Delivering long-term value through sustainable management

As of August 2018
Disclaimer

This document contains forward-looking statements. These statements are based on the current views, expectations, assumptions and information of the management, and are based on information currently available to the management. Forward-looking statements shall not be construed as a promise for the materialisation of future results and developments and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those described in such statements due to, among other things, changes in the general economic and competitive environment, risks associated with capital markets, currency exchange rate fluctuations, changes in international and national laws and regulations, in particular with respect to tax laws and regulations, affecting the Company, and other factors. Neither the Company nor any of its affiliates assumes any obligations to update any forward-looking statements.

All figures regarding the renewables business are based on pro forma combined innogy and E.ON publicly available data. The implementation of the transaction is still subject to conditions, including merger control clearances.
AGENDA

1. Company overview and strategic outlook

2. ESG performance
   Environmental <> Social <> Governance

3. Contribution to the UN Sustainable Development Goals & Rankings
1 Company overview & strategic outlook

Security of energy supply & sensible environmental management at the heart of RWE

POWERING. RELIABLE. FUTURE.
Company overview and strategic outlook

RWE at a glance

17,154 employees\(^1\) form RWE’s powerful workforce

Financial highlights RWE stand-alone 2017 (in € million)

- Highly relevant position in all core markets
- Efficient and flexible portfolio across technologies
- Sophisticated commercial management of operations

1 Converted to full-time positions. Workforce at 2017 year-end excl. innogy. | \(^2\) 2017 net capacity. Excluding Mátra in Hungary (0.8 GW) and Denizli in Turkey (0.8 GW). | \(^3\) 2017 production volumes. Including Mátra and Denizli. | \(^4\) Spread: Hard coal, gas, hydro, biomass. Outright: Lignite, nuclear. | \(^5\) Including Mátra and Denizli.
RWE is reshaping its portfolio, transforming into a leading integrated renewable & conventional power generator

Strategic outlook

> On 12 March 2018 RWE and E.ON agreed to an extensive swap of assets and participations involving RWE’s stake in innogy
> Formation of leading power producer in Europe with highly complementary combination of renewable and conventional generation
> Attractive contribution of E.ON and Kelag stakes to RWE’s financial portfolio

Operational business

- Lignite & Nuclear
  - E.ON stakes in nuclear power stations Gundremmingen (25%) and Emsland (12.5%)
- European Power Generation
- Supply & Trading
  - innogy’s gas storage business
- Renewable Energy
  - Respective business areas from E.ON and innogy

Financial portfolio

- Stake in Amprion (25.1%)
- Stake in E.ON (16.7%)
- Stake in Kelag (37.9%)

Additions to RWE portfolio from transaction (closing of complete transaction expected end of 2019).
RWE’s prospering strategic outlook determined by transforming into Europe’s #3 renewables player

1. Installed renewable capacity in Europe

2. Pro forma combined renewables capacity

- No. 3 renewables player in Europe with well-balanced portfolio and strong position in US onshore wind market
- No. 2 offshore wind operator globally with 2.2 GW\(^2\) in operation and 0.8 GW\(^2\) in construction and advanced development
- Excellent solar EPC & operations capability and innovative battery solutions provider
- Strong development pipeline in attractive growth markets and scope for efficiencies

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\(^1\) Bloomberg New Energy Finance, March 2018. \(^2\) As at 30 June 2018. Pro rata view. Excludes RWE’s own renewable capacity. Excluding renewable portfolio of E.DIS and 20% in Rampion. Does not include 88 MW capacity of Galloper as Commercial Operation Date (COD) of full capacity is expected for August 2018. Note: Closing of complete transaction expected for end 2019.
Highly complementary renewable & conventional generation portfolio are cornerstone for secure energy supply

Pro forma combined electricity generation capacity\(^1\)
(as at 31 December 2017)

