

1.3 Supervisory Board report



Dr. Werner Brandt, Chairman of the
Supervisory Board of RWE AG

“RWE's growth and climate protection strategy is both ambitious and credible. It justifies the trust investors place in our company.”

*Dear Shareholders,
Ladies and Gentlemen*

You might be familiar with the proverb 'A journey of a thousand miles begins with a single step.' More often than not, this is true. But at RWE, the journey from a past dominated by fossil fuel to a carbon-neutral future began with a whole series of steps. Investors, media representatives and the public bore witness to the speed at which the company seeks to continue this journey on 15 November 2021. That was the day on which management presented its ambitious growth strategy under the motto 'Growing Green,' which the Supervisory Board had been heavily involved in developing. RWE aims to invest approximately €50 billion in the company's green transformation from 2021 to 2030,

thus contributing to the success of the energy transition. After subtracting proceeds on the sale of stakes in projects, net investments will amount to some €30 billion. RWE will use these funds to build renewable generation assets, battery storage systems, flexible backup power stations and electrolyzers for hydrogen production with a total capacity of 25 GW. Based on the criteria established by the EU Taxonomy Regulation, over 90 percent of the capital expenditure should contribute to environmental sustainability. Our growth campaign should drive the Group's adjusted EBITDA up to about €5 billion by 2030 although the non-core business with coal and nuclear power plants will have stopped contributing to earnings by then. Such a transformation is unrivalled in terms of speed, sustainability and returns.

Every departure for new horizons involves bidding farewell to the past. RWE has set out to become carbon neutral along the entire value chain by 2040. The key to achieving this goal is the phaseout of electricity generation from coal, which in Germany goes hand in hand with an exit from nuclear energy. This is a Herculean task for RWE, both financially and socially. Last year, our company decommissioned its last two German hard coal-fired power plants, five lignite units and the Gundremmingen C nuclear power station. So this part of our transformation is also progressing at speed, as it should. However, we must not forget that the power plants guaranteed a reliable supply of electricity and that, first and foremost, we have the skilled and motivated staff on site to thank for that. Many of them dedicated their entire working life to the safe and profitable operation of the stations. To honour this loyalty, RWE will stand by its employees, ensuring that the personnel reduction is socially acceptable. Here, our focus rests in particular on the approximately 8,500 people working in the Rhenish lignite mining region. One can only consider a transformation successful if no one is left behind. RWE is absolutely determined to rise to this challenge.

Last year was a momentous one, and sadly the second dominated by the coronavirus pandemic. Fortunately, its effects on our company and staff remained manageable. RWE took extensive protective measures, thereby ensuring that our key personnel were able to continue working almost without restrictions. Our company demonstrated yet again how

well it can navigate through crises. The Supervisory Board was also able to fulfil its duties without exceptions. Six of our seven meetings - the only exception being the session in September - and nearly all committee meetings were held virtually. The same applied to the Annual General Meeting (AGM) that took place on 28 April 2021. We benefited from the experience gained at our first purely digital Annual General Meeting held in the preceding year. In addition, we reacted to the wishes expressed by our investors by introducing some new services. For example, the speeches by the CEO and CFO as well as my report were published on the company's website before the AGM. Moreover, our shareholders had the opportunity to submit questions and remarks in advance. We will have to hold a purely virtual Annual General Meeting once again in 2022. We hope that you, our valued shareholders, accept this decision in light of the continued exposure to risks arising from COVID-19. No AGM is worth risking one's health.

At RWE, our hearts went out to the many victims of the catastrophic floods in the summer in the states of North Rhine-Westphalia and Rhineland-Palatinate. The floodwater claimed the life of an employee of a partner company at the Inden opencast lignite mine. We would like to express our deepest condolences to the family and friends of those who died in this tragic event. RWE was affected by the floods at several of its locations. Both Inden and nearly all our run-of-river power plants in the region were forced to interrupt operations. However, the stations and mines were able to resume operations after a few days. We have the huge dedication of our employees to thank for this. I was deeply touched by their commitment both on and off site and the way everyone pulled together throughout the entire Group. As sad as the catastrophic floods were, they reminded us of the phenomenal people we have at RWE – a team on which we can rely and we can be proud of.

