Delivering long-term value through sustainable management

POWERING. RELIABLE. FUTURE.

As of December 2017
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.
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Sustainable management is integral for long-term value creation

- Reliable and flexible provider of affordable and secure energy supply
- Target to reduce CO$_2$ emissions by 55 to 65 million tonnes by 2030
- Development of low carbon generation projects and new technologies
- Strong track record of exemplary recultivation of lignite mining areas
- Focus on providing a safe, inclusive and inspiring workplace
- Committed to long-term sustainable value creation
Strategic outlook
Continuing to actively shape our future

Operating business
- Lignite & Nuclear
- European Power
- Supply & Trading

Portfolio management
- innogy

Provider of secure and affordable energy supply

Financial investment to cover long-term liabilities
Strategy designed to benefit from market requirements

Traditional energy markets
- Established merit order
- Focus on volume and fuel efficiency
- CO₂ reduction via conventional new-build

Renewables expansion
- Decreasing conventional volumes
- Intermittent production
- Reduction of firm capacity

Future energy markets
- Increasing use of electricity
- Emerging technologies
- Remuneration of firm capacity

Strategic approach
- Optimise existing operations
- Enhance portfolio
- Tap into evolving opportunities

Evolution of technologies for firm capacity

<table>
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<tr>
<th>Conventional plants</th>
<th>Flexible plants</th>
<th>Storage</th>
<th>Sector coupling</th>
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</thead>
<tbody>
<tr>
<td>Operational excellence across all technologies</td>
<td>Proprietary engineering know-how</td>
<td>Sizeable pumped storage facilities</td>
<td>Strong R&amp;D track record</td>
</tr>
<tr>
<td>Strong cost optimisation track record</td>
<td>Dedicated commercial optimisation unit</td>
<td>Operational battery storage projects</td>
<td>Scalable projects (once commercially viable)</td>
</tr>
</tbody>
</table>

- Growing reliance on electricity increases need for firm capacity
- Broader framework decisions drive implementation rate of technologies
- Comprehensive system integration and commercial optimisation skills essential for operations
Strategic focus on evolution of existing business portfolio

**Optimise existing operations**
- Lignite & Nuclear/ European Power
  - Manage cost base
  - Apply capital allocation discipline
  - Actively manage portfolio
- Supply & Trading
  - Restore profitability

**Enhance portfolio**
- European Power
  - Develop portfolio for future market requirements
  - Participate in opportunistic asset consolidation (core markets)
- Supply & Trading
  - Expand organically

**Tap into evolving opportunities**
- Explore technologies able to provide security of supply
- Invest selectively in new technologies (e.g. batteries)
Sustainability challenges and commitments
# Strong commitment to corporate responsibility

<table>
<thead>
<tr>
<th>Focus area</th>
<th>Target</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Climate change</strong></td>
<td>We are committed to reduce our CO₂ emissions in line with European and national greenhouse reduction targets to support the UN climate goals</td>
<td>Reduction of 55 – 65 m tonnes CO₂ emissions by 2030</td>
</tr>
<tr>
<td><strong>Environment</strong></td>
<td>We strive to safeguard water resources, protect diversity and preserve the habitats at the locations of our operations</td>
<td>No major environmental accidents</td>
</tr>
<tr>
<td><strong>Supply chain</strong></td>
<td>We aim for full compliance with internationally recognised social and environmental standards as integral part of our supply contracts</td>
<td>100% coverage</td>
</tr>
<tr>
<td><strong>Health &amp; Safety</strong></td>
<td>We seek to guarantee the health and work ability of our employees and the employees of our subcontractors</td>
<td>LTIF&lt;sup&gt;1&lt;/sup&gt; ≤ 1.8 by 2018</td>
</tr>
<tr>
<td><strong>Workforce</strong></td>
<td>We want to maintain and promote the motivation of our employees</td>
<td>30%&lt;sup&gt;2&lt;/sup&gt; women on 1&lt;sup&gt;st&lt;/sup&gt; management level by 2022</td>
</tr>
<tr>
<td></td>
<td>We promote diversity, inclusion and social engagement in the company</td>
<td></td>
</tr>
<tr>
<td><strong>Resilience</strong></td>
<td>We are committed to the Group-wide compliance with RWE’s Code of Conduct</td>
<td>100% compliance with Code of Conduct</td>
</tr>
<tr>
<td></td>
<td>We aim to effectively protect our operations from cyber attacks</td>
<td></td>
</tr>
</tbody>
</table>

