

## **RWE – Corporate Governance Declaration in accordance with Sec. 289 f and Sec. 315d of the German Commercial Code (HGB)**

The management of RWE Aktiengesellschaft (“RWE”) as well as the management of its group companies (“RWE Group”) is primarily determined by the laws that apply for the respective company and – regarding the German listed companies RWE and innogy SE – by the rules set forth in the latest version of the German Corporate Governance Code.

In line with statutory regulations, RWE is subject to what is termed the “dual governance system”, which envisages the strict separation of the Executive Board of RWE as managing body and the Supervisory Board of RWE as monitoring body. The Executive and Supervisory Boards cooperate closely in the interest of the company and the group.

With regard to the downstream management of the group, a distinction is to be made between the different business areas of the company. The sections conventional energy production and energy trading are primarily managed by the RWE subsidiaries RWE Power AG, RWE Generation SE and RWE Supply & Trading GmbH which are bound by a control and profit transfer agreement with RWE and are therefore subjected to RWE Executive Board’s instructions. On the other hand, innogy SE (with its business sections renewable energies, net & infrastructure and supply) is managed as a financial participation and influence or control is only exercised through the statutory bodies which are the Supervisory Board and the Shareholders’ Meeting. innogy SE has its own “dual governance system” and is – in the absence of a control and profit transfer agreement – not subjected to instructions of RWE. The management of innogy SE as a financial participation of RWE AG, the independent management of innogy SE by its executive board as well as particular key elements of cooperation are regulated in an Agreement on Basic Principles (*Grundlagenvereinbarung*) between RWE and innogy SE.

The **Executive Board** pursues its group management tasks with the aim to create lasting added value, for which it assumes responsibility. In this regard, the principle of overall responsibility applies, i.e. the members of the Executive Board share the overall responsibility for the whole management. They develop the corporate as well as the group strategy and coordinate efforts with the Supervisory Board to ensure that it is implemented. The principles of the RWE Executive Board’s cooperation have been summarised in the **Rules of Procedure for the Executive Board**

[<http://www.rwe.com/web/cms/en/109896/rwe/investor-relations/corporate-governance/articles-of-incorporation-and-rules-of-procedures/>]. In particular, they establish the areas for which the individual Executive Board members are responsible, the affairs the rights to which are reserved by the Executive Board as a whole, the passage of resolutions, the required majorities for passing resolutions by name, and the rights and duties of the Chairman of the Executive Board. RWE’s Executive Board currently consists of two members. More detailed information on the Executive Board members and the areas for which they are responsible can be found **here**

[<http://www.rwe.com/web/cms/en/109916/rwe/investor-relations/corporate-governance/executive-board/>].

The Executive Board regularly, promptly and comprehensively informs the Supervisory Board of all issues related to business performance that are material to the RWE Group, major transactions as well as the latest earnings situation along with the company’s risk position and risk management.

Deviations in the business trend from preceding forecasts and targets are commented and reasoned in detail. Furthermore, the Executive Board regularly reports on compliance, i.e. actions taken to adhere to statutory regulations and internal company policies, an issue for which the Executive Board is also responsible.

The **Supervisory Board** advises the Executive Board in managing the company as well as the group and monitors its activity. It appoints and dismisses the members of the Executive Board of RWE, determines the compensation system for Executive Board members, and establishes the total compensation for each of them. It is involved in all decisions that are of fundamental importance to RWE or RWE Group, provided they do not fall in the responsibility of the independent management of innogy SE. RWE's **Supervisory Board** [<http://www.rwe.com/web/cms/en/109918/rwe/investor-relations/corporate-governance/supervisory-board/>] consists of 20 members and is staffed by an equal number of shareholder and employee representatives, in line with the German Co-Determination Act (MitbestG). The principles of the RWE Supervisory Board's cooperation have been summarised in the **Rules of Procedure for the Supervisory Board**

[<http://www.rwe.com/web/cms/mediablob/en/109872/data/109896/19/rwe/investor-relations/corporate-governance/articles-of-incorporation-and-rules-of-procedures/RWE-Supervisory-Board-Rules-of-Procedure.pdf>]. Among other things, they stipulate the formation of committees. RWE has six permanent committees at present: the Executive Committee, the Mediation Committee in accordance with Sec. 27, Paragraph 3 of the German Co-Determination Act (MitbestG), the Personnel Affairs Committee, the Audit Committee, the Strategy Committee and the Nomination Committee. In addition, there is a special committee "IPO NewCo" established at the end of 2015. This committee shall make decisions regarding the planned capital increase of innogy SE for renewables, grid and retail, and shall be involved if RWE sells minority shares in NewCo. The committees' tasks and compositions are set forth in detail in Article 10 et seqq. of the **Rules of Procedure for the Supervisory Board**

