



Explanatory Report

of the Executive Board

of RWE Aktiengesellschaft

**in accordance with Section 315a and Section 289a 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, 2021**

The combined review of operations for RWE Aktiengesellschaft and the Group includes what are known as Takeover-related Issues in accordance with Section 289a and Section 315a 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. It is divided among 676,220,048 no-par-value bearer shares.

One share grants one vote at the Annual General Meeting and determines the proportion of the company's profit to which the shareholder is entitled. This does not apply to RWE AG's treasury stock, which does not confer any rights to the company. Voting rights are excluded by law in cases where Section 136 of the German Stock Corporation Act applies.

Within the scope of an employee share plan, we issued 288,624 RWE shares to our employees in Germany in the financial year that just ended. The beneficiaries may only freely dispose of the shares after 31 December 2022.

RWE also has employee share schemes in the United Kingdom. Participating companies are RWE Generation UK plc, RWE Supply & Trading GmbH UK Branch and RWE Technology UK Limited. In 2021, employees purchased a total of 23,181 RWE shares under the UK schemes. These shares are also subject to a restriction on disposal, which lasts five years from the grant date.

Employees can exercise the control rights conferred on them from the employee shares in the same manner as other shareholders can whilst in compliance with statutory regulations and the provisions of the Articles of Incorporation.

As of 31 December 2021, no holding in RWE AG exceeded 10 % of the voting rights. There are no RWE shares with special rights that confer control powers.

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 Sections 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.

On 28 April 2021, the Annual General Meeting authorised the Executive Board to increase the company's capital stock subject to the approval of the Supervisory Board by up to €346,224,663.04 through the issuance of up to 135,244,009 bearer shares (authorised capital). The authorisation is limited to five years and expires on 27 April 2026.

On 28 April 2021, the Annual General Meeting further authorised the Executive Board until 27 April 2026, subject to Supervisory Board approval, to issue bearer convertible and / or option bonds with a total face value of up to €5,000,000,000 with or without a limited maturity and to grant the bondholders convertible or option rights to bearer shares in the company. To enable the issuance of shares to holders of convertible and / or option bonds, the Annual General Meeting of 28 April 2021 conditionally increased the company's capital stock by up to €173,112,330.24, divided into up to 67,622,004 registered or bearer shares (conditional capital).

New shares from authorised capital and the aforementioned bonds may be issued in exchange for contributions in cash or in kind. These shares must generally be tendered to the shareholders for subscription. However, the Executive Board is authorised, subject to Supervisory Board approval, to waive subscription rights in the following cases:

- to avoid fractions of shares resulting from the subscription rate;
- if the issuance is conducted in exchange for contributions in kind;
- to provide protection from dilution in connection with convertible and / or option bonds that have already been issued; and
- if the issue price of the new shares or bonds is not significantly below their quotation or their theoretical fair value calculated by generally accepted methods of quantitative finance and if waived subscription rights are limited to no more than 10 % of the capital stock.

In sum, shares issued from authorised capital with a waiver of subscription rights and in connection with convertible or option bonds may not exceed 10 % of the capital stock. The aforementioned upper limit is defined by the amount of capital stock at the time the

resolution providing the authorisation is adopted or when the authorisation is exercised, if the capital stock is lower. Other measures taken waiving subscription rights count towards the upper limit.

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, and essentially means that in the event of a change of control or majority at RWE AG, drawings are suspended until further notice. The lenders shall enter into negotiations with us on a continuation of the credit line. The time limit for doing this is 30 days from the notification of the change of control. On expiry of the time limit, lenders who are not satisfied with the outcome of the negotiations may revoke their loan commitment or cancel the loan if it has already been paid out, requesting immediate repayment.

The green bonds issued in 2021 (see page 60) are also subject to change-of-control clauses. In the event that a change of control is announced or implemented, investors may request that their bonds be redeemed by a certain deadline, if RWE's long-term credit rating falls below investment grade due to the change of control or the rating agencies stop issuing us a credit rating. A similar rule applies to the senior bond that matures in 2037, a small portion of which remained on our books as it could not be fully transferred to Innogy in 2016.

In the event of a change of control, we can redeem our two subordinated hybrid bonds with volumes of €282 million and US\$317 million within the determined change-of-control period. If they are not redeemed and our long-term credit rating also falls below investment grade or credit ratings are no longer issued, their annual yield rises 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 that Executive Board members terminate their employment contract early due to a change of control. We fully adhere to this principle, meaning that we have not included clauses envisaging a special right of termination or rights to severance subject to a change of control in any of the current employment contracts of the members of the Executive Board of RWE AG.

Share-based payments made to the Executive Board members and executives are subject to the following provisions: in the event of a change of control, RWE will pay out all the performance shares that have been finally granted, but have not been paid out yet on expiry of the holding period. Performance shares granted on a preliminary basis

on the date of a change of control are valued based on the degree to which the targets have been achieved up to that point in time. Performance shares granted on a preliminary basis in the year of the change of control lapse. They are replaced by a new plan of equal value for the Executive Board members and executives for the fiscal year in which the change of control occurs and the following years.

Essen, March 2022

RWE Aktiengesellschaft

The Executive Board

(Dr. Markus Krebber)

(Dr. Michael Müller)

(Zvezdana Seeger)