<sup>1</sup> Lost time injury frequency  
<sup>2</sup> RWE AG
Support of UN climate goals and Paris pledge to limit temperature increase to 2°C

1. Doubling of gas-fired capacity over the last 10 years
2. 18% reduction of \( \text{CO}_2 \) emissions since 2012
3. Target to reduce \( \text{CO}_2 \) emissions by 55 to 65 million tonnes by 2030 compared to 2015
4. Investments in low-carbon technologies, e.g. CCGTs, batteries
5. R&D of new technologies to support energy transition
Doubling of gas-fired capacity in RWE’s generation portfolio over last 10 years

RWE generation capacity in core markets as of 31 December 2016 (net, in %)\(^1\)

- **UK**: 8.5 GW
  - Gas: 18
  - Hard coal: 1
  - Nuclear: 3
  - Lignite: 3
  - Biomass: 1
  - Hydro: 78

- **Germany**: 26.3 GW
  - Gas: 39
  - Hard coal: 17
  - Nuclear: 10
  - Lignite: 3
  - Biomass: 15
  - Hydro: 19

- **Netherlands/Belgium**: 5.4 GW
  - Gas: 38
  - Hard coal: 15
  - Nuclear: 3
  - Lignite: 3
  - Biomass: 56
  - Hydro: 3

Conventional power generation capacity of the RWE Group (net, in GW)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas</td>
<td>6.9</td>
<td>15.2</td>
<td>121%</td>
</tr>
<tr>
<td>Coal(^2)</td>
<td>24.7</td>
<td>20.2</td>
<td>-18%</td>
</tr>
<tr>
<td>Nuclear</td>
<td>6.3</td>
<td>4.1</td>
<td>-36%</td>
</tr>
</tbody>
</table>

\(^1\) Excluding innogy, Mátra in Hungary (0.8 GW) and Denizli in Turkey (0.8 GW)  
\(^2\) Coal = Hard coal and lignite
Significant CO₂ reduction in line with broader European and national roadmap

**CO₂ emissions by RWE in Germany, Benelux and the UK**

- End of Inden mine and shut-down of adjacent power plant site Weisweiler
- Conversion of Dutch coal-fired power plants Amer 9 and Eemshaven to biomass co-firing
- Lower load hours of lignite and hard coal plants

1 Referring to our existing power generation portfolio  
2 2015 CO₂ emissions: 141 m tonnes  
Note: Excludes emissions of Mátra in Hungary
Lignite contributes majority of CO$_2$ reduction

**Planned capacity decrease**

<table>
<thead>
<tr>
<th>Year</th>
<th>Plant Site</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2 x 300 MW Frimmersdorf</td>
<td>2021</td>
</tr>
<tr>
<td>2018</td>
<td>2 x 300 MW Niederaußem</td>
<td>2022</td>
</tr>
<tr>
<td>2019</td>
<td>1 x 300 MW Neurath</td>
<td>2023</td>
</tr>
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**End of Inden mine**

- 2 x 300 MW Weisweiler
- 2 x 600 MW Weisweiler

**CO$_2$ reduction vs. 2015**

- By 2020: -15%
- By 2030: -40% – -50%

- Transfer of 1.5 GW into stand-by reserve
- Final shut-down after 4 years in reserve
- Shut-down of adjacent plant site Weisweiler
- Additional CO$_2$ reduction measures and options (efficiency enhancement, reduction of full-load hours, lower capacity utilisation)

