allocation to pension provision	
				Service cost	Interest expenses
Dr. Rudolf Schulten	234	51 %	70 %	284	38
Dr. Werner Dub	86	54 %	66 %	102	36
Matthias Brückmann	131	48 %	70 %	—	—
Hans-Jürgen Farrenkopf	98	56 %	66 %	166	37
<b>Total</b>	<b>549</b>			<b>552</b>	<b>111</b>

Former members of the Executive Board<sup>1</sup> received benefits of Euro 1 027 thousand during the year under report. Provisions totalling Euro 3 468 thousand were stated for pension obligations towards former members of the Executive Board. A total of Euro 347 thousand was allocated to this item during the financial year under report.

Total compensation of Euro 3 333 thousand was paid to heads of division/ authorised company representatives at MVV Energie AG during the year under report. Senior employees at MVV Energie AG receive a company pension amounting to 8.6 % of their fixed compensation. This exclusively takes the form of a defined contribution plan. Within the channels of execution offered within the Group, senior employees are able to determine which biometric risks they would like to cover. The total expenses of this scheme amounted to Euro 126 thousand during the year under report.

<sup>1</sup> including Karl-Heinz Trautmann

<sup>1</sup> achievable claim to retirement pension aged 63, taking due account of amounts deducted

<sup>2</sup> total percentage pension rate achieved for retirement pension (in percent)

<sup>3</sup> benefit percentage achievable by the age of 63 years

## Compensation of supervisory board members

The compensation of our Supervisory Board members is commensurate to their duties and to the responsibility they assume. The members of the Supervisory Board received annual compensation of Euro 10 thousand each in the 2006/07 financial year, with the Chairman of the Supervisory Board receiving twice and his deputy one and a half times this figure<sup>1</sup>. The Chairman of the Audit Committee received additional annual compensation of Euro 5 thousand and the other members of this committee each received additional annual compensation of Euro 2.5 thousand. Moreover, a meeting allowance of Euro 300 was paid per person per meeting of the full Supervisory Board and of the committees. Total compensation amounted to Euro 329 293<sup>2</sup>. This was distributed as follows: Gerhard Widder: Euro 22 528 (including meeting allowances<sup>3</sup> of Euro 5 700); Dr. Peter Kurz: Euro 4 838 (Euro 1 800); Johannes Böttcher: Euro 17 300 (Euro 4 800); Holger Buchholz: Euro 13 900 (Euro 3 900); Werner Ehret: Euro 15 400 Euro (Euro 5 400); Detlef Falk: Euro 4 233 (Euro 900); Dr. Rudolf Friedrich: Euro 13 900 Euro (Euro 3 900); Dr. Manfred Fuchs: Euro 21 000 (Euro 6 000); Dr. Stefan Fulst-Blei: Euro 8 918 (Euro 3 300); Reinhold Götz: Euro 17 900 (Euro 5 400); Dr. Karl Heidenreich: Euro 13 600 (Euro 3 600); Michael Homann: Euro 11 633 (Euro 3 300); Prof. Dr. Egon Jüttner: Euro 15 100 (Euro 5 100); Klaus Lindner: Euro 17 900 (Euro 5 400); Prof. Dr. Norbert Loos: Euro 17 900 (Euro 5 400); Manfred Lösch: Euro 25 000 (Euro 7 500); Dr. Reiner Lübke: Euro 2 267 (Euro 600); Dr. Frank Mentrup: Euro 7 109 (Euro 2 700); Manuel Mertes: Euro 9 067 (Euro 2 400); Barbara Neumann: Euro 13 900 (Euro 3 900); Wolfgang Raufelder: Euro 13 600 (Euro 3 600); Sabine Schlorke: Euro 13 300 (Euro 3 300); Uwe Spatz: Euro 15 100 (Euro 5 100) and Christian Specht: Euro 13 900 (Euro 3 900). No performance-related compensation is paid to the members of the Supervisory Board.

## Statement of Compliance

The Executive and Supervisory Boards of MVV Energie AG 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 respect of the past, this Statement refers to the version of the German Corporate Governance Code dated 12 June 2006 and published by the Federal Ministry of Justice in the official section of the electronic Federal Official Gazette on 24 July 2006. With regard to the future,

<sup>1</sup> members of the Supervisory Board joining or departing from the Supervisory Board during the financial year received prorated compensation in accordance with the duration of membership

<sup>2</sup> the amount stated corresponds to the compensation settled as of the reporting date for current members of the Supervisory Board, as well as for those retiring during the year under report

<sup>3</sup> meeting allowance in all cases in brackets

it refers to the recommendations of the new version of the Code dated 14 June 2007 and published in the official section of the electronic Federal Official Gazette on 20 July 2007. The following recommendations were not and are not complied with:

Deductible for D&O insurance – Point 3.8 (2): “If the company takes out a D&O (directors and officers’ liability insurance) policy for the Management Board and Supervisory Board, a suitable deductible shall 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 members of the Executive and Supervisory Boards, neither does it cover against their knowingly committing any dereliction of duty. The Executive and Supervisory Boards are absolutely committed to performing their duties in a motivated and responsible manner and are not of the opinion that this requires underlining in the form of a deductible.

Performance-related compensation for members of the Supervisory Board – Point 5.4.7 (2) Sentence 1: “Members of the Supervisory Board shall receive fixed as well as performance-related compensation.”

The Articles of Association of MVV Energie AG only provide for the fixed compensation of the Supervisory Board, plus a meeting allowance. MVV Energie AG already commented in the past that it was not convinced by models linking the compensation of Supervisory Board members to the level of the dividend or to the share price. We have therefore refrained from introducing any performance-related compensation components for members of the Supervisory Board.

This Statement of Compliance is also available at our company’s website [www.mvv-investor.de](http://www.mvv-investor.de).