

Corporate Governance

innogy is strongly committed to responsible corporate governance in line with the recommendations of the German Corporate Governance Code. We have complied with all of the Code's recommendations without limitation since our first day of listing.

The German Corporate Governance Code. Corporate governance is the term used to designate the framework of rules applied to manage and monitor companies. It stands for company management and control that is sustainable, responsible, transparent and oriented towards longer-term success. This expresses innogy's ambition by which we are happily measured. We therefore orient ourselves towards the recommendations of the German Corporate Governance Code (GCGC). The object of the Code is to strengthen the trust of 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 and has since reviewed it every year against the backdrop of national and international developments, adapting it where necessary. There was such amendment to the Code last year. The following section discusses innogy's implementation of the current version of the Code, which was published on 24 April 2017 in the Federal Gazette.

Compliance Management System. According to Section 4.1.3, Sentence 2 of GCGC, the Executive Board shall establish a Compliance Management System in line with the company's risk exposure, which includes an anonymous whistleblower system (at least for employees) and shall disclose the fundamentals of this system. innogy has long since been operating a Compliance Management System which meets these requirements. This system concentrates on the identification of potential structural corruption risks and the prevention of corruption. The following key elements are based on the Compliance Management System:

- A compliance organisation headed by the Chief Compliance Officer at the level of innogy SE, and Compliance Officers in all of the Group's operating businesses;
- Dual-level risk analysis process for the identification and assessment of compliance risks;
- Regulations on the prevention of corruption in the innogy Code of Conduct and specific instructions in Group directives;

- Communications on compliance-related topics and compliant behaviour via mandatory Web-based training for all employees and face-to-face training for employees with regular external contact. Above and beyond this, there is regular communication on the topic of compliance in the Group's internal media
- Regular preventive compliance audits by Group Audit Departments to identify necessary measures for improvement
- Investigation of tips, which can be reported (anonymously as well) to superiors, Compliance Officers or an external contact person
- Regular reporting on compliance issues to the Executive Board and the Audit Committee of the Supervisory Board of innogy SE

The auditing company KPMG successfully completed an audit of RWE AG's Compliance Management System for the prevention of corruption according to Audit Standard 980 of the Institute of Public Auditors in Germany (IDW) at the turn of 2013/2014. innogy SE's Compliance Management System is based on RWE AG's established system, without any deviations.

Compensation of the Executive Board. In accordance with the new recommendations on executive board compensation introduced by Section 4.2.3, Paragraph 2, Sentence 2 and 6 of GCGC, variable remuneration components should generally have a multiple-year assessment basis and have essentially forward-looking characteristics. Insofar as variable compensation components extend over several years, early disbursement should not be permitted. The regulations of the new system for the compensation of the Executive Board which was implemented in 2016 at innogy meet these requirements (see also the Compensation report, p. 82 to 98 in the Annual Report).

Composition of the Supervisory Board. In accordance with the new recommendations on the composition of the Supervisory Board introduced in Section 5.4.1 of GCGC, the Supervisory Board should prepare a profile of skills and expertise for the entire Board, and the Supervisory Board's election proposals to the General Meeting should aim at fulfilling these. The Supervisory Board of innogy SE adopted such a profile in August 2016 (see the 2016 Corporate Governance Report). The current composition of the Supervisory Board continues to fulfil all of the targets of such profile.

Even with last year's amendment of the Code, the Supervisory Board should still have an adequate number of independent members, with the shareholder structure now being taken into consideration in accordance with Section 5.4.2, Sentence 1, Clause 2 of GCGC. The ratio in this new recommendation should be understood to mean that the existing free-float shareholding is 'represented' by an appropriate number of independent members in the Supervisory Board. The Supervisory Board of innogy SE has set the target that at least two thirds (2/3) of its total number of twenty (20) members should be independent. At the same time, the ratio of free float is currently 25% (1/4), so that the established target ratio appropriately reflects the shareholder structure of innogy SE. In the opinion of innogy SE's Supervisory Board, the current composition of the Supervisory Board actually exceeds this target ratio, as in any case seventeen (17) of its twenty (20) members are independent in the sense of GCGC.

Furthermore, in the Corporate Governance Report, the Supervisory Board is to provide information on what the Board regards as the appropriate number of independent Supervisory Board members representing shareholders, and the names of such members (cf. Section 5.4.1, Paragraph 4 of GCGC) In the opinion of the Supervisory Board, at least seven (7) of its ten (10) shareholder representatives – Dr. Erhard Schipporeit, Mr. Ulrich Grillo, Ms. Maria van der Hoeven, Ms. Martina Koederitz, Dr. Rolf Pohlig, Mr. Marc Tüngler and Ms. Deborah B. Wilkens – are qualified as independent in the sense of GCGC, which the Supervisory Board deems to be appropriate.

In relation to the proposals concerning the election of members to the Supervisory Board, Section 5.4.1, Paragraph 5, Sentence 2 of GCGC now calls for a curriculum vitae to be attached to the proposal, providing information on relevant knowledge, skills and experience.

This is to be supplemented by an overview of the candidate's material activities in addition to the Supervisory Board mandate, and updated annually for all Supervisory Board members and published on the company's website. innogy meets these requirements in the preparation of proposals for candidates, also with regard to information on the incumbent members of the Supervisory Board.

Directors' dealings and potential conflicts of interest.

The members of the Executive Board and Supervisory Board are obligated to notify innogy SE of any personal transactions involving shares or debt instruments of innogy SE or associated derivatives or other associated financial instruments. We have published notifications on such transactions on the Internet at www.innogogy.com/corporate-governance.

The members of the Executive Board and Supervisory Board are obliged to immediately disclose any conflicts of interest they have. With the exception stated in the Supervisory Board Report, we were not notified of any such conflicts of interest for the reporting year.

Further information. We have published further information on our corporate governance practices on the Internet for you at www.innogogy.com/corporate-governance.

This web page also provides access to our Articles of Incorporation, the Rules of Procedure of the Executive Board and Supervisory Board, innogy's Code of Conduct, information on the remuneration of the Executive Board and the Supervisory Board and directors' dealings, and the corporate governance declaration in accordance with Section 315d in conjunction with Section 289f of the German Commercial Code.

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

After an orderly audit, the Executive Board and the Supervisory Board of innogy SE issued the following declaration of compliance:

Since 6 October 2016, the date of first admission of the shares to stock exchange trading, we have fully complied with the recommendations of the German Corporate Governance Code Government Commission in the version of the Code published on 12 June 2015 by the German Ministry of Justice in the official section of the German Federal Gazette, and we will continue to do so in the future.

Essen, March 2018

innogy SE

On behalf of the Supervisory Board

On behalf of the Executive Board

Dr. Erhard Schipporeit

Uwe Tigges

Dr. Bernhard Günther