1 When Inden mine’s supply comes to an end | 2 Depending on expansion of renewable energy sources
### Climate change

#### Various low carbon projects in the pipeline

<table>
<thead>
<tr>
<th>Biomass</th>
<th>Gundremmingen</th>
<th>Tilbury Energy Centre</th>
</tr>
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<tbody>
<tr>
<td>&gt; Conversion to biomass co-firing of Amer 9 (80%) and Eemshaven (15%)</td>
<td>&gt; Development of open cycle gas turbine plant for grid stabilisation reserve</td>
<td>&gt; Development of three new-build options:</td>
</tr>
<tr>
<td>&gt; Total subsidies of € 2.6 bn for capex and higher procurement costs for biomass</td>
<td>&gt; Use of nuclear power plant site with existing grid connection and infrastructure</td>
<td>- Combined cycle gas turbine (CCGT) plant of up to 2,500 MW</td>
</tr>
<tr>
<td>&gt; Total CO₂ reduction of approx. 4 million tonnes per annum with full targeted co-firing capacity</td>
<td>&gt; Planned capacity of approximately 650 MW</td>
<td>- Open cycle gas turbine plant of up to 300 MW</td>
</tr>
<tr>
<td></td>
<td>&gt; Expected tender decision by TSO in 2018 and final investment decision in 2019</td>
<td>- Battery storage facility of up to 100 MWh</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt; Expected participation in capacity market auction in 2021 (provided all necessary planning and environmental permissions have been granted)</td>
</tr>
</tbody>
</table>
Pilot projects focus on new technologies

**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 MW-electric boiler might debottleneck grid in tight situations
Committed to protect and reinstate the ecosystems of the areas affected by our operations

> Act in compliance with Group Directive on Environmental Management and set up of dedicated environmental management system

> Compliance with environmental standard ensured by annual audits

> Recultivation focuses on reinstating a diverse landscape made up of forest, extensive lakes, ponds and wetlands to offer new habitats to numerous endangered animal and plant species

> Safe operation of remaining nuclear power stations and restoration of green field after decommission and dismantling of plants
Recultivation contributed to designation of landscapes as conservation areas

- 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
- Recultivation focuses on the development of old-growth forests and habitat requirements of animals
- Surveys of wildlife and fauna in the recultivated areas showed more than 700 plant and 2,200 animal species with some 430 animals on the endangered list
- Surface area for industrial use, housing and roads reduced in comparison to the pre-mining status and replaced by new recreation areas (e.g. 110 km of walking trails at Sophienhöhe)
Rigorous procurement management approach to hold supply chain to highest sustainability standards

> Centralised purchasing process to ensure company-wide application of standards

> Review and appraisal of all potential suppliers and trading partners (inquiries + usage of black-lists)

> Information on how suppliers comply with UN Global Compact principles and RWE’s Code of Conduct included in purchasing decisions

> Monitoring of purchasing volume in which the requirements of Code of Conduct are constituent element of contractual relationship

99.7% of purchasing volume subject to requirements of Code of Conduct in 2016
Promotion of hard coal supply chain standards

Overview of hard coal supply countries

- Procurement of majority of hard coal via international wholesale markets

Hard coal supply countries (2016)

- Russia: 31%
- Germany: 19%
- UK: 16%
- Colombia: 17%
- USA: 11%
- South Africa: 4%
- Other: 2%
- 12.5m tons

Drive for responsible hard coal procurement

- Founding member of Bettercoal to improve environmental conservation, mining and working conditions in producer countries
  - 26 self-assessed mines and 6 on-site audits or re-audits as of 2016
  - Additional 7 audits/re-audits targeted for 2017
  - Target to have the three largest Colombian producers audited by 2018
- 90% of directly procured hard coal purchased from producers covered by Bettercoal processes
- Additional site visits of local mines by RWE representatives
Working towards a healthier and safer work environment

**Occupational Safety**
- Strengthening of health and safety performance of employees and contractors
- Target to reduce lost time incident frequency (LTIF) to 1.8 by 2018
- Goal of ensuring that all Group companies have certifiable H&S management systems
- Ergonomic assessment and optimisation of working environments

**Occupational Health Protection**
- Offerings to prevent lifestyle-related illnesses (exercise, nutrition, stress)
- Compulsory medical check-ups by own medical professionals
- Vaccinations and travel medical examinations
- Advice and support for employees with mental health issues

**Continuous improvement of occupational health and safety**
- Monitoring of various indices, including Health & Safety Index and Work Ability Index
- Integration of health and safety culture within corporate culture through regular safety impulses and workshops

