



# Corporate Governance

*We attach high importance to effective and transparent corporate governance. This is why we act in line with the generally accepted principles of corporate governance. In addition, we implement all the recommendations of the German Corporate Governance Code. Nevertheless, we will continue to refine our standards in 2005.*

## ***Continued disclosure of board member compensation by individual***

No changes were made to the German Corporate Governance Code in 2004. Despite this fact, the Code's July 2003 recommendation to provide a breakdown of Executive and Supervisory Board compensation by member was discussed frequently. We were one of the first DAX companies to comply with the recommendation early on in 2004. This report again discloses board member compensation by individual in the notes.

## ***Events of relevance to the Code in the year under review***

Information on RWE AG Executive and Supervisory Board activity and cooperation between these two boards, on the RWE Annual General Meeting and on the Group Business Committee (GBC) which was established at the end of 2003 can be found on the RWE website\* as well as in recent annual reports. The following is a list of developments relevant to the Code in the year being reviewed.



- In 2004 the Supervisory Board of RWE AG debated the structure of the Executive Board compensation system in accordance with Item 4.2.2 of the Code.
- The reporting year marks the first time that a tranche of RWE's executive stock option plan initiated in 2000 and a tranche of the Long Term Incentive Plan introduced in 2002 to replace the previous scheme had a positive intrinsic value, becoming exercisable. Securities dealings reportable under Sec. 15a of the German Securities Trading Act were reported in an orderly fashion and published on RWE's website\*. None of the board members held securities with a combined value high enough to fall under mandatory disclosure pursuant to Item 6.6 of the Code as of the balance sheet date. Due to an amendment to the German Securities Trading Act, the allowance for exemption from obligatory reporting was reduced from €25,000 over a 30-day period to €5,000 per year. The bylaws of the Supervisory Board of RWE AG have been adapted accordingly.
- In the period under review, no material transactions were concluded between RWE AG or a Group company and an Executive Board member or related party. Furthermore, no contracts were concluded between the company and members of the Supervisory Board. Executive Board and Supervisory Board members had no conflicts of interest.



- All listed companies affiliated with the Group which are obliged to issue a statement of compliance fulfilled this obligation in 2004. Details of the companies' affiliation with the Group and company size were taken into account.
- We again complied with the suggestions for voluntary action of the Code with one exception. The Code suggests that Supervisory Board members be elected and re-elected at different dates and for varying periods of tenure. In practice, the procedures we use for appointing shareholder representatives to the Supervisory Board comply with the spirit of the suggestion.

#### ***Corporate governance as a continuous process***

The German Investor's Protection Improvement Act entered into force on October 30, 2004. It envisions changes in insider dealing legislation and an expansion of ad-hoc publicity. We made organizational arrangements early on in order to meet the stricter statutory requirements. In line with the Act, we maintain a directory of all individuals with access to insider information.

In addition, we have observed that ethical and sustainability issues are gaining importance within the realm of corporate governance. Therefore, the Executive Board entrusted a commission with the development of a groupwide code of conduct. Furthermore, RWE joined the UN Global Compact\* Initiative. By doing so, we clearly underscored our commitment to making global improvements in environmental protection, labor conditions and safeguarding human rights.



#### ***Statement of compliance in accordance with Sec. 161 of the German Stock Corporation Act***

Following an orderly audit, the Executive and Supervisory Boards of RWE AG issued the following declaration of compliance:

"RWE Aktiengesellschaft complies with all of the recommendations of the German Government Corporate Governance Code Commission issued in the July 4, 2003 version of the Code and has complied with them since the issuance of the last declaration of compliance on February 24, 2004."

Essen, February 22, 2005

RWE Aktiengesellschaft

On behalf of the Supervisory Board

Dr. Thomas R. Fischer

On behalf of the Executive Board

Harry Roels

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