

2.2 CORPORATE GOVERNANCE

Responsible, transparent corporate governance designed to create sustainable value is of significant importance for RWE. We fully complied with the recommendations of the German Corporate Governance Code again in fiscal 2008. We have been doing so unconditionally for six years.

Comprehensive implementation of the Code. The RWE Group primarily uses the recommendations of the German Corporate Governance Code (the Code) as the yardstick for responsible corporate governance. The Code aims to strengthen the confidence placed by domestic and international investors, customers, employees and the public in German listed companies. It is prepared by the German Corporate Governance Code Government Commission, which submitted the first version of the Code in February 2002. Since then, the Commission has reviewed the Code every year against the backdrop of domestic and international developments and adapted it whenever necessary.

The current version of the Code is dated June 6, 2008. It contains several new provisions compared with the preceding version. For instance, the Government Commission included the suggestion to limit Executive Board severance approved in 2007 in the list of recommendations, thus strengthening its binding force. In addition, the accountability and responsibility of the Supervisory Board as a whole concerning compensation issues was strengthened. The Code now recommends that the Supervisory Board's plenum decide on and review the Executive Board's compensation system and material contractual provisions. Another new element is the recommendation for the Supervisory Board or its Audit Committee to discuss the half-year and quarterly financial reports with the Executive Board prior to publication.

RWE has accepted and implemented all of the new elements. The provisions governing severance caps, which have been upgraded to recommendations, were taken into account when concluding Executive Board member contracts in the year under review. In its meeting on December 11, 2008, on suggestion from the Personnel Affairs Committee, the Supervisory Board confirmed the Executive Board compensation system and the material contractual elements by a resolution. It will regularly review the compensation from now on. Furthermore, our Audit Committee will discuss the half-year and quarterly financial reports with the Executive Board prior to publication, in accordance with the Code's recommendations. The scheduled review of the efficiency of the Supervisory Board's work was initiated. It deals with the cooperation of the Supervisory Board and its committees with the Executive Board as well as the work done in its meetings.

We therefore continue to comply with all of the recommendations of the current version of the Code and—with just a few exceptions—consider the suggestions included therein. In February 2009, RWE issued an unqualified statement of compliance for the seventh time in a row.

Our listed Group company, Lechwerke AG, is also putting the German Corporate Governance Code into practice, taking account of the specifics of its inclusion in the Group. Deviations from the Code's recommendations have been disclosed in Lechwerke AG's statement of compliance.

Transparency of Directors' Dealings and potential conflicts of interest. Transparency is a core element of good corporate governance. It is necessary especially in cases where transactions concluded by the Executive Board may lead to conflicts of interest. Therefore, we would like to underscore the following aspects of RWE's corporate governance practice:

- In fiscal 2008, material transactions concluded between RWE or a Group company and an Executive Board member or related party were in line with prevailing market standards. No contracts were concluded between RWE AG and members of the Supervisory Board. Executive Board and Supervisory Board members had no conflicts of interest.
- Executive Board members again purchased RWE common shares. No sales occurred in the year under review. We distributed information on share transactions by Executive Board members in accordance with Sec. 15a of the German Stock Corporation Act (WpHG) throughout Europe in compliance with statutory regulations. The following is a breakdown of the transactions:

Transaction date	Name	Reason for mandatory disclosure/function	Type of financial instrument	Transaction (purchase/sale)	Price per share/€	Number of shares	Total volume €
Jan 21, 2008	Dr. Jürgen Großmann	Exec. Board Member	RWE common share	Purchase	86.8000	20,000	1,736,000.00
Feb 25, 2008	Dr. Jürgen Großmann	Exec. Board Member	RWE common share	Purchase	80.9200	25,000	2,023,000.00
Mar 14, 2008	Dr. Rolf Pohlig	Exec. Board Member	RWE common share	Purchase	79.3834	1,312	104,151.02
Mar 14, 2008	Dr. Ulrich Jobs	Exec. Board Member	RWE common share	Purchase	79.3834	1,312	104,151.02
Mar 14, 2008	Alwin Fitting	Exec. Board Member	RWE common share	Purchase	79.3834	1,312	104,151.02
Mar 14, 2008	Berthold Bonekamp	Exec. Board Member	RWE common share	Purchase	79.3834	1,312	104,151.02
Apr 22, 2008	Dr. Jürgen Großmann	Exec. Board Member	RWE common share	Purchase	73.6500	5,000	368,250.00
Sep 5, 2008	Dr. Jürgen Großmann	Exec. Board Member	RWE common share	Purchase	68.5800	35,000	2,400,300.00
Sep 5, 2008	Dr. Jürgen Großmann	Exec. Board Member	RWE common share	Purchase	68.7600	40,000	2,750,400.00
Oct 14, 2008	Dr. Ulrich Jobs	Exec. Board Member	RWE common share	Purchase	62.6100	1,000	62,610.00
Oct 15, 2008	Dr. Leonhard Birnbaum	Exec. Board Member	RWE common share	Purchase	59.0000	1,000	59,000.00
Oct 27, 2008	Dr. Leonhard Birnbaum	Exec. Board Member	RWE common share	Purchase	54.2000	1,000	54,200.00

- The number of shares in the company and related financial instruments directly or indirectly held by members of the Executive and Supervisory Boards is below 1% of the shares issued by RWE.

We publish further information on our corporate governance practices on the Web at "www.rwe.com/investorrelations". It provides access to our articles of association, the bylaws of the Supervisory Board and the Executive Board, all statements of compliance and corporate governance reports and all the reports on RWE's code of conduct.

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

After 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 August 8, 2008, version of the Code. Likewise, from the last statement of compliance on February 20, 2008, to August 8, 2008, RWE Aktiengesellschaft has complied with all of the recommendations of the version of the Code issued on July 20, 2007, and since August 9, 2008, has complied with all of the recommendations of the August 8, 2008, version of the Code.

Essen, February 24, 2009
RWE Aktiengesellschaft

On behalf of the Supervisory Board

Dr. Thomas R. Fischer

On behalf of the Executive Board

Dr. Jürgen Großmann Dr. Rolf Pohlig