- Firm and flexible capacity >80%
- Low CO\(_2\) generation capacity >60%

- Leading European generator with diversified and balanced generation technologies
- De-risking of portfolio with >60% of low CO\(_2\) generation capacity
- Leading provider of reliable and flexible generation capacity to balance intermittent production of renewables
- Opportunity to extract value from enlarged portfolio through leading commercial asset optimisation platform

\(^1\) RWE stand-alone (excluding Mátra) plus E.ON’s and innogy’s renewables businesses.
## RWE stand-alone – Outlook for 2018

<table>
<thead>
<tr>
<th>FY 2017</th>
<th>FY 2018e</th>
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<tbody>
<tr>
<td>Adj. EBITDA</td>
<td>€1.4 bn – €1.7 bn</td>
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<tr>
<td>€2.1 bn</td>
<td>Stable development expected</td>
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<tr>
<td>-€0.6 bn</td>
<td>Significant improvement after redemption and buy back of hybrids in 2017 and impact from settlement of nuclear energy fund in July 2017</td>
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<tr>
<td>-€0.4 bn</td>
<td>Stable development expected</td>
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<tr>
<td>Adj. depreciation</td>
<td>Stable development expected</td>
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<tr>
<td>-€0.1 bn</td>
<td>Stable development expected</td>
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<tr>
<td>Adj. net financial result</td>
<td>Stable development expected</td>
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<tr>
<td>-€0.1 bn</td>
<td>Stable development expected</td>
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<tr>
<td>Adj. taxes</td>
<td>Management target</td>
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<tr>
<td>-€0.1 bn</td>
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<tr>
<td>Adj. minorities &amp; hybrid</td>
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<tr>
<td>€1.0 bn</td>
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<tr>
<td>Adj. Net Income</td>
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<tr>
<td>€0.50 + €1.00</td>
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<tr>
<td>Dividend (per share)</td>
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<tr>
<td>- Ordinary dividend</td>
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<tr>
<td>- Special dividend</td>
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ESG performance

RWE committed to long-term sustainable value creation
Sustainable management is integral for long-term value creation

RWE committed to long-term sustainable value creation

Environmental performance
- Biodiversity/Recultivation
- Waste management
- Energy efficiency
- Compliance (environmental)
- Emissions

Social performance
- Supply chain & compliance (socio-economic)
- Occupational health & safety
- Corporate volunteering
- Diversity & employee relations
- Secure energy supply & security management

Governance performance
- Governance structure & diversity at Supervisory Board
- Management remuneration
- ESG and HSE\(^1\) governance

\(^1\) HSE: Health, Safety and Environment.
Continuous emission reduction and responsible waste management

- Commitment to reduce CO₂ emissions in line with European and national greenhouse reduction targets to support the UN climate goals
- Target to reduce CO₂ emissions in core markets by 55 to 65 million tonnes by 2030 vs. 2015

RWE’s Biodiversity Policy exceeds statutory regulations
- No major environmental accidents

Group-wide environmental management system based on ISO 14001
- 99% coverage for environmental management in 2017
- No environmentally relevant incidents in 2017

Comprehensive waste management in accordance with the regulations for reuse, recycling, recovery or disposal

Environmental performance

Emissions

Biodiversity/Recultivation

Waste management

Energy efficiency

Investment in low-carbon technologies, e.g. CCGTs, batteries
RWE’s significant CO₂ reductions aligned with European and national climate goals

RWE’s reduction path of CO₂ emissions in core markets

- Conversion of Dutch hard coal plants to biomass co-firing
- Transfer of 1.5 GW of lignite to stand-by reserve and final shut-down after 4 years
- Closure of Weisweiler power plant (1.8 GW) at end of Inden mine by 2030
- Reduction in load factors of lignite and hard coal plants

Reduction target¹: 55 – 65 million tonnes vs. 2015

¹ Referring to RWE stand-alone portfolio, excluding Mátra in Hungary and Denizli in Turkey.
Various low carbon projects in the pipeline. Pilot projects focus on new technologies