[<http://www.rwe.com/web/cms/mediablob/en/109872/data/109896/19/rwe/investor-relations/corporate-governance/articles-of-incorporation-and-rules-of-procedures/RWE-Supervisory-Board-Rules-of-Procedure.pdf>]. The names of the committee members are provided **here** [<http://www.rwe.com/web/cms/en/207234/rwe/investor-relations/corporate-governance/supervisory-board/supervisory-board-committees/>]. Committee chairmen regularly report to the Supervisory Board on the committees' work. Further details on the specifics of the work done by the Supervisory Board and its committees are included in the latest **Supervisory Board Report** [<http://www.rwe.com/web/cms/en/109918/rwe/investor-relations/corporate-governance/supervisory-board/>].

In addition, the **Articles of Incorporation of RWE**

[<http://www.rwe.com/web/cms/mediablob/en/109868/data/109896/13/rwe/investor-relations/corporate-governance/articles-of-incorporation-and-rules-of-procedures/14-05-14-RWE-AG-Articles-of-Incorporation.pdf>] (Art. 7) and the **Rules of Procedure for the Supervisory Board** [<http://www.rwe.com/web/cms/mediablob/en/109872/data/109896/19/rwe/investor-relations/corporate-governance/articles-of-incorporation-and-rules-of-procedures/RWE-Supervisory-Board-Rules-of-Procedure.pdf>] (Art. 8) include a list of transactions for which RWE's Executive Board requires the RWE's Supervisory Board approval. Due to the Rules of Procedure for the Supervisory Board (Art. 8 sec. 3), this reservation for certain transactions also applies if the Executive Board of RWE is involved in these transactions regarding affiliated companies by way of instructions, approvals, voting or in any other way. Anyway, the aforementioned does not apply for innogy SE which is managed as a financial participation. Pursuant to the regulations of the Agreement on Basic Principles (*Grundlagenvereinbarung*) between RWE and innogy SE, investment decisions as well as questions regarding capital market allocation are in the sole responsibility of innogy SE and do not require RWE's Executive Board approval. Also the group wide list of transactions for which the RWE's Supervisory Board approval is required (Art. 8 sec. 3) does not apply for transactions regarding innogy SE and its affiliated companies.

The Supervisory Board has decided to create a Supervisory Board competency profile and a job profile for the members of the Supervisory Board of RWE in order to ensure the orderly composition of the Supervisory Board and an orderly selection process applying objective competency and demand criteria to the election and court-ordered appointment of members to the Supervisory Board of RWE. Furthermore, the Rules of Procedure of the Supervisory Board include an age limit for the members of the Supervisory Board. It stipulates that the tenure of Supervisory Board members may not extend beyond the end of the Annual General Meeting following their 72nd birthday. These provisions aim to ensure that the Supervisory Board is staffed in a way that ensures its qualified monitoring and advice, as required by the German Stock Corporation Act and the German Corporate Governance Code. For every aspect of Supervisory Board activity, there is at least one expert Supervisory Board member who is available as a contact so that, on the whole, the Supervisory Board possesses all the know-how and experience required. However, certain indispensable general knowledge and experience is required of every Supervisory Board member. The competency and job profile that the Supervisory Board adopted at its meeting on 12 December 2011 in view of the recommendation of the German Corporate Governance Code and has since been refined – most recently in its session on 22 September 2017 – contains in particular the demands placed on the diversity and composition of the corporate body and thus constitutes the definitive concept for diversity on the Supervisory Board. The result of the self-assessment of the Supervisory Board members performed in October confirmed that the Supervisory Board of RWE has the expertise and experience required to perform this ambitious task on the basis of the current competency and job profile. The current competency and job profile comprises the following elements:

