

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 on 5 November 2015 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 2015:

“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. For the past, this declaration refers to the version of the Code dated 24 June 2014 and published by the Federal Ministry of Justice in the Federal Gazette on 30 September 2014. For the future, it refers to the recommendations made in the new version of the Code dated 5 May 2015 and published in the Federal Gazette on 12 June 2015.”

To succeed, business activities have to be based on a high-quality corporate and management culture. Enabling employees to work together effectively and on a basis of trust at the MVV Energie Group is therefore a matter of great importance to us. We safeguard the quality of management activities with our shared Management Guidelines. Furthermore, we have initiated a corporate culture project that we will be upholding in the long term. We promote constructive cooperation between managers and their employees by regularly performing anonymous bottom-up appraisals that enable employees to provide honest feedback on management conduct.

Compliance and risk management

Our Compliance Management System (CMS) is a key component of our corporate governance. This system helps us to ensure that all employees comply with legal requirements. It also enables us to implement our in-company guidelines and those ethical standards to which we are committed.

The CMS system covers all of MVV Energie's key business activities and processes. In a detailed Compliance Handbook, we describe both the material contents and the necessary organisational structures and processes, as well as the respective personnel responsibilities and our reporting system. This Handbook is binding for all of MVV Energie's group companies and can be downloaded – as part of our Management Handbook – by all MVV Energie's employees at any time from our intranet.

We have structured our compliance system so that relevant processes in sensitive areas can already be checked in advance, thus enabling us to avoid infringements and take corrective measures on a preventative basis. Donations and payments to political organisations are strictly prohibited at the MVV Energie Group. Payments to capital providers are made exclusively in the form of dividends. There were no severe infringements of laws or of our internal guidelines in the year under report.

The head of our group legal, group compliance and materials division also acts as Compliance Officer on behalf of the Group. He liaises with the affected business units to compile the relevant compliance regulations, document these and monitor their implementation. Furthermore, he also ensures that our employees receive

suitable training, checks 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.

We pay particular attention to informing employees working in sales, sales-related areas and procurement about corruption prevention and offering them detailed explanations of the correct forms of behaviour when offered gratuities and invitations. These measures serve to counter the risk of so-called "soft bribery". In the 2014/15 financial year, around 160 employees took part in training sessions each lasting more than two hours. We record and check gratuities and invitations. Furthermore, we systematically and continually check adherence to 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 or an external confidence lawyer and report any misconduct directly.

We ensure that all of the MVV Energie Group's managers are familiar with general compliance requirements and the legal requirements relevant to their business units by providing them with regular training. The requirements are specifically detailed in line with the needs of each area of responsibility at the company units. Furthermore, our managers are obliged to confirm compliance with legal requirements in an extensive Compliance Management Declaration (CMD) required at the end of each reporting year. This CMD also includes a declaration by the respective manager that all of his or her employees have received CMS instruction and suitable training. Not only that, in the context of the CMD managers are required to provide detailed comments by filling in questionnaires with questions tailored to specific circumstances at the relevant business unit.

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

We question suppliers and service providers to our key company locations in Germany about their compliance. Furthermore, for major tenders and contracts our procurement department obtains supplier self-registration and supplier information. This way, we 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
- which non-monetary company objectives, such as voluntary environmental protection measures or education, cultural or sports sponsorship activities, are pursued by suppliers.

Further major components of our corporate management include our risk management system and the internal control system in respect of the financial reporting process (IKS). In the year under report, we further optimised our process performance at our Mannheim location in order to enhance quality and reduce costs. Alongside internal specialist departments, this process also involved the companies and subgroups at this location.

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

In Germany, stock corporations are required by law to have a dual management system. This 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 and advisory body. Although these two boards are furnished with their own distinct duties and competencies, they nevertheless cooperate closely and on a basis of trust in the company's interests.

The tasks of the **EXECUTIVE BOARD** are to manage the company and its business. Under its own responsibility, it manages the company and pursues the objective of generating sustainable growth. Its duties include determining 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.

Consistent with the requirements of law, the Articles of Incorporation and the Code of Procedure, the Executive Board – both as a whole and each individual member – manages the business of MVV Energie AG. The Supervisory Board has imposed a Code of Procedure governing the activities of the Executive Board. This sets out the 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 obtain 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. The work of the Executive Board members is coordinated by the Chief Executive Officer, Dr. Georg Müller; he also represents the Executive Board externally. Executive Board members otherwise enjoy equal rights and bear joint responsibility for managing the company. In this respect, 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 attaches great importance to working together with the Supervisory Board and the company's employee representatives on a basis of trust. It informs the Supervisory Board regularly, promptly and comprehensively of intended business policy and other fundamental matters of corporate planning. One key focus relates to the company's financial, investment and personnel planning. Furthermore, the Executive Board reports to the Supervisory Board on the company's profitability, its business performance and situation and its risk situation and risk management.

