

2022

## Statement

by the Executive Board and the Supervisory Board  
on supplementary item 8 on the agenda  
of the Annual General Meeting 2022

**RWE**

# RWE Aktiengesellschaft Essen

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## Statement by the Executive Board and the Supervisory Board of RWE Aktiengesellschaft in response to the motion for the passage of a resolution filed by ENKRAFT IMPACTIVE GmbH & Co. KG regarding supplementary item 8 on the Agenda of the Ordinary General Meeting on 28 April 2022

The Executive Board and the Supervisory Board **propose and recommend to deny** the motion for the passage of a resolution filed by ENKRAFT IMPACTIVE GmbH & Co. KG regarding **supplementary item 8 on the Agenda**.

The motion involves ENKRAFT IMPACTIVE GmbH & Co. KG ('Enkraft') requesting the preparation of a spin-off of RWE Power Aktiengesellschaft. If the Annual General Meeting reached such a legally binding decision, it would legally deprive the Executive Board of other options for taking action. This holds true especially in relation to more promising alternatives that could be developed with the consent of policymakers such as a transfer to a foundation.

The motion filed by Enkraft does not contribute to accelerating RWE's sustainability-oriented strategy. A spin-off would not save a single tonne of carbon dioxide and would create substantial uncertainty for the affected employees and regions. Irrespective of this, a separation of the lignite business by way of a spin-off would require the approval of public authorities and thus consensus. Any solo effort would expose both RWE and its shareholders to incalculable risks.

### 'Growing Green' – our strategic roadmap.

The Executive Board and the Supervisory Board of RWE Aktiengesellschaft are spurring RWE's transformation into a power producer focussed solely on green energy at maximum speed. RWE is considered a responsible and resolute driver in the implementation of the energy transition. The Group will be carbon-neutral by 2040. The speed at which the company is undergoing its transformation is exemplary, as evidenced by our Growing Green strategy. We are significantly expanding our green generation capacity in attractive growth markets worldwide while playing an extremely active role in the establishment of a strong hydrogen industry. Besides producing hydrogen from green electricity, this also involves importing green molecules – both of which are indispensable to the decarbonisation of industry. Furthermore, operating flexible generation capacity on a clear path to decarbonisation makes a major contribution to security of supply, which has become essential in view of recent geopolitical developments. RWE will invest a total of 50 billion euros in its green business worldwide until 2030 within the scope of Growing Green. Some 90% of RWE's capital expenditure is already dedicated to projects classified as sustainable under the EU taxonomy.

### Positive track record of willingness and ability to transform.

The capital market has rewarded us for tackling and resolutely implementing the strategic transformation of our business portfolio despite its high level of complexity. RWE Aktiengesellschaft's market capitalisation has nearly quadrupled since the IPO of our subsidiary innogy SE in 2016 and the asset swap with E.ON SE in 2018.

### Unconditional pledge to rapid coal phaseout.

Our clear and unconditional pledge to the coal phaseout is a major element of the Group's strategy. Consequently, the company endorses the German government's goal to bring forward the country's exit from coal – ideally to 2030 – assuming the successful acceleration of the expansion of renewable energy and grid infrastructure. RWE will make a major contribution to this cause with the aforementioned investments. Russia's war on Ukraine and the challenges currently faced by the energy supply system in Germany and Europe do not change this. On the contrary, the speed at which the energy market is being converted is being stepped up even further.

### Spin-off not a strategically promising option.

RWE regularly reviews all strategic options for its operations, including the lignite business. Our clear objective is to continuously increase the value of RWE while paying due regard to other relevant stakeholder interests in line with our comprehensive definition of sustainability (environmental, social, governance).

