

Corporate Governance Declaration

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

Listed companies are obliged pursuant to § 289a of the German Commercial Code (HGB) to include a Corporate Governance Declaration in the management report in the separate financial statements, or to publish such declaration on the internet. In this Declaration, the Executive and Supervisory Boards report on the Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act (AktG) and on corporate governance practices over and above legal requirements. Furthermore, they report on the mode of operation of the Executive and Supervisory Boards and on the composition and mode of operation of their committees.

Wording of the 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 2011: The Executive and Supervisory Boards of MVV Energie AG hereby declare that the company has complied with and continues to comply with the recommendations made by the German Corporate Governance Code Government Commission in the version of the Code dated 26 May 2010 and published in the official section of the electronic Federal Official Gazette on 2 July 2010.

The following recommendation was not and is not complied with:

Performance-related compensation for members of the Supervisory Board – Point 5.4.6 (2)

Sentence 1:

“Members of the Supervisory Board shall receive fixed as well as performance-related compensation.”

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

Disclosures on corporate governance practice

Our **Management Guidelines** provide the foundation for the successful interaction between management and employees on a basis of trust. They create a mandatory framework for the management of employees at our company and enable us to secure the quality of personnel management. Our bottom-up appraisal system represents another tool we use in the ongoing enhancement of management at our company.

Our **MVV Energie Compliance Management System (CMS)** serves to ensure compliance with legal requirements, in-house guidelines and those ethical standards to which we are committed. This system covers all business activities and processes at MVV Energie and is applicable to all of the company's directors and officers, managers and employees. We have laid down the material contents, necessary organisational structures, processes and responsibilities, as well as the reporting system, in an extensive Compliance Handbook. As part of our MVV Energie Management Handbook this is available to all

employees on the intranet. The Compliance Handbook is binding for all MVV Energie group companies and requires mandatory application by all of these companies' employees. The head of our group legal department also acts as the Group Compliance Officer. The key tasks of our Compliance Officer include working together with the relevant business units to compile compliance-related regulations, training managers and employees, performing or monitoring CMS processes and reporting on compliance with these. All management staff have received instruction on the MVV Energie Compliance System and also receive ongoing training concerning general compliance regulations and the specific legal requirements relevant to their business units. Furthermore, the Compliance Officer supports the Executive Board and group internal audit department in avoiding and, where necessary, investigating any infringements of the law, corruption and deliberate acts harmful to the company.

We provide our employees with contact to customers in the sales, energy-related services and environmental energy businesses in particular with in-depth training as to how corruption is to be combated and instruct them on the correct forms of behaviour when offered non-monetary gifts and invitations. Gratuities and invitations are recorded without exception. Adherence to the requirements relevant to compliance is systematically and regularly checked in all business fields, divisions, group departments and subsidiaries. Employees wishing to inform the Compliance Officer anonymously about any misconduct can use the "Whistleblower Hotline" we have set up.

All management staff must submit an extensive Compliance Management Declaration at the end of each financial year. Here, they confirm that specifically stipulated legal requirements have been complied with in their area of responsibility and that their staff have been instructed, trained and inspected. For this purpose we use questionnaires based on the requirements and circumstances at each specific business unit. We provide systematic instruction not only to newly appointed managing directors, but also to all upcoming management staff in all areas of responsibility. To this end, the group compliance, personnel development, group organisation and technical divisions have jointly prepared a seminar to inform participants extensively on basic features of management responsibility at the MVV Energie Group. This seminar has been obligatory for all levels from section manager upwards since April 2010.

It is important for us to ensure that **women** are present on **all hierarchical levels** at the company. We motivate and support our female employees systematically and comprehensively on all levels by offering them challenging tasks, accompanied by numerous development measures, and making targeted efforts to boost internal and external networks of women in management positions within MVV Energie.

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

As a stock corporation, MVV Energie is governed by the legally required so-called dual management system, which is characterised by a strict separation in terms of personnel between the Executive Board as the management body and the Supervisory Board as the supervisory body. The Executive and Supervisory Boards, each furnished with their own distinct duties and competencies, cooperate closely and on a basis of trust to the benefit of the company.

Responsibility for managing the company and its business lies with the **Executive Board**, which manages the company independently and in the interests of the company with the objective of sustainable value creation. It takes due account in its decisions of the interests of shareholders, employees and other stakeholders. The Executive Board also determines the company's strategic alignment and business policy, coordinates these with the Supervisory Board and ensures their implementation.

The Executive Board of MVV Energie AG consists of four members. Its Chairman is Dr. Georg Müller. The CEO coordinates the work of the Executive Board members and represents the Executive Board externally. The Supervisory Board has imposed a Code of Procedure governing the activities of the Executive Board. The Code of Procedure sets out divisional responsibilities, as well as the duties and decisions incumbent on the overall Executive Board, the duties of the Chief Executive Officer, the way in which resolutions are adopted and those transactions requiring Supervisory Board approval. All members of the Executive Board enjoy equal rights and bear joint responsibility for managing the company. Each Executive Board member nevertheless manages the division assigned to him under his own responsibility. Executive Board members are required to subordinate the specific interests of their division to the overriding interests of the company as a whole. The Executive Board as a whole and each individual Executive Board member manage the company's business in accordance with the requirements of the law, the Articles of Incorporation and the Code of Procedure. They work together with the Supervisory Board and representatives of the company's employees on a basis of trust.