The **SUPERVISORY BOARD** of MVV Energie AG has the task of appointing and advising the company's Executive Board. The Supervisory Board monitors the Executive Board in its management of the company and in decisions of fundamental significance for the company.

The Supervisory Board of MVV Energie AG consists of 20 members, of which ten shareholder representatives and ten employee representatives. The Annual General Meeting elects the shareholder representatives 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. Ten Supervisory Board members are elected by employees in accordance with the German Codetermination Act (MitbestG). The terms in office are identical. Where possible, elected members should not sit on the Supervisory Board for less than one or for more than three full terms. 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 2014/15 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. All these more detailed disclosures form part of the 2014/15 Annual Report due for publication on 10 December 2015.

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

The **AUDIT COMMITTEE** has as its tasks corporate planning, strategy, individual business field performance, fundamental financial reporting issues, preparing the selection of the auditor, preparing and discussing the annual and consolidated financial statements and addressing 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** is responsible for proposing 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. An upper age limit of 70 years should be complied with, as should the time limit for Supervisory Board membership. Furthermore, the Supervisory Board should also include an adequate number of independent members. This objective has been met.

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** is entrusted with preparing 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 Committee meets several times a year. The Personnel, Nomination, Mediation and New Authorised Capital Creation Committees are convened when necessary.

Requirements in the composition of the Executive and Supervisory Boards

Alongside personal integrity, the Supervisory Board takes particular account of the following aspects when selecting candidates to be proposed for election by the Annual General Meeting: a good general understanding of the energy industry, and especially of the business fields in which MVV Energie AG operates, an ability to assess complex economic and technical matters and specialist knowledge in select areas of MVV Energie's activities. The objective is for Supervisory Board members to complement each other in such a way as 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. This objective is met by the Supervisory Board in its current composition.

Report on the equal participation of women and men

As a result of the "Law on Equal Participation of Men and Women in Private-Sector and Public-Sector Management Positions", MVV Energie AG is required to set targets for the number of women in management positions. The Supervisory and Executive Boards of MVV Energie AG already addressed this topic in detail in past years and therefore support the objective of assigning responsibility to both women and men on a basis of equality. Particularly in view of demographic change and the resultant shortage of specialist and management staff in Germany, both social and economic factors make it necessary to promote all talents regardless of gender.

In companies operating in the energy industry, female employees traditionally only account for a comparatively small share of the overall workforce. The Supervisory and Executive Boards of MVV Energie AG are nevertheless committed to continually increasing their share of the Group's workforce and to support high-potential female employees even more closely with targeted personnel development measures.

By 2022, we thus aim to gradually increase the female share of our Group's workforce from 28 % currently to 35 % and the female share of our management staff from 15 % to 25 %.

With our short, medium and long-term promotion measures and programmes, we already made progress in this respect in the past. We will be continually extending these measures in the years ahead.

The law requires companies to disclose their targets for the first time for the 2015/16 financial year. Given the importance and priority accorded to the targets it has formulated, MVV Energie AG has voluntarily complied with this statutory disclosure requirement in the 2014/15 financial year already. The following table presents the share of women in the Executive Board of MVV Energie AG and also shows the number of female managers at MVV Energie AG on the first and second management tiers below the Executive Board as of 30 June 2015. Furthermore, the table also includes the targets set by the Supervisory and Executive Boards to be achieved by 30 June 2017. The Executive Board of MVV Energie AG currently comprises only men. Given the appointment terms of these Executive Board members, it will not be expedient to raise the share of women on the Executive Board of MVV Energie AG by 30 June 2017.

Share of women in Executive Board and 1st and 2nd management tier at MVV Energie AG as of 30.6.

	2015 status		2017 target
	No. of positions filled Total	Share of women %	Share of women %
Executive Board	4	0	0
1 st management tier	17	12	20
2 nd management tier	30	20	25

The Supervisory Board of MVV Energie AG currently consists of 20 members, of which four women, corresponding to a female share of 20%. The board has agreed to ensure that the legally required gender ratio of 30% is complied with in future.

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**.

Mannheim, 5. November 2015

MVV Energie AG

Executive Board