**Biomass**
- Conversion to biomass co-firing of Amer 9 (80%) and Eemshaven (15%)
- Total subsidies of €2.6 bn for capex and higher procurement costs for biomass
- Total CO₂ reduction of approx. 4 million tonnes per annum with full targeted co-firing capacity

**Open-cycle gas turbine**
- Development of open-cycle gas turbine plant for grid stabilisation reserve
- Use of nuclear power plant site with existing grid connection and infrastructure
- Binding offers expected in December 2018, TSOs’ decision about awarded bidders until April 2019

**Battery storage systems**
- Pilot and research projects to test suitability of battery storage systems for security of supply
- 6 MW lithium-ion battery in Herdecke
  - Integration of battery management into RWE’s commercial asset optimisation
  - Primarily operated for the provision of primary reserve power

**Sector coupling**
- Assessment of power-to-heat technology
  - Potential for temporary fuel replacement in heat and steam generation for district heating or industrial processes
- Assessment of application project at Lingen CCGT
  - Installation of 40 MWth electric boiler might debottleneck grid in tight situations
Biodiversity footprint for recultivation shows big increase in ecology

- Responsible recultivation with the objective of reinstating the development potential of the landscape while taking account of the typical conditions of the surrounding environment

- Major building blocks are reforestation, creating agricultural land, structuring new habitats for nature conservation and protecting species

- More than 22,000 ha so far recultivated in the Rhenish lignite mining area, thereof more than 7,700 ha of woods, forests and green belts

- RWE’s quality of recultivation proven by conservation success: five landscape protection areas located in recultivated areas have been designated under legislation

- Recultivated areas have an equivalent diversity of species to those in high-value reference habitats in North Rhine-Westphalia – surveys of wildlife and fauna in the recultivated areas showed more than 700 plant and 2,200 animal species with some 430 species on the endangered list
Awareness of macro-economic responsibility to society to provide secure & compliant energy supply

- **Central management functions include security management**
- **Aim to effectively protect operations from cyber attacks**

**Secure energy supply & security management**

- **Supply chain & compliance (socio-economic)**
  - Suppliers vetted on environmentally and socially relevant criteria
  - Principles of United Nations Global Compact are constituent element of contractual relationships
  - Annual compliance training for employees

**Diversity & employee relations**

- **Share of women at RWE: ~28%; proportion in management positions increased from 14% to 15% in 2017**

**Occupational health & safety**

- **LTIF (Lost Time Injury Frequency) for RWE stand-alone of 2.49 in 2017; target to reduce to 1.8 by 2018**
- **Health ratio of 95.2% in 2017**

**Corporate volunteering**

- **More than 1,450 employees dedicated time to more than 930 Companius projects in 2017**
- **Amount contributed to these projects totalled some €1.4 million**
Promotion of hard coal supply chain standards

Overview of countries supplying hard coal

- Procurement of majority of hard coal via international wholesale markets

Hard coal supply countries (2017)

- Russia 44.2%
- Colombia 8.6%
- USA 13.8%
- South Africa 7.5%
- Germany 16.2%
- Other 3.8%
- UK 5.5%
- Poland 0.4%

Imported coal

9.1 million tonnes

Drive for responsible hard coal procurement

> Founding member of Bettercoal to improve in producer countries environmental conservation, mining and working conditions

> In 2017 further five self-assessed mines and four on-site assessments; additional mine visits by Bettercoal delegation in South Africa and Colombia

> Target to have the three largest Colombian producers audited by 2018:
  - Drummond audited
  - Cerrejón, site-assessment, mid 2018
  - Prodeco, self-assessment, August 2018

> Additional site visits to local mines by RWE representatives, e.g. visit of Bettercoal delegation in Columbia incl. mine of La Jagua

> All members established a process with defined procedures, roles and responsibilities to assess and screen direct suppliers in relation to their environmental, social and ethical performance
Engagement in ENEI network increases outward orientation & provides input on best practice diversity standards