The Executive Board informs the Supervisory Board regularly, without delay and comprehensively of intended business policy and other fundamental matters of corporate planning (especially financial, investment and personnel planning). It also reports on the company's profitability, its business performance and situation, as well as providing information about the company's risk situation and risk management.

The Executive Board is appointed by the Supervisory Board of MVV Energie AG. The Supervisory Board is responsible for advising and monitoring the Executive Board in its management of the company and in decisions of fundamental significance for the company. Consistent with § 111 (4) Sentence 2 of the German Stock Corporation Act (AktG), the Code of Procedure includes a catalogue of transactions for which the Executive Board requires Supervisory Board approval.

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. The City of Mannheim delegates the Lord Chief Mayor and the relevant head of department to the Supervisory Board, with such members being imputed to the ten Supervisory Board members to be elected by the Annual General Meeting, to the extent that MVV GmbH directly or indirectly holds more than half of the share capital. Ten members are elected by employees pursuant to the German 1976 Codetermination Act (MitbestG). The terms in office are identical. Three of the current Supervisory Board members are women.

The Supervisory Board Chairman coordinates the work of the Supervisory Board. The Supervisory Board is Lord High Mayor Dr. Peter Kurz. The Supervisory Board has a self-imposed Code of Procedure govern-

ing its activities. In the year under report, the Supervisory Board once again subjected the efficiency of its activities to an in-depth review pursuant to Point 5.6 of the German Corporate Governance Code. When selecting its candidates for election as Supervisory Board members by the Annual General Meeting on 18 March 2011, due account was taken of the knowledge, ability and experience necessary to perform the duties involved, as well as of diversity considerations.

The Supervisory Board of MVV Energie AG has formed four permanent **committees**:

The **Audit Committee** consists of six members, with three shareholder and three employee representatives. This Committee is chaired by Heinz-Werner Ufer, while the Supervisory Board Chairman is a permanent guest. Among other duties, the Audit Committee is responsible for preparing the selection of the auditor, the annual and consolidated financial statements and the quarterly financial reports. Furthermore, the Audit Committee deals with corporate planning and fundamental financial reporting issues. Moreover, it monitors the effectiveness of the internal control system, internal audit, organisational precautions to ensure compliance with legal requirements and with internal company guidelines (compliance) and of the risk management system.

The **Personnel Committee** also comprises six members, in this case the Supervisory Board Chairman, who also chairs the Committee, his deputy, and four Supervisory Board members, of which two shareholder and two employee representatives. The duties of the Personnel Committee relate in particular to preparing Supervisory Board resolutions concerning the conclusion, amendment and rescission of employment contracts with Executive Board members. The Executive Board compensation system was restructured following the findings of the review of the compensation system performed by an external compensation expert in line with the requirements of the German Management Board Compensation Act (VorstAG).

The **Nomination Committee** also consists of six members, with the Supervisory Board Chairman as Committee Chairman and five further shareholder representative Supervisory Board members. The purpose of this committee is to propose suitable candidates to the Supervisory Board for its own election proposals to the Annual General Meeting, accounting as appropriate for legal requirements and the recommendations and suggestions made in the German Corporate Governance Code. The Nomination Committee should compile specific targets for the composition of the Supervisory Board, taking due account of the company's specific situation. At its meeting on 18 October 2010, it reached agreement on a requirements profile for Supervisory Board members. This lays down specific requirements for the specialist knowledge, ability and experience, as well as for the personality of future Supervisory Board members. The following aspects are crucial in this respect: 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, specialist knowledge in select areas of MVV Energie's activities and personal integrity. It is acknowledged that not every Supervisory Board member can meet the whole spectrum of specialist requirements. The members of the Supervisory Board should nevertheless complement one another to ensure that the whole range of targeted expertise, abilities and experience are represented within the Supervisory Board.

The Nomination Committee held detailed discussions about the recommendation made by the German Corporate Governance Code concerning the suitable level of participation by women, as did the Supervisory Board subsequently. The Supervisory Board has set itself the target of ensuring that 20 % of its members are women by the beginning of the term in office following the expiry of the Supervisory Board's current term in office.

Furthermore, there is a **Mediation Committee** pursuant to § 27 (3) of the German Codetermination Act (MitbestG). This Committee submits further personnel proposals to the Supervisory Board in cases where the two-thirds majority required to appoint and dismiss Executive Board members is not achieved in the 1st ballot.

The Audit Committee and Personnel Committee meet several times a year. The Mediation Committee and Nomination Committee are convened when necessary.

Mannheim, 11 October 2011

MVV Energie AG

Executive Board