

# Corporate Governance Declaration

pursuant to § 289a HGB with Declaration of Conformity with  
the German Corporate Governance Code

We published the Corporate Governance Declaration on our homepage at [www.mvv-investor.de](http://www.mvv-investor.de) on 5 November 2014 and thus met the requirements of § 289a of the German Commercial Code (HGB).

## 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 2014:

The Executive and Supervisory Boards of MVV Energie AG hereby declare that the company has complied with and continues to comply without exception with the recommendations made by the German Corporate Governance Code Government Commission in the version of the Code dated 13 May 2013 and published in the Federal Gazette on 10 June 2013.

High-quality corporate and management culture constitutes the basis for successful business activity. We accord great value MVV Energie Group's employees working together effectively and on a basis of trust. We safeguard the quality of management activities with our shared Management Guidelines. Furthermore, we promote the constructive cooperation of managers and their employees by regularly asking our employees to perform anonymous bottom-up appraisals that facilitate open feedback on management conduct.

## Compliance

One key corporate governance instrument is our Compliance Management System (CMS). This enables us to ensure that we comply with legal requirements and facilitates the implementation of our in-company guidelines and those ethical standards to which we are committed.

We have integrated all our employees within the CSM system, which in turn covers all of MVV Energie's key business activities and processes. A detailed Compliance Handbook sets out the material contents and necessary organisational structures and processes, as well as the respective personal responsibilities and our reporting system. The Handbook is binding for all of MVV Energie's group companies. As part of our Management Handbook, it is available at all times to all MVV Energie's employees as a download on our intranet.

There were no severe infringements of laws or our internal guidelines in the year under report. To avoid infringements, our compliance system is structured such that relevant processes in sensitive areas are already checked in advance, thus enabling us to take corrective measures on a preventative basis.

As Compliance Officer, the head of our group legal, group compliance and materials division acts on behalf of the Group. His duties include liaising with affected business units to compile, implement and document implementation of the relevant compliance regulations. Furthermore, he also organises employees training, monitors compliance with CMS processes and reports to the Executive Board. The Compliance Officer advises and supports the Executive Board with regard to preventative measures to avoid and investigate any infringements of the law, corruption or deliberate acts harmful to the company.

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We provide intensive corruption prevention training to our employees working in sales, sales-related areas and procurement. Correct forms of behaviour when offered gratuities and invitations are explained in detail. This way, we counter the risk of so-called "soft bribery" in the form of non-monetary gifts and invitations from business partners. In the 2013/14 financial year, more than 250 employees took part in training sessions each lasting more than two hours. Furthermore, we record and check gratuities and invitations. We systematically and continually check adherence with compliance requirements in all business fields, specialist divisions, group departments and subsidiaries. Via an anonymous "Whistleblower Hotline", employees and third parties can also reach the Compliance Officer and report any misconduct directly.

All of the MVV Energie Group's managers are regularly trained to ensure that they are familiar with general compliance requirements and the legal requirements relevant to their business units. Such training is adapted as appropriate to the needs of each area of responsibility. Furthermore, in an extensive Compliance Management Declaration (CMD) required at the end of each year under report managers are obliged to confirm compliance with legal requirements. The CMD also includes a declaration that all of the respective manager's employees have received CMS instruction and training. Not only that, within the CMD framework managers are required to fill in questionnaires containing detailed and targeted questions adapted to circumstances at the relevant business unit.

New management staff from section manager upward are required to attend a seminar held over several days at which the basis for assuming management responsibility at the MVV Energie Group is outlined. At this seminar, all newly appointed managing directors and all upcoming management staff receive structured instruction in all areas of responsibility.

In Germany, we question suppliers and service providers to our key company locations about their compliance. Furthermore, for major tenders and contracts our procurement department obtains supplier self-registration and supplier information. This enables us to establish

- which compliance and anti-corruption regulations are in place at the respective supplier and whether these also apply for its upstream suppliers and subcontractors
- whether working conditions are consistent with the relevant national laws and ordinances and whether internationally recognised labour standards are complied with
- whether the suppliers pursue non-monetary company objectives, such as voluntary environmental protection measures or education, cultural or sports sponsorship activities.

### Composition and mode of operation of Executive and Supervisory Boards and their committees

The statutory dual management system for stock corporations in Germany requires a clear separation in terms of personnel between the Executive Board, which acts as the management body, and the Supervisory Board, which acts as the supervisory body. These two boards cooperate closely and on a basis of trust in the company's interests. They are nevertheless each furnished with their own distinct duties and competencies, which are outlined below:

The **EXECUTIVE BOARD** is responsible for managing the company and its business. It manages the company under its own responsibility and pursues the objective of generating sustainable growth. Its duties include compiling the company's strategic alignment, agreeing this with the Supervisory Board and ensuring its targeted implementation. In its decisions, the Executive Board takes due account of the interests of the company's stakeholders, i.e. shareholders, employees and other interest groups associated with the company.

The business of MVV Energie AG is managed by the Executive Board – both as a whole and by each individual Executive Board member – in accordance with the requirements of law, the Articles of Incorporation and the Code of Procedure. The Code of Procedure for the activities of the Executive Board has been imposed by the Supervisory Board. This lays down divisional responsibilities, the duties and decisions incumbent on the overall Executive Board, the duties of the Chief Executive Officer and the ways in which Executive Board resolutions are adopted. Furthermore, consistent with § 111 (4) Sentence 2 of the German Stock Corporation Act (AktG) the Code of Procedure includes a detailed catalogue of those transactions for which the Executive Board must seek Supervisory Board approval. The Executive Board of MVV Energie AG consists of at least two members. Four Executive Board positions are currently provided for and occupied.