Unfortunately, the beginning of this year is plagued by a horrifying event. The Russian invasion of Ukraine signals a turning point for the whole of Europe. I'm absolutely appalled at this act of aggression, which is a serious breach of international law. The war against Ukraine demonstrates that peace and freedom are by no means a matter of course in Europe and that we must take decisive action to preserve these ideals. We discussed the political and economic consequences of the crisis in Ukraine at the Supervisory Board meeting we held on 9 March 2022. If the situation escalates, we may face bottlenecks on Europe's energy markets, which would also affect RWE. However, after assessing the potential developments in depth, we currently believe that the risks to which the Group is exposed are manageable. Our main concern is for the people in Ukraine for whom we feel deeply during these difficult times.

Changes in personnel on the Executive and Supervisory Boards. The past year was a landmark both in terms of strategy and personnel. RWE AG has had a new CEO since 1 May 2021: Markus Krebber, our former CFO, who joined the Group in 2012. His predecessor, Rolf Martin Schmitz, retired from the Executive Board on 30 April, 2021 after four-and-a-half years at the helm. Together with Markus, he initiated RWE's transformation into a leading renewable energy company. It is with great pleasure that I look back on the successful work we did with Rolf, but I also look forward to continuing this journey with Markus and his team. Zvezdana Seeger and Michael Müller joined the team in November 2020. Zvezdana is our Chief HR Officer and Labour Director. Michael took over as CFO from Markus Krebber with effect from 1 May 2021.

The Supervisory Board also went through some personnel changes last year. On conclusion of the Annual General Meeting on 28 April 2021, the tenures of all the members of this corporate body expired. However, it was impossible for the ten employee representatives to be elected as the Assembly of Delegates, which is charged with this task, was not able to convene until 15 September owing to the restrictions imposed to combat COVID-19. Therefore, restaffing for the transitional period was implemented by court order.

The incumbent employee representatives were reappointed to the Supervisory Board by the Essen District Court. In alphabetical order, they were Michael Bochinsky, Sandra Bossemeyer, Martin Bröker, Frank Bsirske, Anja Dubbert, Matthias Dürbaum, Harald Louis, Ralf Sikorski, Marion Weckes and Leonhard Zubrowski.

By contrast, the election of the shareholder representatives was carried out as planned at the virtual Annual General Meeting on 28 April: Ute Gerbaulet, Hans-Peter Keitel, Monika Kircher, Günther Scharz, Erhard Schipporeit, Ullrich Sierau and I received the votes required to serve for another term. Dagmar Mühlenfeld, Peter Ottmann and Wolfgang Schüssel did not run for re-election. Hans Bünting, Hauke Stars and Helle Valentin were elected members of the Supervisory Board in their place.

The elections involved a new approach, which I consider to be a great step forward: the shareholder representatives received shortened and staggered tenures. Following established practice in Germany, they used to be elected with identical five-year tenures. The advantage of shortening terms is that the Supervisory Board's composition can be adapted to new demands faster than before. Staggered tenures prevent too many people from leaving the corporate body at the same time, causing valuable experience to be lost. At the 2021 Annual General Meeting, five candidates were elected for three years, and another five were elected for four years. Future by-elections and new elections to the Supervisory Board will be for three-year terms only.

At its constituent meeting following the Annual General Meeting, the Supervisory Board re-elected me its Chairman. I consider this to be in recognition of my work to date and thank my colleagues for the trust they have placed in me. The corporate body chose Frank Bsirske as Deputy Chairman. Furthermore, we restaffed the committees. Germany's law on strengthening the integrity of the financial market, which was enacted in mid-2021, stipulates that each supervisory board must have two independent experts in finance with in-depth knowledge of accounting and financial statement audits. Thanks to Erhard Schipporeit, Chairman of the Audit Committee, and Monika Kirchner, who is also a member of this committee, we fulfil this requirement.

