

Explanatory Report
of the Executive Board
of RWE Aktiengesellschaft

**in accordance with Section 315a, Paragraph 1 and Section 289a, Paragraph 1 of
the German Commercial Code (HGB) and Section 176, Paragraph 1 Sentence 1
of the German Stock Corporation Act (AktG)
on Takeover-related Issues
as of the Balance Sheet Date, December 31, 2020**

The combined review of operations for RWE Aktiengesellschaft and the Group includes what are known as Takeover-related Issues in accordance with Section 289a, Paragraph 1 and Section 315a, Paragraph 1 of the German Commercial Code (HGB). An explanatory report by the Executive Board on this must be made available to the Annual General Meeting.

RWE AG's capital stock amounts to €1,731,123,322.88 and is divided among 676,220,048 no-par-value bearer shares. As set out on page 42 of the Annual Report 2020, in August 2020, with the approval of the Supervisory Board, the Executive Board issued 61,474,549 new RWE shares to institutional investors in exchange for cash contributions, waiving subscription rights. This increased the capital stock by €157,374,845.44, or 10 %.

The capital increase was based on an authorisation issued by the Annual General Meeting on 26 April 2018, which contains the following main provisions:

The Executive Board is authorised to increase the company's capital stock, subject to the Supervisory Board's approval, by up to €314,749,693.44 until 25 April 2023, through the issuance of up to 122,949,099 new bearer shares in return for contributions in cash or in kind (authorised capital). This authorisation may be exercised in full or in part, or once or several times for partial amounts. In principle, shareholders are entitled to subscription rights.

Subject to the approval of the Supervisory Board, the Executive Board may waive subscription rights:

- to prevent fractional amounts resulting from the subscription ratio;
- to issue shares in exchange for contributions in kind for the purposes of mergers or acquisitions of companies, parts of companies, operations, or of stakes in companies;
- in the event of a cash capital increase if the price at which the new shares are issued is not significantly lower than the price at which shares are quoted on the stock market and the portion of the capital stock accounted for by the new shares, for which subscription rights are waived, does not exceed 10 % in total;
- and to offer shares to potential holders of convertible or option bonds commensurate to the rights to which they would be entitled on conversion of the bond or on exercise of the option.

The Executive Board is authorised, subject to the approval of the Supervisory Board, to determine the further details and conditions of the share issuance. In sum, the capital stock may not be increased by more than 20 % through the issuance of new shares waiving subscription rights.

On 18/19 August 2020, RWE exercised the option of conducting a cash capital increase waiving subscription rights up to the upper limit of 10 %. Half of the authorised capital, i. e. a maximum of €157,374,848, may still be used for other capital measures. This corresponds to an issuance of up to 61,474,550 RWE shares.

As of 31 December 2020, no holding in RWE AG exceeded 10 % of the voting rights.

Within the scope of RWE's employee share plan, 314,760 RWE shares were issued to staff in Germany in the financial year that just ended. The beneficiaries may only freely dispose of the shares after 31 December 2021. RWE also has employee share schemes in the United Kingdom. Participating companies are RWE Generation UK plc, RWE Technology UK Limited and RWE Supply & Trading GmbH UK Branch. In 2020, a total of 17,905 RWE shares were purchased under the UK plans. These shares are also subject to a restriction on disposal, which lasts five years from the grant date.

Executive Board members are appointed and dismissed in accordance with Sections 84 et seq. of the German Stock Corporation Act in conjunction with Section 31 of the German Co-Determination Act. Amendments to the Articles of Incorporation are made pursuant to Section 179 et seqq. of the German Stock Corporation Act in conjunction with Article 16, Paragraph 5 of the Articles of Incorporation of RWE AG. According to the aforementioned provision in the Articles of Incorporation, unless otherwise required by law or the Articles of Incorporation, the Annual General Meeting shall adopt all resolutions by a simple majority of the votes cast or – if a capital majority is required – by the simple majority of the capital stock represented when the resolution is passed. Pursuant to Article 10, Paragraph 9 of the Articles of Incorporation, the Supervisory Board is authorised to pass resolutions in favour of amendments to the Articles of Incorporation that only concern formal matters, without having a material impact on the content.

