

# 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 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. innogy therefore orients itself 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. The last amendment of the Code occurred in 2017. The current version of the German Corporate Governance Code 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 Compliance Management System is currently being expanded to include the fields of money laundering prevention and foreign trade law. 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 and money laundering and on foreign trade law 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 has reviewed 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). The audit was completed successfully at the turn of 2013/2014. The corruption prevention measures in innogy SE's Compliance Management System are based on RWE AG's established system, without any deviations. In 2018, the Compliance Management System for the fields of corruption and money laundering prevention and foreign trade law was subject to a strategic review pursuant to IDW Assurance Standard 980, which was completed successfully. An efficiency audit of the Compliance Management System is scheduled for 2019.

**Composition of the Supervisory Board.** With regard to the composition of the Supervisory Board, Section 5.4.1 of GCGC states that 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 take these targets into account. The Supervisory Board of innogy SE adopted such a profile in August 2016 (see the Corporate Governance Report 2016). The current composition of the Supervisory Board continues to fulfil all of the targets.

The Supervisory Board should continue to have what it considers an adequate number of independent members, with the shareholder structure taken into consideration in accordance with Section 5.4.2, Sentence 1, Clause 2 of GCGC. The ratio in the 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 twenty (20) members in total should be independent. At the same time, the ratio of free float is currently 25% (1/4), so that the target ratio which has been set 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 the target ratio, as 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.

#### **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.innogy.com/corporate-governance](http://www.innogy.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 in fiscal 2018.

**Further information.** We have published further information on our corporate governance practices on the Internet at [www.innogy.com/corporate-governance](http://www.innogy.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 the submission of the last statement of compliance on 13 December 2017, innogy SE has fully complied with the recommendations of the Government Commission of the German Corporate Governance Code published by the German Federal Ministry of Justice and Consumer Protection in the official section of the German Federal Gazette on 24 April 2017.

Essen, March 2019

innogy SE

On behalf of the Supervisory Board

On behalf of the Executive Board

Dr. Erhard Schipporeit

Uwe Tigges

Dr. Bernhard Günther