

2.2 CORPORATE GOVERNANCE

Responsible, transparent and long-term corporate governance has always been given substantial significance at RWE. The latest version of the German Corporate Governance Code introduced in 2002 acts as a guideline for us. In the middle of 2010, diversity recommendations were included in the Code, which required RWE to do a lot of preparatory work and thus could not be implemented immediately. We made up this ground in the financial year that just ended. Since December 2011 we have once again complied with all of the points of the Code's recommendations.

The German Corporate Governance Code. 'Corporate governance' defines the responsible and transparent management and monitoring of a company, focused on long-term commercial success. RWE allows itself to be judged by this. We use the recommendations of the German Corporate Governance Code (hereinafter referred to as the 'Code') as the benchmark for this. The Code aims to increase the confidence placed by investors, customers, employees and the public in German listed companies. The Government Commission of the German Corporate Governance Code submitted the first version of the Code in February 2002. Since then, the Commission has reviewed it every year against the backdrop of domestic and international developments and adapted it whenever necessary. Last year was the first year in which no changes were made. The version of the Code announced in the electronic edition of the German Federal Gazette on 2 July 2010 thus remains valid.

Diversity in supervisory and management boards. In the fiscal year that just ended, we took measures to follow the recommendations concerning diversity in supervisory and management boards, which we were unable to comply with in the last declaration of compliance we made in February 2011. These recommendations had been included in the Code in 2010. They require supervisory boards to establish specific goals regarding their composition (Item 5.4.1). Taking into account the company's situation, the objectives must consider the company's international activity, potential conflicts of interest of the supervisory board members and diversity, as well as specifying an age limit. In particular, women are to be represented appropriately. The Code further recommends that companies report on their goals concerning the composition of their supervisory boards and the status of their implementation in future corporate governance reports (cf. Item 5.4.1, Para 3). With respect to

the staffing of management boards, supervisory boards are to ensure compliance with diversity requirements, with due regard to the appropriate representation of women (Item 5.1.2). The same recommendation was issued for management boards in relation to the staffing of management positions (Item 4.1.5).

In order to comply with the recommendations, at its meeting on 12 December 2011 the Supervisory Board of RWE AG adopted the requirements that have to be met by members of the Executive and Supervisory Boards. The requirements ensure that new members of these boards are selected in an orderly fashion and that this selection is based on objective criteria. The following goals were set with respect to staffing the Supervisory Board:

- As envisaged by the German Stock Corporation Act and the German Corporate Governance Code, companies are to ensure that their supervisory boards provide qualified supervision and advice. The goal is to have at least one supervisory board member as a competent contact for every aspect of supervisory board activity in order for the necessary knowledge and experience to be represented comprehensively among all supervisory board members.
- Individuals who may be put up as candidates must have the integrity, commitment, independence and personality necessary to perform the tasks of a supervisory board member in a major stock corporation with international activities and to maintain the company's reputation in public. Proposals for candidates must take account of the situation specific to the company and of diversity, while in particular ensuring an appropriate degree of female representation. Women currently account for 15% of our Supervisory Board members. We intend to increase this ratio to 20% over the medium term. This would bring it in

line with the female representation among RWE's staff in Germany. We intend to achieve this goal early on, when re-staffing positions that become vacant through natural attrition, and no later than the next Supervisory Board elections in 2016. Furthermore, we want to secure the international experience of individuals who do not come from Germany or have worked outside Germany for an extended period of time.

- Supervisory Board members are expected to know and understand the RWE Group's divisions, market environment, customer needs and strategy. They must possess all the skills required to perform the tasks of a Supervisory Board member (e.g. for evaluating Executive Board reports, business decisions and documents supporting financial statements) or acquire these where necessary.
- The requirements also include specific qualifications that are of importance to business activity. For instance, these may include experience from international activity or leadership roles in politics and business as well as expertise in the fields of energy, worker co-determination, accounting and financial statement audits as well as knowledge of the public sector.
- Supervisory boards must have an adequate number of independent members. Independence is deemed to exist if there are no business or personal relations with RWE AG or a Group company which could cause a permanent conflict of interest. Individuals who advise or sit on a committee of a major competitor of RWE may not belong to the Supervisory Board.
- Supervisory board members must have sufficient time to perform their mandates with the requisite dedication and care.
- When staffing vacancies, the search for candidates should focus on those who are capable of providing expertise that is either lacking or needs to be increased on the Supervisory Board.

Some of the requirements described above were met when re-staffing the Supervisory Board at the Annual General Meeting on 20 April 2011, before the requirements were adopted. They supplement the provisions already included in the Supervisory Board's bylaws, in particular relating to the age limit.

Since we adopted the requirements for the Executive and Supervisory Boards in December 2011, we have again complied with all of the recommendations of the current version of the Code and take up its suggestions, with a few exceptions.

Our listed Group company Lechwerke AG is also putting the Code into practice. However, the specifics of membership in the Group must be taken into account in this context. Lechwerke AG has included information on the deviations from the Code's recommendations in its statement of compliance.

Directors' dealings and potential conflicts of interest.

Transparency is a core element of good corporate governance. It is indispensable, 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 this were reported. No Supervisory Board member concluded a contract with an RWE Group company.
- Executive Board members, related parties and members of the Supervisory Board purchased RWE shares in the year under review. No sales were notified to us. We were notified of transactions in accordance with Sec. 15a of the German Stock Corporation Act. We published information on them throughout Europe.

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 share capital.

We publish further information on our corporate governance practices on the internet at www.rwe.com/corporate-governance. 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.

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:

Between its last statement of compliance on 22 February 2011 and 11 December 2011, RWE Aktiengesellschaft complied with all of the recommendations of the Government Commission of the German Corporate Governance Code issued in the 2 July 2010 version of the Code, with the following exception:

The diversity recommendations set out in Item 5.1.2, Sentence 2 and Item 5.4.1, Paras. 2 and 3 were not fully complied with in the past. Ensuring diversity was and is common practice throughout the Group. Among other

things, we have had diversity programmes tailored to increase the share of women in managerial positions for quite a while. However, an overall concept for achieving diversity goals when staffing the Executive Board had yet to be created. The same applied to the staffing of the Supervisory Board. As before, the Nomination Committee and the plenary session of the Supervisory Board considered the issue of diversity, RWE's international operations, potential conflicts of interest, and the age limit established for Supervisory Board members when selecting the candidates for the election of the shareholder representatives held on 20 April 2011. However, no specific objectives existed for the staffing of that Board at that time. The Supervisory Board of RWE AG was of the opinion that the establishment of such goals and of an overall concept required extensive preparatory work and in-depth discussions, which have since been completed. On 12 December 2011, the Supervisory Board adopted requirements for its members and for those of the Executive Board, thus creating a concept for achieving diversity targets.

Since 12 December 2011, RWE Aktiengesellschaft has complied with all of the recommendations of the Government Commission of the German Corporate Governance Code contained in the 2 July 2010 version of the Code.

RWE Aktiengesellschaft

On behalf of the Supervisory Board

Dr. Manfred Schneider

Essen, 28 February 2012

On behalf of the Executive Board

Dr. Jürgen Großmann

Peter Terium