‘Total Equality’ certificate received by RWE in 2017

Regular Diversity Week at several RWE locations to increase awareness

Increase women in 1st and 2nd management level to 30% and 20%, respectively (2017: 29% and 17%) by 2022

Ensure female talent is found and developed, e.g. Female Talent Programmes

Enable development into executive positions, e.g. Executive Mentoring Programme and FidAR – ‘Women on Supervisory Boards’

Encourage women in technical careers, e.g. ‘Girls Days’ with more than 400 participants, MINT³ initiative & mentoring

Maintain a balanced age structure and age-appropriate employment

Training and apprenticeship programmes for young and senior employees

Participation and support of young professional networks, e.g. ‘Young Energy Professional Forum’

Enhance diversity with regards to ethnic origin and nationality

International internal job-market ensures cross-border placement opportunities

Close alignment of Diversity Office with HR Marketing to ensure diversity friendly recruiting processes

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1 ENEI: the Employers Network for Equality & Inclusion. | 2 Targets for RWE AG (excluding subsidiaries). | 3 MINT: Mathematics, Informatics, Natural Sciences and Technology.
Companius supports & promotes social engagement of employees

**Customised opportunities**
- Within the scope of HR development measures
- To support team building and broaden employee skills
- Related to socially relevant matters, e.g. support for refugees
- To increase presence in our regions

**Strategic goals**
- Promotion of social responsibility through employee commitment
- Development of employees’ skills through volunteering
- Improvement of employee loyalty and motivation, strengthening the employer brand
- Support of local municipalities
Highlights of our governance performance

- Covered by the Corporate Responsibility and HSE department, directly reporting to RWE AG Executive Board
- Regular **training mandatory** for all employees to sharpen awareness of Health, Safety and Environment

**ESG and HSE governance**

**Governance structure & diversity at Supervisory Board**

- Two tier governance structure
- Diverse & experienced Supervisory Board
- **Target quota** for female members of Supervisory Board fulfilled
- No conflicts of interests

**Management remuneration**

- Executive Management **remuneration with fixed and variable components**
- Short-term bonus linked among others to **ESG targets**
- Total compensation **capped at ~164%**
Two tier governance structure

**Executive Board**
- Responsible for managing and steering the company
- Represents company in dealings with third parties

Consists of two members:
- Rolf Martin Schmitz, CEO and Labour Director
- Markus Krebber, CFO

Appointed for five years (Schmitz) and three years (Krebber)
- Rolf Martin Schmitz (30 June 2021)
- Markus Krebber (30 September 2019)

**Supervisory Board**
- Oversees the company’s Executive Board and appoints its members
- Provides approval for major strategic decisions

Composition in line with German Co-Determination Act and consists of
- 10 shareholder representatives elected by the AGM
- 10 employee representatives elected by the employees of RWE AG & its group companies

Appointed for a period of five years (in accordance with German law)
- Next regular elections at AGM in 2021
Diverse and experienced Supervisory Board fully fulfils competence requirements

Gender
Target of 6 female Supervisory Board members achieved

Independency
Target of 12 independent Supervisory Board members exceeded\(^1\)

Length of membership
Target of maximum membership of 15 years exceeded by one Supervisory Board member

Experience profile of the Supervisory Board members covers all target areas as defined in the competence profile for the composition of the Supervisory Board

**Competence Profile**
- Public Sector
- Managerial experience
- Co-determination
- Utility sector
- Accounting
- Financial audit*
- International utility sector

* Incl. financial expert serving as chair of audit committee

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\(^1\) In line with German Corporate Governance Code, only those employee representatives are defined as dependent who have an additional relationship with RWE AG, exceeding the employment contract between the employee representatives and an RWE Group company. Due to minor shareholding (~5.7% combined) municipal shareholders are considered independent under the German Corporate Governance Code.
Remuneration system consists of three components

- **100%** Budget remuneration
  - 30% (fixed)
  - 30% (fixed)
  - 40% (100%)

- **~30%** Minimum remuneration
  - 30% (fixed)
  - 30% (fixed)
  - 30% (fixed)