The spin-off of the lignite business proposed by Enkraft is the least appropriate of several ways to continue developing the RWE Group. In detail:

### **1. Premature decision and exclusion of further alternatives.**

Contrary to the rationale presented by Enkraft, a binding resolution passed by the Annual General Meeting would deprive company management of its freedom to pursue other options that are more attractive than a spin-off. RWE is active in a highly regulated and politically relevant environment. Enkraft's motion ignores this fact and demands a premature, one-sided entrepreneurial decision, which disregards the interests of policymakers and society as a whole, thus ruling out alternative solutions. In line with the coalition agreement, Germany's current government intends to explore a foundation model as a potential option for phasing out coal-fired generation. RWE has always shown that it is open to talks about joint solutions. Any future action taken by the government would be prejudiced and thwarted if RWE's Annual General Meeting legally obligated the Executive Board to prepare a spin-off by the next Annual General Meeting. This would deprive the company's Executive Board and Supervisory Board as well as all other stakeholders involved of room for manoeuvre without the proposed spin-off model representing a value-creating alternative.

### **2. Conflict with policymakers instead of working on a joint solution.**

The public-law contract regarding the coal phaseout with the Federal Republic of Germany dating back to 2021 clearly and bindingly stipulates that a separation of the lignite business is subject to the consent of the federal government and the State of North Rhine-Westphalia. These provisions were drawn up because of policymakers' concern over a one-sided spin-off of the lignite operations through which the company could allegedly absolve itself of its financial and social responsibility. This is the very model that policymakers prevented by way of the contractual provisions. The separation from the lignite business desired by Enkraft "per a resolution by the Annual General Meeting" would negate this primacy of politics. German governments and legislators have demonstrated in the past that they will not hesitate to assert this primacy, for instance by enacting the German Follow-up Liability Act in relation to nuclear energy.

The contractually required approval of a spin-off from political decision-makers would be highly improbable. In addition, RWE shareholders would have to fear critical political and regulatory consequences such as the direct externalisation of substantial financial resources. This would clearly jeopardise RWE's options to take action, shape the company and implement its Growing Green strategy. To put it in plain language, RWE shareholders should ask themselves whether they want to spend the company's financial resources on incalculable political intervention such as follow-up liability or other demanded safeguards or for accelerated growth in renewable energy. Alternative and joint concepts such as a foundation model could be rendered much more difficult or even ruled out from the start by such discussions.

### **3. Ability to finance the new company questionable.**

Financing a pure lignite company via financial and capital markets would probably be extremely difficult, if not entirely impossible. In this context, we would like to point out that certain power utilities have recently had a need for financial resources and that the media are reporting on the need for state liquidity assistance. If at all, a spin-off could only be implemented by placing massive financial burdens on RWE Aktiengesellschaft. This, in turn, would significantly jeopardise the implementation of RWE's Growing Green strategy.

### **4. Enkraft motion contradicts ambition to act sustainably.**

At RWE, sustainability (ESG) covers a wide range of relevant issues. RWE must also consider non-financial matters when phasing out lignite. In the spirit of good corporate governance, this also encompasses the social concerns of affected employees as well as the interests of the regions affected by lignite mining.

RWE receives substantial support from its investors for its strategic orientation as well as its ESG positioning in relation to the lignite phaseout. Major institutional investors emphasise that divesting CO<sub>2</sub>-intensive assets will not lead the world to net zero and will merely create the risk of changing shareholder structures. Unlike what is insinuated by the reasons for the motion, what is known as 'brown spinning' will not make a single contribution to sustainability.

These are the reasons why, after performing its own in-house analysis, RWE did not pursue the option of a spin-off any further. A structure conceivable from RWE's perspective is the transfer of the business to a public foundation. RWE clearly stated early on that it is ready to engage in dialogue with policymakers who, as set out in the coalition agreement, intend to actively explore a foundation model. RWE will become proactively and constructively involved in this dialogue with a view to reaching a solution that is good for society as a whole and in entrepreneurial terms.

**Any premature decision would significantly curtail a neutral examination by policymakers as well as the room for manoeuvre of RWE Aktiengesellschaft's management to the detriment of the company.**

**Essen, March 2022**

**RWE Aktiengesellschaft**  
**The Executive Board**  
**The Supervisory Board**

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