On 15 September 2021, the Assembly of Delegates finally elected the employee representatives to the Supervisory Board. This ended the tenure of the court-appointed members. Ralf Sikorski, Michael Bochinsky, Sandra Bossemeyer, Matthias Dürbaum, Harald Louis and Marion Weckes were re-elected. Martin Bröker, Frank Bsirske, Anja Dubbert and Leonhard Zubrowski retired from their offices. Reiner van Limbeck, Dagmar Paasch, Dirk Schumacher and Andreas Wagner replaced them as new members of the Supervisory Board. The terms of all employee representatives will end on conclusion of the 2026 Annual General Meeting, in compliance with the Articles of Incorporation. As Frank Bsirske left the corporate body, the position of my Deputy had to be restaffed. Ralf Sikorski was elected to this office at the first meeting of all new Supervisory Board members on 21 September. Furthermore, positions on the committees that were vacated by exiting employee representatives were reassigned.

Soon thereafter, there was another personnel change among the shareholder representatives. Günther Scharz resigned from his office as of 30 September 2021. Thereupon, Thomas Kufen was appointed to the corporate body by the Essen District Court with effect from 18 October 2021. We are pleased to have found a worthy successor to Mr. Scharz in him. As mayor of the energy metropolis Essen, he is very familiar with our sector and with RWE. We will submit the restaffing to the Annual General Meeting on 28 April 2022 for the passage of a corresponding resolution.

One of RWE's good traditions is the extensive support that new Supervisory Board members receive from the company in familiarising themselves with their tasks. They go through a tried-and-tested onboarding process to become acquainted with RWE's business model, the Group's structures and certain topics as necessary. The Board Office, which is assigned to Legal, has a co-ordinating function. Moreover, the Board Office informs them of their rights and duties, is of assistance through one-on-ones and ensures the provision of documents and privileges required to exchange digital information.

More detailed information on the new Supervisory Board members and the composition of the committees can be found on pages 220 et seqq. of this report.

An overview of the Supervisory Board's work in the past year. I would now like to touch on the Supervisory Board's activity in the fiscal year that just ended. As usual, we fulfilled all of the duties imposed on us by German law and the Articles of Incorporation. We advised the Executive Board on running the company and monitored its actions with great care. We were involved in all fundamental decisions. The Executive Board informed us of all material aspects of business developments, the earnings situation as well as the risks and the management thereof both verbally and in writing. This was done regularly, extensively and in a timely fashion. In addition, I was constantly in touch with the Executive Board, allowing us to discuss major developments without delay.

When in session, we concerned ourselves with RWE's growth strategy both repeatedly and in great depth. Further focal points of debate were the effects of the coronavirus pandemic, the restaffing of the Executive Board and the German coal phaseout. We took our decisions on the basis of detailed reports and draft resolutions submitted by the Executive Board, which we discussed in depth in our plenary sessions and committees. We were also informed by the Executive Board of projects and transactions of special importance or urgency in extraordinary meetings as well as between meetings. We passed the resolutions required of us by German law or the Articles of Incorporation, occasionally by circular.

One of the Supervisory Board's key tasks is maintaining dialogue with the shareholders. As I do not believe that this exchange of information should be limited to the Annual General Meeting, I have been holding regular talks with investors and shareholder representatives for many years now. This is a practice I maintained despite COVID-19. The focal points of these talks were the staffing of the Supervisory Board, the staggered tenures, the Executive Board remuneration system, RWE's strategy and the coal phaseout.

We took the basic and advanced training measures needed to fulfil our tasks on our own initiative. The company helped us by organising in-house informational events on topics of special relevance.

Main points of debate of the Supervisory Board meetings. Last year, the Supervisory Board convened for seven meetings, including one constituent and one extraordinary session. In our meetings, we were informed by the Executive Board in great detail of transactions and events of significance to RWE. We discussed certain agenda items without involving the Executive Board. The shareholder and employee representatives met separately before the Supervisory Board meetings, in order to consult on matters in a smaller circle and establish joint positions where necessary.