- **~164%** Maximum remuneration
  - 30% (fixed)
  - 30% (fixed)
  - 80% (max. 200%)

**Strategic Performance Plan**
- Long-term, share-based compensation scheme
- Conditional on achievement of earnings indicator
- Linked to performance of RWE shares
- Personal investment obligation

**Bonus**
- Based on economic performance of company and individually achieved goals
- Paid after end of fiscal year; no retention

**Annual salary**

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1 Fixed compensation may also include non-cash and other remuneration, e.g. use of company car.
Bonus rewards annual economic performance as well as individual, collective and sustainability goals

Bonus dependent on company as well as individual performance

**Company performance**

- Measured by degree of achievement of targeted adjusted EBIT
- Target figure set by Supervisory Board
- Target achievement between 0% (achieved adj. EBIT below 80% of target figure) and 150% (achieved adj. EBIT above 120% of target figure)

**Individual performance**

- Performance factor can range between 0.8 and 1.2
- Dependent on degree to which Executive Board achieves goals established by Supervisory Board
- Performance factor equally (one third each) based on individual targets, collective performance of the Executive Board and targets in the areas of corporate responsibility and employee motivation

Bonus payment capped at 180% of the bonus budget
Strategic Performance Plan oriented to the long-term success of the company

Grant of performance shares:
> Conditional allocation of performance shares based on contractually agreed budget
> Final number determined by adjusted net income achieved by company in relation to target figure set by Supervisory Board
> Allocation range between 0% and 150%

Vesting period of 4 years

Pay-out dependent on RWE share price performance and cumulated dividends paid during vesting period:
> Payment limited to 200% of individual allocation value

Personal investment obligation for Executive Board of 25% of net pay-out sum, which must be held for another three years

It takes a total of seven years for Executive Board members to obtain the full amount of their remuneration.
Contribution to SDGs and Rankings

RWE - member of the UN Global Compact and committed to its principles
RWE contributes to the achievement of the UN Sustainable Development Goals
Committed to transparency and accountability

RWE participates and receives recognition in leading sustainability ratings

RWE's ISS Environmental & Social Quality Score\(^1\) 2017:
> Environmental Score: 4
> Social Score: 2

Overall 2017 rating: 58/100
> Environment: 60
  \((\text{Benchmark: } 30 \text{ – } 80)\)
> Labour: 60
  \((\text{Benchmark: } 30 \text{ – } 80)\)
> Fair business practices: 50
  \((\text{Benchmark: } 30 \text{ – } 70)\)
> Sustainable procurement: 60
  \((\text{Benchmark: } 20 \text{ – } 60)\)

Inclusion in Eurozone 120 Index
> Composed of the highest-ranking listed companies as evaluated by the Vigeo Eiris agency in terms of their performance in corporate responsibility

\(^1\) ISS scale: 1 is low risk, 10 is high risk.
### Sustainability along the value chain

<table>
<thead>
<tr>
<th>Role</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers</td>
<td>We source responsibly</td>
</tr>
<tr>
<td>RWE</td>
<td>We produce safely for people and the environment</td>
</tr>
<tr>
<td>Customer</td>
<td>We provide a secure energy supply</td>
</tr>
</tbody>
</table>

**120 years**

*Powering. Reliable. Future.*
3 Contribution to SDGs and Rankings

Your contacts @RWE Investor Relations

Important Links

- Annual and Interim Reports & Statements
  [http://www.rwe.com/ir/reports](http://www.rwe.com/ir/reports)
- Investor and Analyst Conferences
- IR presentations & further factbooks
  [http://www.rwe.com/ir/presentations](http://www.rwe.com/ir/presentations)
- IR videos
- Consensus of analysts’ estimates

Financial Calendar

- 14 November 2018
  Interim statement on the first three quarters of 2018
- 14 March 2019
  Annual report 2018
- 3 May 2019
  Annual General Meeting
- 15 May 2019
  Interim statement on the first quarter of 2019

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