- The tenure of members of the Supervisory Board shall not exceed 15 years for a sufficient number of candidates, without this having legal ramifications for the eligibility of employee representatives to being elected.
- At least 12 of the 20 Supervisory Board members should be independent, with at least 6 of the independent members being shareholder representatives.
- In addition to the general demands placed in respect of training, reliability, professional experience and expertise, Supervisory Board members should fulfil the following requirements or acquire these capabilities if they exceed the minimum standard prescribed by the German Stock Corporation Act:
  - General knowledge of the RWE Group's business fields as well as the associated market environment, customer needs and strategic orientation;
  - Ability to understand and assess the reports submitted to the Supervisory Board and to draw their own conclusions from them;
  - Ability to assess the correctness, economic viability, purpose and legality of business decisions up for evaluation;
- The following matters, which must also be covered by the corporate body as a whole, are extremely relevant with respect to the expertise required of individual Supervisory Board members:
  - Appropriate personal expertise relating to the energy sector, knowledge of its political significance and the interplay of different stakeholder interests in relation to the sector,
  - Leadership experience,
  - Profound knowledge of the public sector,

- International experience in the energy sector, knowledge of its international standing and national and international interests in the sector,
- Appropriate expertise in matters of codetermination,
- Expertise in the fields of accounting and financial statement audits must be possessed by at least one independent Supervisory Board member,
- Skills and experience specific to applying accounting standards and internal control processes must be possessed by the Chairman of the Audit Committee. In addition, the Chairman must also be independent and may not have been a member of the company's Executive Board with a tenure ending less than two years ago.

The Supervisory Board of RWE set itself the goal of increasing the share of the Supervisory Board members accounted for by women to 30% before the German law on equal opportunity staffing of managerial positions in the private and public sectors (Equal Opportunity Act) entered into force. The gender quota of 30% that became mandatory once the law was enacted was met for the first time in the Supervisory Board elections in 2016. The Supervisory Board aims to maintain a female quota of at least 30% on the Supervisory Board.

The requirement to staff at least one executive board seat with a woman established by the Equal Opportunity Act during the first fulfilment period established by the Equal Opportunity Act, which ended on 30 June 2017, was not fulfilled. There are no women on the Executive Board of RWE. The main reason for this is that the division of the Group and the IPO of innogy SE were not foreseeable when the target quotas were established in 2015. Therefore, the resolution passed at the time was based on plans that had envisaged enlarging the Executive Board of RWE by adding a female candidate. As planned, this candidate was appointed to the Executive Board of the Grid Division. However, the Grid Division was transferred to innogy SE as part of the division of the Group. Instead, the Executive Board of RWE was reduced to two members after the successful IPO of innogy SE.

At its meeting on 23 June 2017, the Supervisory Board of RWE adopted a female quota of 0% for the Executive Board for the fulfilment period ending on 30 June 2022. No other rule would have been appropriate in view of the fact that the Executive Board only has two members and of the Executive Board members' current tenures.

RWE exactly achieved the goal of having 25% of the positions at the first management level staffed by women by 30 June 2017. By contrast, the company fell short of the goal of staffing 30% of the positions at the second management level with women, merely achieving a quota of 16.7%, if RWE AG is considered in isolation. One of the reasons for this was the reorganisation of the group, in which female executives were transferred to innogy SE disproportionately. This was primarily due to the division of the Group. The executives performed their duties, independently of gender and other diversity criteria. The first management level, referred to as n-1, comprises all of the executives shown on the organisational chart who report directly to the Executive Board and oversee employees. The second management level, referred to as n-2, comprises all of the executives shown on the organisational chart who report directly to level n-1 and oversee employees. The aforementioned assignments to the management levels solely relate to RWE and do not apply to subordinate Group companies.

In light of the prevailing difficulties in a work environment that for the most part is technical, the Executive Board of RWE is a proponent of both ambitious and realistic goals when establishing the target ratios for the first and second management levels. Therefore, the Executive Board passed a

resolution to increase the target quota for the first management level to 30% for the fulfilment period ending on 30 June 2022. The 20% female quota for the second management level takes into account the current staffing situation and the difficult environment on the job market.

Each Group company delivers its own report on its achievement and determination of new goals in line with the Equal Opportunity Act.