The following issues were discussed at our meetings:

- Our first session last year took place on 10 March. We discussed and approved the 2020 financial statements of RWE AG, the consolidated financial statements, and the separate Non-financial Report. In addition, we passed a resolution to hold last year's Annual General Meeting on 28 April 2021 as a purely online event. At this meeting, I reported on talks I had held with institutional investors and shareholder representatives in the months prior. The agenda also included legal matters, e.g. Germany's new Supply Chain Due Diligence Act, which requires companies to ensure that human rights are observed in their supply chains. We also concerned ourselves extensively with the success achieved by RWE in an auction in Great Britain, at which the company won the rights to build wind farms on two offshore sites.
- We convened in two sessions on 28 April, the first of which was mainly dedicated to preparing the Annual General Meeting, which took place thereafter. We held the constituent meeting of the Supervisory Board with the newly elected shareholder representatives right after the AGM. As set out earlier, the employee representatives had been appointed by court order, because the Assembly of Delegates had to be postponed due to COVID-19. In addition to the election of the Chairman of the Supervisory Board and his Deputy, the meeting centred on staffing the committees. By amending the Articles of Incorporation, we were able to enlarge the Strategy and Sustainability Committee by two to eight members due to its increased importance and reduce the Executive Committee by two to six members in exchange.

- In the next session on 9 June, we debated the judgment of the German Constitutional Court on the 2019 Climate Protection Act. The Court found that the law was insufficient because it identified the risk of substantial emissions reductions being shifted to future generations, placing too heavy a burden on them. The Executive Board informed us that RWE expanded its goal of becoming carbon neutral by 2040 to include the company's entire value chain. Another piece of good news was the start of COVID-19 vaccination by RWE company physicians.
 - In our session on 21 September – the only in-person meeting last year – we welcomed the newly elected employee representatives to the Supervisory Board. As mentioned before, the Assembly of Delegates had convened a few days earlier. This resulted in some changes in personnel, which required seats on the committees to be restaffed and the Deputy Chairman of the Supervisory Board to be elected anew. Another main point of debate was RWE's strategy. I stated earlier that management informed the public of the company's roadmap for the current decade on 15 November. The Supervisory Board was greatly involved in developing the strategic guidelines. During the meeting in September, we focused on management's growth plans in relation to RWE's green core business and the phaseout of coal-fired power generation. Talks also centred on the catastrophic floods in the west of Germany. The Executive Board kept us abreast of the situation at the affected sites and of RWE's aid measures. Furthermore, we discussed the statutory transparency regulations applicable to the remuneration of the Executive Board and appointed the auditor of the Remuneration Report and of the Non-financial Report for fiscal 2021.
 - On 10 October, we held an extraordinary meeting which focused on the extreme rise in commodity prices and its effects on RWE. The collateral we pledge for electricity forward contracts was at times much higher than previous levels. Thanks to a substantial liquidity buffer and our highly professional financial management, however, the company was able to meet its payment commitments at all times.
 - In our session on 10 December, we reviewed and adopted the company planning for fiscal 2022. Moreover, we fulfilled our corporate governance reporting duties: together with the Executive Board, we adopted an updated statement of compliance in accordance with Section 161 of the German Stock Corporation Act and approved the parts of the Corporate Governance Declaration relating to the Supervisory Board pursuant to Section 289a of the German Commercial Code. The documents are available at www.rwe.com/statement-of-compliance and www.rwe.com/corporate-governance-declaration respectively. Further topics discussed were the liquidity position, plans to reorganise the renewable energy business and the forming of the new coalition government after Germany's general elections on 26 September. We also discussed at great length the announcement of the coalition partners to accelerate the coal phaseout. Here, the Supervisory Board and the Executive Board have affirmed their commitment to phasing out RWE's lignite-fired power generation in agreement with politicians and after weighing up all interests. Another item on the agenda was the positive feedback from analysts and investors on our Capital Market Day in November. In a nutshell, these stakeholder groups believe that we are charting the right course and have realistic goals. This confirmed that RWE's growth and climate strategy is both ambitious and credible. It justifies the trust investors place in our company.
- Supervisory Board committees.** Last year, the Supervisory Board had six standing committees, the members of which are listed on page 225. These committees are charged with preparing topics and resolutions for plenary sessions. In certain cases, they exercise decision-making powers if they have been conferred on them by the Supervisory Board. The Supervisory Board is informed of the work of the committees by their chairs at every ordinary meeting. In the year under review, a total of 13 committee meetings were held, which I would like to touch upon in more detail.
- The **Executive Committee** held one meeting, which took place in December. As usual, the objective was to discuss the company's planning for fiscal 2022 and the outlook on the two subsequent years.