Furthermore, the Annual General Meeting on 26 April 2018 authorised the Executive Board of RWE AG to conduct share buybacks subject to the approval of the Supervisory Board until 25 April 2023, said buybacks accounting for up to 10 % of the capital stock

as of the effective date of the resolution or as of the exercise date of the authorisation if the capital stock is lower on this date. At the Executive Board's discretion, this may be done on the stock exchange or via a public purchase offer.

Shares purchased in this way may then be cancelled. Furthermore, they may be transferred to third parties in connection with mergers or acquisitions of companies, parts of companies, operations, or of stakes in companies. The company may also use the shares to fulfil its obligations resulting from employee share schemes or settle rights arising from convertible or option bonds. In the aforementioned cases, shareholder subscription rights are waived. These authorisations may be exercised in full or in part, or once or several times for partial amounts.

Pursuant to the authorisation of 26 April 2018, the shares bought back could be sold for cash via other channels. This option no longer exists because the shares issued to conduct the capital increase count towards the upper limit of 10 % of the capital stock for which the authorisation was granted. For the same reason, it is also no longer possible to transfer repurchased shares to holders of convertible or option bonds if these bonds were issued waiving subscription rights and in exchange for cash contributions. In addition, the shares bought back cannot be used to settle subscription rights which holders of convertible or option bonds would have if they exercised the options attached to bonds in exchange for RWE shares.

Our debt financing instruments often contain clauses that take effect in the event of a change of control. Such a provision is in place e. g. in respect of our €5 billion syndicated credit line. It essentially has the following content: in the event of a change of control or majority at RWE, drawings are suspended until further notice. The lenders shall enter into negotiations with us on a continuation of the credit line. Should we fail to reach an agreement with the majority of them within 30 days from the change of control, the lenders may cancel the line of credit.

Change-of-control clauses also exist with regard to our bonds. The following rule applies to a senior bond maturing in 2037, a small residual amount of which remained with RWE when we transferred our senior bonds to innogy in 2016: in the event of a change of control in conjunction with a drop in RWE AG's credit rating below investment-grade status, creditors may demand immediate redemption. With regard to subordinated hybrid bonds, we have the right to cancel them within the defined change-of-control period in such cases; if this does not occur, the annual yield of the hybrid bonds increases by 500 basis points.

The current version of the German Corporate Governance Code dated 16 December 2019 recommends that no commitments to (additional) benefits be made in the event of the early termination of an employment contract by a member of the Executive Board as a result of a change of control. We adhere to this principle in all of the new employment contracts. Michael Müller and Zvezdana Seeger, who joined the Executive Board as of 1 November 2020, do not have a special right of termination or severance entitlements in the event of a change of control. The same will apply as of 1 May 2021 to Markus Krebber when he succeeds Rolf Martin Schmitz as CEO.

By contrast, the current employment contracts of Rolf Martin Schmitz and Markus Krebber still have a change-of-control clause. It gives them a special right of termination in the event that a change of control puts them at a major disadvantage. In such a case, they are free to resign for cause from their position within six months of the change of control by giving three months' notice. In addition, they can request the termination of their employment contract and receive a one-off payment. The amount of the one-off payment shall correspond to the compensation that would have been due until the end of the contractually agreed term of service, but no more than three times the total contractual annual remuneration, excluding share-based payments.

Change-of-control provisions also apply to the share-based payment of the Executive Board and executives. All performance shares granted on a preliminary basis for the fiscal year underway at the time of the change of control shall expire without replacement or compensation. Conversely, rights in connection with performance shares for past fiscal years, for which no payout has been effected yet, shall be preserved.

Essen, March 2021

RWE Aktiengesellschaft

The Executive Board

(Dr. Rolf Martin Schmitz)

(Dr. Markus Krebber)

(Dr. Michael Müller)

(Zvezdana Seeger)