In relation to staffing the Executive Board, the Supervisory Board adopted a job profile for the members of the Executive Board which also considers the requirements regarding diversity on this corporate body, taking into account the recommendations of the German Corporate Governance Code. The Supervisory Board is of the opinion that the basic aptitude criteria applicable to searches for male and female candidates to staff a seat on the Executive Board are their professional qualifications regarding the office in question, outstanding leadership qualities, track records, and knowledge of the company. The Supervisory Board understands diversity as a criterion for reaching a decision to mainly refer to mutually complementary profiles, professional and life experience both at the national and international levels, as well as an appropriate representation of both genders. The Supervisory Board also considers the following issues when making its decisions:

- The Supervisory Board pursues the goal of achieving an appropriate female quota on the Executive Board over the medium term by staffing vacancies resulting from natural turnover.
- The Executive Board should have well-founded knowledge of the public sector – in particular of politics (to the extent relevant to the energy sector) in Germany at the municipal, state and federal levels. Corresponding expertise should also exist at the EU level and in relation to other countries that are of particular importance to RWE's business development.
- In view of RWE's international operations, the Executive Board should also be staffed with a sufficient number of people with international experience in the energy sector.
- As a whole, the Executive Board should possess many years of leadership experience in business, in particular in relation to managing companies.
- In this respect, the Executive Board should also possess the ability to develop the company's strategic orientation and see to its implementation and
- to establish and maintain an appropriate risk management and risk controlling system within the company.
- Furthermore, it is desirable for the members of the Executive Board to have special knowledge and leadership experience that is of importance to the company, taking account of its specific situation. Candidates should be proposed paying due regard to a well balanced composition that ensures that the desired knowledge is possessed as widely as possible throughout the Executive Board.
- The desirable expertise that is missing or should be strengthened on the Executive Board should be determined before staffing an impending vacancy. Candidates having this expertise must be identified. The age limit set for Executive Board members must also be considered within the scope of succession planning. Members of the Executive Board of RWE reach the established age limit when they are 63 years old. They can be reappointed for a year at a time thereafter, but may not hold office beyond their 65th birthday.

- The Supervisory Board regularly reviews the extent to which the Executive Board members fulfil the aforementioned criteria, the composition of the Executive Board as a whole is adequate, and the targets included in the job profile are still appropriate.

The Supervisory Board chooses the individual to fill a specific seat on the Executive Board in the interests of the company and taking account of all of the circumstances applicable on a case-by-case basis.

The management of the RWE Group believes that responsible and transparent corporate governance is the basis for sustained commercial success. The guiding principles in this regard are set forth in the most up-to-date version of the German Corporate Governance Code, which was first introduced in 2002 and which includes recommendations regarding the individual stock corporation as well as recommendations regarding the whole group.

Therefore, subsequent to dutiful scrutiny, the Executive and Supervisory Boards of RWE issued the following **Statement of Compliance** in accordance with Section 161 of the German Stock Corporation Act (AktG) [Link to the latest Statement of Compliance:

<http://www.rwe.com/web/cms/mediablob/en/3860226/data/11102/2/rwe/investor-relations/corporate-governance/statement-of-compliance/statement-of-compliance-December-14-2017.pdf>] on 14 December 2017:

*Since its last statement of compliance dated 15 December 2016, RWE Aktiengesellschaft has fully complied with the recommendations of the Government Commission of the German Corporate Governance Code published by the German Federal Ministry of Justice in the official section of the German Federal Gazette on 12 June 2015. RWE Aktiengesellschaft as well fully complies with the recommendations of the new Code version published on 24 April 2017 and will also comply with it in the future.*

Earlier statements of compliance issued by RWE which are no longer valid have been posted **here** [Link to earlier statements of compliance: <http://www.rwe.com/web/cms/en/11102/rwe/investor-relations/corporate-governance/statement-of-compliance/>]. Further details concerning RWE's corporate governance practice are provided in the latest **Corporate Governance Report** [Link to the latest Corporate Governance Report: <http://www.rwe.com/web/cms/en/511530/rwe/investor-relations/corporate-governance/corporate-governance-report/>], which also forms part of this corporate governance declaration.

RWE Group is aware of its role in society and the responsibility it shoulders vis-à-vis its customers, business partners, shareholders and employees. The **RWE Code of Conduct** [Link to the RWE Code of Conduct: <http://www.rwe.com/web/cms/mediablob/en/2700134/data/109932/2/rwe/investor-relations/corporate-governance/code-of-conduct/Download-RWE-Code-of-Conduct.pdf>] as well as the **innogy Code of Conduct** [Link to innogy Code of Conduct: <https://www.innogy.com/web/cms/mediablob/en/3341660/data/3341714/1/conditions-and-further-downloads/blob.pdf>] which applies for the innogy subgroup and whose principles are closely aligned to those of the United Nations Global Compact, form the basis for the responsible and lawful action of the RWE Group. RWE uses its groupwide compliance organisation to enforce the latest version of the respective Code of Conduct and its policies among its staff and corporate bodies.

Essen, February 2018  
RWE Aktiengesellschaft  
The Executive Board