- The **Audit Committee** was in session four times. It carefully reviewed the financial statements of RWE AG and the Group, together with the combined review of operations, the report for the first half of the year, the quarterly statements and the Non-financial Report. It discussed the financial statements with the Executive Board before they were published and received reports on the outcome of the audits and audit-like reviews from the independent auditors. Furthermore, the Audit Committee submitted a recommendation to the Supervisory Board regarding the election of the independent auditors for fiscal 2021, prepared the grant of the audit award to the independent auditors including the fee agreement, and set the priorities of the audit. It also verified the independence of the auditors and the quality of the audit. Current laws require RWE to appoint new independent auditors for no later than fiscal 2024. The Committee has already begun preparations for the invitation to tender. Furthermore, as usual, the Audit Committee was informed of the effectiveness of the accounting-related Internal Control System (ICS). The report did not reveal any issues that would call the effectiveness of the ICS into question. Additional points of focus were the planning and findings of internal audits, RWE's exposure to risk pursuant to the German Corporate Control and Transparency Act (KonTraG), the risk management system of RWE Supply & Trading, data security, compliance matters as well as legal and tax issues. Related party transactions also featured on the agenda. The Committee verified that the transactions were in line with practices generally accepted on the market, as required by the German law on the implementation of the Second Shareholders Directive. The independent auditors attended all of the Audit Committee meetings and also exchanged information with the Committee Chairman between sessions. In-house experts were occasionally involved in the consultations.
- The **Personnel Affairs Committee** held three meetings. Debates centred on the personnel changes on the Executive Board, the new Executive Board remuneration system, and its presentation in the Remuneration Report in accordance with Section 162 of the German Stock Corporation Act. The remuneration system was approved by the 2021 Annual General Meeting.
- The **Nomination Committee** convened three times. The Supervisory Board elections and filling the position on the Committee vacated by Günther Scharz were the points of focus. In view of the shortened tenures, we also discussed the long-term succession plan.
- The **Strategy and Sustainability Committee** held two sessions to consult on the details and state of implementation of our growth strategy. Agendas focused on the progress made in expanding renewable energy and on the Group's numerous hydrogen projects. Committee members debated the strategy presentation shown at our Capital Market Day in depth. Another focal point was RWE's responsible implementation of the coal phaseout. Moreover, the Committee maintained dialogue with the Executive Board on the varied sustainability goals and measures.
- The **Mediation Committee** pursuant to Section 27, Paragraph 3 of the German Co-Determination Act did not have to convene in 2021.

Attendance. The table below contains an overview of Supervisory Board member attendance at the meetings of this corporate body and its committees. As the Mediation Committee did not convene in 2021, it has been omitted from this table. Here is an example

of how to interpret the numbers: '3 / 4' means that the individual attended three out of four sessions held during their membership of the corporate body. The figures show that absence from a meeting was the exception. The attendance rate was 99.5%.

Attendance at meetings in fiscal 2021 by Supervisory Board member	Supervisory Board	Executive Committee	Audit Committee	Personnel Affairs Committee	Nomination Committee	Strategy and Sustainability Committee
Dr. Werner Brandt, Chairman	7/7	1/1	4/4 ¹	3/3	3/3	2/2
Ralf Sikorski, Deputy Chairman	7/7	1/1	2/3	1/1		2/2
Michael Bochinsky	7/7		4/4			1/1
Sandra Bossemeyer	7/7			1/1		1/1
Martin Bröker	4/4					
Frank Bsirske	4/4			2/2		1/1
Dr. Hans Friederich Bunting	5/5					2/2
Anja Dubbert	4/4					
Matthias Dürbaum	7/7		1/1			
Ute Gerbaulet	7/7	1/1				
Prof. Dr. Hans-Peter Keitel	7/7	1/1			3/3	2/2
Dr. h.c. Monika Kircher	7/7		4/4			
Thomas Kufen	1/1					
Reiner van Limbeck	3/3	1/1				
Harald Louis	7/7			3/3		1/1
Dagmar Mühlenfeld	2/2					
Peter Ottmann	2/2			2/2	1/1	
Dagmar Paasch	3/3		1/1			1/1
Günther Scharz	5/5					
Dr. Erhard Schipporeit	7/7		4/4			

