

2.2 CORPORATE GOVERNANCE

Responsible and transparent corporate governance is one of the cornerstones of sustained success. Our guiding principle is always the most up-to-date version of the German Corporate Governance Code which was introduced in 2002. We issued an unconditional statement of compliance for the eighth straight time in February 2010.

Comprehensive implementation of the Code. “Corporate governance” defines the responsible and transparent management and monitoring of a company focused on long-term commercial success. RWE uses this as a yardstick. We use the recommendations of the German Corporate Governance Code (hereinafter referred to as the “Code”) as the main benchmark for this. The Code aims to increase the confidence placed by domestic and international investors, customers, employees and the public in German listed companies. It is prepared by the Government Commission of the German Corporate Governance Code, 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 Government Commission revised the Code again in 2009, adopting the current version on June 18. The amendments aimed to take into account the change in the legal framework—especially the provisions of the German Act on the Appropriateness of Management Board Compensation (VorstAG, hereinafter referred to as the “Act”)—and to improve the prerequisites for the professional work of supervisory boards. Some of the amendments to the Code go above and beyond the Act. Companies are now recommended to establish a deductible for directors’ and officers’ liability insurances (D&O insurances) for supervisory board members. It should correspond to the deductible for management board members established by the Act, which is now legally prescribed, and must amount to at least 10% of the damage and at least one-and-a-half times the member’s annual compensation. In addition, the new recommendation was followed, namely to take account of both positive and negative developments in determining the variable components of executive board compensation. If a supervisory board commissions an external expert to assess the appropriateness of remuneration, the management board or the company must ensure that the expert is independent. Another new recommendation envisages supervisory boards taking diversity into account when composing a management board.

RWE complies with all the amendments made to the law and the Code. The Supervisory Board reviewed the structure of the Executive Board compensation for compatibility with the Act, based on the suggestions made by the Personnel Affairs Committee. We have made the necessary adjustments in compliance with statutory regulations. Our D&O insurance for members of the Executive and Supervisory Boards already included an appropriate deductible. We will adapt it to the new rules included in the Act and the Code in due course. Dr. Dieter Zetsche, Frithjof Kühn and Dr. Wolfgang Schüssel were proposed for the by-elections to the Supervisory Board of RWE AG by the Nomination Committee. The independence and diversity criteria were taken into account, in compliance with the Code’s new recommendation.

We therefore continue to comply with all of the recommendations of the current version of the Code. With just a few exceptions, we consider the suggestions included therein. In February 2010, RWE issued an unqualified statement of compliance for the eighth time in a row.

Our listed Group company Lechwerke AG is also putting the Code into practice, taking account of the fact that it is a part of 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. We would like to highlight the following aspects of RWE's corporate governance practice:

- 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 conflicts of interest of members of the Executive Board going above and beyond such transactions were notified. No contracts were concluded between RWE AG and members of the Supervisory Board. No conflicts of interest of Supervisory Board members were notified.
- Executive Board members and one member of the Supervisory Board purchased RWE shares in the year under review. No sales were notified to us. We published information on transactions notified to us in accordance with Sec. 15a of the German Stock Corporation Act (WpHG) throughout Europe. The following is a breakdown of the transactions we were notified of:

Transaction date	Name	Reason for mandatory disclosure/function	Type of financial instrument	Transaction (purchase/sale)	Price per share in €	Number of shares	Total volume in €
Mar 20, 2009	Dr. Leonhard Birnbaum	Exec. Board member	RWE common share	Purchase	49.03662	1,013	49,674.10
Mar 21, 2009	Alwin Fitting	Exec. Board member	RWE common share	Purchase	49.03662	2,013	98,710.72
Mar 22, 2009	Dr. Ulrich Jobs	Exec. Board member	RWE common share	Purchase	49.03662	1,013	49,674.10
Mar 23, 2009	Dr. Rolf Pohlig	Exec. Board member	RWE common share	Purchase	49.03662	2,013	98,710.72
May 15, 2009	Dr. Rolf Martin Schmitz	Exec. Board member	RWE common share	Purchase	56.05300	2,013	112,834.69
Aug 20, 2009	Carl-Ludwig von Boehm-Bezing	Sup. Board member	RWE common share	Purchase	61.08000	400	24,432.00
Aug 27, 2009	Dr. Ulrich Jobs	Exec. Board member	RWE common share	Purchase	65.49600	1,100	72,045.60

The RWE shares and related financial instruments directly or indirectly held by members of the Executive and Supervisory Boards account for less than 1% of the shares issued by RWE.

We publish further information on our corporate governance practices on the internet at www.rwe.com/investorrelations. This web page also provides access to our Articles of Incorporation, the bylaws of the Supervisory Board and the Executive Board, RWE's code of conduct, all the corporate governance reports and statements of compliance as well as the corporate governance declaration in accordance with Sec. 289a of the German Commercial Code (HGB).

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 Government Commission of the German Corporate Governance Code issued in the August 5, 2009 version of the Code. Likewise, from the last statement of compliance on February 24, 2009 to August 5, 2009, RWE Aktiengesellschaft has complied with all of the recommendations of the version of the Code issued on August 8, 2008, and since August 6, 2009, has complied with all of the recommendations of the August 5, 2009, version of the Code.

RWE Aktiengesellschaft

On behalf of the Supervisory Board

On behalf of the Executive Board

Dr. Manfred Schneider

Dr. Jürgen Großmann Dr. Rolf Pohlig

Essen, February 23, 2010