As Chief Executive Officer, Dr. Georg Müller coordinates the work of the Executive Board members and represents the Executive Board externally. Executive Board members otherwise enjoy equal rights and bear joint responsibility for managing the company. Each Executive Board member manages the division assigned to him under his own responsibility. Executive Board members are expected to subordinate the specific interests of their division to the overriding interests of the company.

The Executive Board accords great value to working together with the Supervisory Board and the company's employee representatives on a basis of trust. The Executive Board informs the Supervisory Board regularly, promptly and comprehensively of intended business policy and other fundamental matters of corporate planning. Particular attention is accorded to financial, investment and personnel planning. The Executive Board also reports to the Supervisory Board on the company's profitability, its business performance and situation and its risk situation and risk management.

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The **SUPERVISORY BOARD** of MVV Energie AG appoints the company's Executive Board and advises and monitors it in its management of the company and in decisions of fundamental significance for the company.

The Supervisory Board of MVV Energie AG comprises 20 members, of which ten shareholder representatives and ten employee representatives. Shareholder representatives are elected by the Annual General Meeting with the exception of two members who 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. Consistent with the German Codetermination Act (MitbestG), ten Supervisory Board members are elected by employees. The terms in office are identical. The Supervisory Board Chairman, Lord High Mayor Dr. Peter Kurz, coordinates the work of the Supervisory Board. The Supervisory Board has a self-imposed Code of Procedure governing its activities. Further extensive information about the tasks and activities of the Supervisory Board and its committees in the 2013/14 financial year can be found in the Supervisory Board Report. In the Directors and Officers chapter, we have provided information about the composition of the Supervisory Board and of the committees it has formed to operate efficiently. The compensation of Supervisory Board members is presented in the Compensation Report. All these more detailed disclosures form part of the 2013/14 Annual Report due for publication on 11 December 2014.

The Supervisory Board of MVV Energie AG has formed five permanent **COMMITTEES**:

The **AUDIT COMMITTEE** deals with corporate planning, strategy, individual business field performance, fundamental financial reporting issues, preparing the selection of the auditor, and advises on and discusses the annual and consolidated financial statements and the interim consolidated financial statements for the three-month, half-year and nine-month reporting periods. Moreover, it monitors the effectiveness of the internal control system (IKS), internal audit, organisational precautions to ensure compliance with legal requirements and internal company guidelines (compliance) and of the risk management system. The Audit Committee includes three shareholder representatives and three employee representatives. The Chairman of this committee is Professor Heinz-Werner Ufer, while the Supervisory Board Chairman is a permanent guest in the committee.

The **PERSONNEL COMMITTEE** focuses in particular on preparing Supervisory Board resolutions concerning the conclusion, amendment and rescission of employment contracts with Executive Board members. This committee consists of 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 **NOMINATION COMMITTEE** proposes suitable candidates to the Supervisory Board for its own election proposals to the Annual General Meeting. In its selection, the committee takes particular account of legal requirements and of the recommendations and suggestions made by the German Corporate Governance Code. This committee has six members: the Supervisory Board Chairman, who also chairs this committee, and five further shareholder representative Supervisory Board members.

The duties of the Nomination Committee also include compiling targets for the composition of the Supervisory Board. A detailed requirements profile for Supervisory Board members specifies the requirements in terms of the specialist knowledge and ability, as well as the experience and personality of future Supervisory Board members. Alongside personal integrity, the following aspects are crucial: a good general understanding of the energy industry, and especially of the business fields in which MVV Energie operates, an ability to assess complex economic and technical matters and specialist knowledge in select areas of MVV Energie's activities. Supervisory Board members should complement each other to ensure that the entire range of targeted knowledge, abilities and experience is represented in the Supervisory Board. It is thus acknowledged that not every Supervisory Board member can satisfy the whole spectrum of specialist requirements. An upper age limit of 70 years should be complied with. Furthermore, the Supervisory Board should also include an adequate number of independent members. This objective has been met.

The recommendation made by the German Corporate Governance Code concerning the suitable level of participation by women has been discussed both in the Nomination Committee and in the full Supervisory Board. In the 2010/11 financial year, the Supervisory Board had set itself the target of achieving a 20% share of female members in the long term. This target was already met in the 2013/14 financial year. Four of the Supervisory Board members at MVV Energie AG are women.

Pursuant to § 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** prepares the Supervisory Board resolutions to be adopted concerning the creation of new authorised capital. This committee comprises eight members: the Supervisory Board Chairman, who is also Committee Chairman, the Chairman of the Group Works Council and six further Supervisory Board members, of which one employee representative and five shareholder representatives.

The Audit and Personnel Committee meet several times a year. The Nomination, Mediation and New Authorised Capital Creation Committees are convened when necessary.

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### **Independence of Supervisory Board members**

In respect of Point 5.4.2 of the German Corporate Governance Code, we are of the opinion that the Supervisory Board members assigned by the City of Mannheim or potentially attributable to such are independent members in the spirit of the Code. These members do not maintain any personal or business, i.e. commercial, links with the company or its management bodies.

This complete Corporate Governance Declaration has also been published on the internet at **[www.mvv-investor.de](http://www.mvv-investor.de)**

Mannheim, 5 November 2014

MVV Energie AG

Executive Board