

SUSTAINABILITY

(financial and non-financial performance indicators)

Sustainability has become the key topic of the 21st century and the core challenge now facing humanity. Our behaviour and business activities have to be structured so that future generations can also satisfy their needs from the resources available to them. Alongside purely financial key figures, companies are also increasingly judged on the extent to which they manage to account for the needs of society as a whole in their business activities.

We believe that the shift towards sustainable business activity will fundamentally change the competitive landscape in the energy industry. The tensions to be expected between economic, ecological and social factors require companies to manage these actively and to implement strategies with a long-term focus.

In this chapter, we on the one hand explain how we identify and evaluate the implications for our company at an early stage. On the other hand, we present the ways in which we are addressing the economic, ecological and social challenges of material relevance to our business. We show what measures the MVV Energie Group has already taken to benefit climate and environmental protection, its employees and society as a whole.

We thus report on the sustainability-related financial and non-financial performance indicators requiring inclusion in the report pursuant to § 289 (3) of the German Commercial Code (HGB). In our presentation, we have focused on those implications of our business activities that are relevant for the sustainable development of our company.

Sustainability: a key future factor at MVV Energie

Alongside regionalism and efficiency, sustainability has been a core component of our MVV 2020 corporate strategy since 2009 already. We are convinced that the alignment of our activities with sustainability considerations is a decisive factor in fostering our innovative strength and our long-term business success.

Our sustainable, strategic alignment aims to

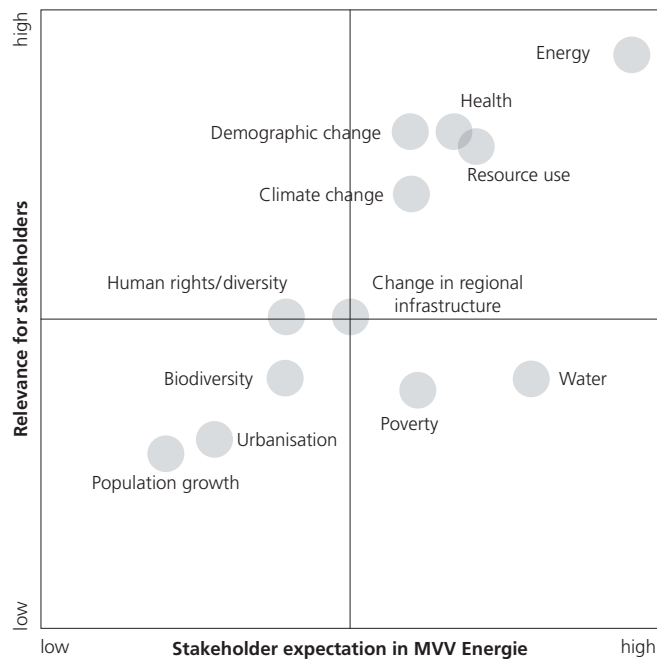
- Maintain a balance between profitable growth and social responsibility
- Consistently enhance our business model and thus secure our long-term economic success
- Be aware of the ecological and social implications of our own business activities and reduce our impact on the natural world
- Create and retain sustainable jobs and training positions for our employees
- Make a measurable contribution towards converting the energy industry along ecological lines and to protecting the climate and the environment.

We take our stakeholder's interests seriously and factor these into our decisions. We are basically open and willing to talk to all stakeholders – whether employees, customers, shareholders, politicians, analysts, non-government organisations (NGOs), associations or environmental protection organisations – and also use social networks to this end. Our homepage is one key medium for our external communications. We make extensive information available on our websites and name personal contact partners for all topics at our group of companies. Furthermore, we are present at all major events, fairs and capital market forums. We also attach great importance to the dialogue between our managers and employees and our stakeholders.

Regular analysis of sustainability factors

Workshops, surveys and expert talks with stakeholder representatives provide us with suggestions and impetus to act with regard to sustainability-related topics and the concerns of our direct environment. These are factored into our materiality process, which we use to analyse the materiality of sustainability factors. We take global challenges as our starting point.

