

Corporate Governance

innogy attaches significant importance to responsible corporate governance in line with the recommendations of the German Corporate Governance Code. We have been following all of the Code's recommendations without limitation from 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 orientate 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. No amendments were made to the Code last year. Therefore, the version of the German Corporate Governance Code that was published in the Federal Gazette on 12 June 2015 remains in force.

Goals of the Supervisory Board regarding its composition.

According to Item 5.4.1 of the GCGC, supervisory boards must define specific objectives regarding their composition and provide information on the goals and the degree to which they have been achieved in a corporate governance report. In August 2016, the Supervisory Board of innogy SE adopted a list of requirements that have to be met by the members of this corporate body. This list of requirements is to ensure that new members are selected by an orderly procedure and that this selection is made based on objective criteria. The list of requirements includes the following goals relating to the staffing of the Supervisory Board:

- As stipulated by law and the GCGC, it must be ensured that the Executive Board is professionally monitored and advised by the Supervisory Board. The objective is that, for every aspect of Supervisory Board activity, there be at least one expert Supervisory Board member who is available as a contact so that, on the whole, the Supervisory Board possesses the know-how and experience required.
- Only individuals who have the integrity, dedication, independence and personality necessary to fulfil the tasks of a supervisory board member in a major international corporation and to safeguard the company's public reputation should be up for election. Taking account of the company's specific situation, due regard should be paid to diversity when proposing candidates. International experience should be ensured through Supervisory Board members of nationalities other than German or through individuals who have worked outside Germany for an extended period of time.
- When proposing candidates, care should be taken to ensure that a sufficient number of individuals do not belong to the Supervisory Board for more than 15 years. This does not affect the legal validity of the election of employee representatives. Furthermore, the Supervisory Board has decided that candidates may also be nominated if their tenure has exceeded the limit in cases where this helps to safeguard valuable experience gained from working on the Supervisory Board of innogy or to achieve other diversity goals.
- The Supervisory Board has also set itself a goal in relation to the number of its independent members. Pursuant to Item 5.4.2 of the GCGC, a supervisory board member "shall not be considered independent especially if he or she has a special personal or commercial relationship with the company, its boards and committees, a shareholder with a controlling stake, or one of its affiliates which may give rise to a material conflict of interest that is not just temporary." The Supervisory Board has set itself the goal that at least sixteen of the total of twenty Supervisory Board members should be independent. In this context, it established that the employee representatives are not considered dependent simply because they work for innogy SE or one of its Group companies and that they are only considered dependent if additional facts substantiate a dependence that differs from that of similar employees.

- Supervisory Board members are expected to have knowledge of and understand the business fields of the innogy Group, the market environment, customer needs and the company's strategic direction. They should have all the skills necessary for working as a supervisory board member (e.g. the professional assessment of executive board reports, business decisions and the financial statements) or acquire these if necessary.
- The list of requirements also includes special qualifications that are of importance for business activity. These qualifications may consist of experience gained from international work or managerial positions in politics and industry, expertise in the energy business, employee codetermination and accounting or auditing financial statements.
- Before candidates are nominated, there should be sufficient certainty that they have enough time to exercise the Supervisory Board mandate so that they can exercise the mandate with due commitment and care. The Nomination Committee should verify this by having a conversation with the candidates.

The list of requirements is supplemented by Section 2, Paragraph 1 of the Rules of Procedure of the Supervisory Board, which stipulates that the tenure of Supervisory Board members may not extend beyond the end of the Annual General Meeting following their reaching the age of 72. The Supervisory Board has established a target female quota for this corporate body of 30% and aims to achieve it by 30 June 2017.

All of the targets have already been reached as a result of the body's current composition.

Directors' dealings and potential conflicts of interest.

Since the listing in October 2016, the members of the Executive Board and Supervisory Board have been 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.innogy.com/corporate-governance. As of 31 December 2016, the innogy shares and the related financial instruments directly

and indirectly held by the members of the Executive Board and Supervisory Board accounted for less than 1% of innogy SE's share capital (Item 6.2 GCGC).

The members of the Executive Board and Supervisory Board are obliged to immediately disclose any conflicts of interest they have. We were not notified of any such conflicts of interest in fiscal 2016.

Further information. We have published further information on our corporate governance practices on the Internet for you at www.innogy.com/corporate-governance. This web page also provides access to our Articles of Incorporation, the Rules of Procedure of the Supervisory Board and the Executive Board, innogy's Code of Conduct, information on the remuneration of the Executive Board and the Supervisory Board and the directors' dealings, and the corporate governance declaration in accordance with Section 315 paragraph 5 in conjunction with Section 289a 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 2017

innogy SE

On behalf of the
Supervisory Board

On behalf of the
Executive Board

Dr. Werner Brandt

Peter Terium

Dr. Bernhard Günther