1 Werner Brandt attended meetings of the Audit Committee as a guest.

Attendance at meetings in fiscal 2021 by Supervisory Board member	Supervisory Board	Executive Committee	Audit Committee	Personnel Affairs Committee	Nomination Committee	Strategy and Sustainability Committee
Dirk Schumacher	3/3	1/1				
Dr. Wolfgang Schüssel	2/2			2/2		
Ullrich Sierau	7/7		4/4			
Hauke Stars	5/5			1/1	2/2	
Helle Valentin	5/5					2/2
Dr. Andreas Wagner	3/3					
Marion Weckes	7/7		3/3			
Leonhard Zubrowski	4/4			2/2		1/1

Conflicts of interest. The members of the Supervisory Board are obliged by law and the German Corporate Governance Code to immediately disclose any conflicts of interest they have. We were not notified of any such conflict in fiscal 2021.

Financial statements for fiscal 2021. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) audited and issued an unqualified auditor's opinion on the 2021 financial statements of RWE AG, which were prepared by the Executive Board in compliance with the German Commercial Code, the financial statements of the Group prepared pursuant to Section 315a of the German Commercial Code in compliance with International Financial Reporting Standards (IFRS) as well as the combined review of operations for RWE AG and the Group including the accounts. The opinion was signed by the auditors in charge, Markus Dittmann and Aissata Touré. In addition, PwC subjected the Non-financial Report to a limited assurance audit and found that the Executive Board had established an appropriate early risk detection system. The company had been elected independent auditor by the 2021 Annual General Meeting. Thereafter, the Supervisory Board had commissioned it to audit the aforementioned financial statements and reports.

The 2021 Annual Report and the audit reports as well as documents supporting the annual financial statements were submitted to the members of the Supervisory Board in good time. Furthermore, the Executive Board commented on the documents at the Supervisory Board's balance sheet meeting of 9 March 2022. The independent auditors reported in this session on the material results of the audit and were available to provide supplementary information. The Audit Committee had previously concerned itself in depth with the financial statements of RWE AG, the consolidated financial statements, as well as audit reports during its meeting on the preceding day, with the auditors present. It recommended that the Supervisory Board approve the financial statements as well as the appropriation of distributable profit proposed by the Executive Board. The financial statements of RWE AG, the consolidated financial statements, the combined review of operations, the Executive Board's proposal regarding the appropriation of distributable profit, and the Non-financial Report were reviewed by the Supervisory Board. The corporate body did not raise any objections as a result of this review. As recommended by the Audit Committee, the Supervisory Board endorsed the findings of the audits of the financial statements of RWE AG and the consolidated financial statements and approved both financial statements. The 2021 annual financial statements are therefore adopted. The Supervisory Board concurs with the Executive Board's proposal regarding the appropriation of profits, which envisages paying a dividend of €0.90 per share.

Success and solidarity: A big thank you to everyone at RWE. Anyone who sets off on a major journey needs motivated people who have their sights set firmly on the destination and are also capable of reaching it. Without a doubt, this applies to RWE. The past fiscal year showed that our company can rely on the expertise and dedication of its employees. Despite the coronavirus and the substantial financial loss sustained due to an unusually harsh cold snap in Texas, 2021 turned out to be a very successful year. On behalf of the Supervisory Board, I would like to express our deep-felt gratitude to the staff members who made this possible. As mentioned earlier, I was extremely impressed by how everyone pulled together and was willing to pitch in to provide the much needed assistance in the wake of the catastrophic floods in parts of western Germany. So many people made donations and rolled up their sleeves, demonstrating what it means to stand united. I have always been proud to be the Chairman of RWE's Supervisory Board. And I now have even more reason to feel this way.



Werner Brandt

Chairman of the Supervisory Board

Essen, 9 March 2022