We follow public discussions on sustainability-related topics and observe changes in our stakeholders' needs. This process is supplemented by internal discussions with colleagues from MVV Energie's specialist departments and companies. The results of this evaluation are reviewed once a year. The latest status is presented in the form of the materiality matrix below. Overall, this approach enables us to ascertain whether the respective challenges to sustainable development have changed in terms of their relevance, both from the perspective of our stakeholders and from MVV Energie's own perspective.



Material sustainability factors for MVV Energie

MVV Energie prioritises its internal sustainability projects and measures based on the results of the materiality process. We assess a sustainability factor as material when both its relevance for stakeholders and the expectation stakeholders have in MVV Energie with regard to the factor are high.

Our most important topic, **ENERGY**, includes: expanding renewable energies, enhancing energy efficiency at power plants and grids, energy savings at consumers and supply reliability. A reliable, stable energy supply – also during the energy system conversion – is a key prerequisite for Germany as an industrial player.

CLIMATE CHANGE is one of the global challenges of our times. As an energy generation company, we are among the emitters of greenhouse gases. Our stakeholders expect us to contribute towards reducing CO₂ emissions and thus towards protecting the climate.

The **RESOURCE USE** action area at our Group is dominated by the use of fuel, including the waste incinerated at our power plants. Compared with fuel use, other aspects of resource use at our Group – such as the resources used at our properties or by our vehicle pool – are less relevant. In this chapter, we therefore focus on the resource-related indicators relevant to our electricity and heating energy generation. The company's internal share of waste is negligible compared with the volumes of waste we dispose of by incineration.

The challenges resulting from **DEMOGRAPHIC CHANGE**, such as an ageing population and consequently an ever older workforce, have to be mastered with forward-looking personnel policies that also focus on topics such as health and preventative healthcare measures. We support our employees in remaining fit and active to an advanced age.

We embrace those sustainability factors we view as material and account for these in our action areas. For each of these, we have set an internal target that is backed up with specific projects and measures. Not all sustainability-related action areas have the same relevance for each of our business fields. Measures are therefore specified and operationalized on a decentralised basis.

Group-wide sustainability activities

We are permanently enhancing our “sustainability” management approach. This is implemented within a programme structure that promotes both group-wide and location-specific projects. Our sustainability programme is centrally coordinated from within the strategy department. Group-wide sustainability activities are strategically managed by the Executive Boards of MVV Energie AG, Stadtwerke Kiel AG and Energieversorgung Offenbach AG.

MVV Energie takes part in discussions about economic, ecological and social topics in numerous bodies, associations and research institutes. We actively contribute to the topics of sustainability and a renewable energy supply. We draw on our expertise in order to help shape a sustainable market design and make a success of the conversion in the German energy system. At their locations and in their regions, our group companies support climate protection programmes and energy concepts. One example here is our involvement in the Baden-Württemberg Sustainability Business Initiative (WIN). In the year under report, we were one of the first companies to sign the so-called “WIN-Charta”. We also participate in the Rhine/Neckar Regional Association (VRRN) and are involved in the comprehensive energy concept for the Rhine/Neckar metropolitan region.

Involving our supply chain

We are also aware of our ecological and social responsibilities in respect of our suppliers. Sustainability is a key criterion when it comes to selecting suppliers and products. It also forms part of our procurement terms. Our central procurement department, which is responsible for our major shareholdings in Germany, ensures that suppliers and service providers comply with

- the laws, ordinances and compliance requirements in force in Germany and the EU
- the codes of conduct and working practices that are important to us.

Within our electronic supplier management system applicable for all products except commodities, all new suppliers are required to make disclosures about environmental protection aspects and their social responsibility. When selecting suppliers, we prefer regional providers where they offer the right value for money. One component of the contractual terms with all suppliers involves compliance with basic employee and human rights, such as the international conventions of the United Nations (UN), the International Labour Organization (ILO), the Organisation for Economic Cooperation and Development (OECD) and the UN Global Compact.

In company-internal projects, we are increasingly promoting sustainability considerations when selecting consumer items, for example by giving preferential treatment to green products for specified product groups. We currently do not conduct any proprietary audits of our suppliers' production locations. Further details can be found in the Corporate Governance Declaration in the ▶ *Corporate Governance Report from Page 33 onwards*.

We are gradually improving transparency within the company concerning fuel supply chains, and coal procurement in particular, and are continually enhancing our internal minimum standards and exclusion criteria for our proprietary procurement. Given our market position and our coal procurement volumes, we do not have any direct contractual relationships with coal mines or thus any possibility of exerting influence on players along the supply chain. We are nevertheless in dialogue with industry representatives and stakeholders concerning ecological and social sustainability topics. We continually analyse and evaluate the information at our disposal and refer to this in our decisions.

Based on our shareholdings in coal-fired power plants, an arithmetic total of 1.2 million tonnes of hard coal were used as fuel in the 2013/14 financial year. Only a small portion of this coal was physically procured by MVV Energie itself. These volumes chiefly came from Germany and Columbia.

Our Economic Basis

The key financial figures for the 2013/14 financial year show that our Group has a sufficiently solid financial basis and adequate earnings power to uphold its position as one of Germany's leading energy suppliers in future as well. With some 5 400 employees, we generated sales of Euro 3.8 billion and adjusted EBIT of Euro 173 million. At the same time, we continued implementing our investment programme at a high tempo. In the 2013/14 financial year we invested a total of Euro 321 million. As a percentage of our adjusted total assets of Euro 4.0 billion, the equity ratio amounted to 35.1%. The most important key figures of the MVV Energie Group can be found in the ▶ *Cover of this Annual Report*.

The year under report did not witness any material changes in the size, structure and ownership structure of the MVV Energie Group. The analytical perspective is thus the same as in the previous year.

Our Value Creation

Together with our corporate strategy, with its focus on sustainable profitable growth, our earnings and financial strength enables us to meet our social and ecological responsibilities.

At our locations in Mannheim, Kiel, Offenbach, Ingolstadt and Köthen in particular, but also in the Czech Republic, the companies in our Group play a major economic and social role in their respective regions – as clients for industry, tradesmen and service providers, as employers, as partners to local authorities, payers of taxes and duties and sponsors of cultural, social, sports and ecological projects. We have presented a selection of the projects we support in the chapter ▶ *Our Commitment to Society on Page 93*. Donations and payments to political organisations are not permitted at the MVV Energie Group.

The following value added statement presents the contribution made by the MVV Energie Group to the aggregate economy, i.e. to society. Moreover, we also show which players benefit from the value added thereby generated. To calculate value added, we deduct input costs, such as costs of materials, other expenses and other taxes, as well as depreciation from the company's performance.

The adjusted value added of the MVV Energie Group rose from Euro 825 million in the previous year to Euro 850 million in the 2013/14 financial year. This 3 % increase was mainly due to the fact that input costs fell more sharply than the company's performance. The company's performance is chiefly attributable to sales.

Of value added, 39 % benefited our employees in the year under report (previous year: 41 %). A 35 % share went to local, regional and national authorities (previous year: 39 %). Of the total of Euro 297 million in this item (previous year: Euro 321 million), an amount of Euro 207 million related to taxes paid to the state (previous year: Euro 229 million). This in turn corresponds to a 24 % share of value added (previous year: 28 %). The remaining Euro 90 million flowed to local authorities in the form of taxes and concession duties (previous year: Euro 92 million). At 8 %, the share attributable to lenders remained unchanged on the previous year. A 7 % share went to our shareholders (previous year: 7 %). The remaining 11 % share (previous year: 5 %) remained at the MVV Energie Group to finance the company's further growth.

Value added statement of the MVV Energie Group

Euro million	2013/14	2012/13	% change
Company performance ¹	4 209	4 398	-4
Input costs ²	-3 195	-3 405	-6
Depreciation	-165	-168	-2
Value added¹	850	825	+3
to employees ³	334	335	0
to shareholders ⁴	59	59	0
to lenders	64	64	0
to state authorities	297	321	-8
to the MVV Energie Group ¹	96	46	> +100

1 correction in previous year's figures

2 cost of materials, other expenses, other taxes

3 previous year's figure adjusted

4 dividend paid in financial year