**LTIF 2016**
- 2.1

**Health ratio**
- 95.1%
Aim to provide a motivating and inspirational working environment

Numerous training and development offerings

- Specialised subject related training
- Blended learning programmes
- Mentoring and peer coaching
- 2,258 apprentices at the end of 2016

Offers to improve work-life-balance

- Flexible and mobile working concepts
- Company nursery as well as parent-and-child offices
- Support with care solutions for relatives

Motivation index 2016
72.4 points
Ambitious targets and programmes to support equal opportunities and diversity

**Diversity**

**Group-wide initiatives and networks to enhance focus diversity topics (gender, age, cross-cultural)**

- Engagement in ENEI network increases outward orientation and provides input on best practice diversity standards
- Total Equality certificate ensures a 360 degree implementation of Diversity@RWE across Group
- Regular Diversity Week at several RWE locations to increase awareness

- **Gender**
  - Increase women in 1st and 2nd management level to 30% and 20%, respectively (2016: 25% and 16.7%) by 2022
    - Ensure female talents are 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 male domains, e.g. “Girls Days”

- **Age**
  - Maintain a balanced age structure and age-appropriate employment
    - Training and apprenticeship programmes for young people, including site visits
    - Participation and support of young professional networks, e.g. “Young Energy Professional Forum”

- **Cross-culture & Internationality**
  - Enhance diversity with regards to ethnic origin and nationality
    - International internal job-market ensures cross-border placement possibilities
    - Close alignment of Diversity Office with HR Marketing to ensure diversity friendly recruiting processes

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1 Targets for RWE AG (excluding subsidiaries)
Companius supports and promotes social engagement of employees

**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

**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 refugee
- to increase presence in the regions
Integrity in all our activities is essential to sustainable and successful growth

Compliance management at RWE

- Code of Conduct & Directives
- Compliance trainings & tone at the top
- Compliance reporting
- RWE Compliance Management System (CMS)
- Compliance contact & whistleblower system
- Compliance governance & processes
- Compliance risk analysis
- Compliance communication & consulting

Main focus areas of compliance activities

- Anti-corruption and fraud
- Money laundering prevention
- Foreign trade and payments legislation

1 Externally-audited for corruption prevention in accordance with the audit standard IDW PS 980
Creation & regular updates of the Cyber Security Framework to ensure effective protection

**Global parameters & trends: Implications on cyber security**
(Development and impact on global cyber security risks)

*Digitalisation increases potential impact of cyber attacks which are increasing in number as well as sophistication*

**Continuous analysis of Cyber Security@RWE**
(Aims, plans, main emphasis, organisation cost)

*Evaluation of capabilities, maturity and organisational empowerment of the cyber security functions*

**Outside in view**
(International good & best practice in cyber security)

*Good practice is to build a strong central security management based on NIST and ISO27001 and embed technical cyber security skills in the IT value chain*
Selected cyber security measures

Next Generation Endpoint Protection

Traditional antivirus solutions only protect against known malware.

Next generation endpoint protection analyses a file’s behaviour and can effectively prevent its execution.

Cyber Security Awareness

Cyber security awareness of our employees is of utmost importance to recognise and prevent cyber attack. Under the umbrella brand “Human Firewall” we launch a variety of awareness activities each year.

Next Generation Firewalls (NGFW)

NGFW enable precise definition of allowed communication in our network.

Separation of power plant infrastructure

To effectively reduce the attack surface, no critical power plant is connected to the internet directly. Information security management systems based on ISO27001 aim to continuously improve the cyber security management in our power plants.
Committed to transparency and accountability

RWE participates and receives recognition in leading sustainability ratings

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

> 2017 Climate Change score: B
> 2017 Water score: B-

> 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
Governance & management compensation
# Two tier governance structure

<table>
<thead>
<tr>
<th>Executive Board</th>
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</thead>
<tbody>
<tr>
<td>&gt; Responsible for managing and steering of the company</td>
</tr>
<tr>
<td>&gt; Represents company in dealings with third parties</td>
</tr>
<tr>
<td>&gt; Consists currently of two members:</td>
</tr>
<tr>
<td>&gt; Rolf Martin Schmitz, CEO and Labour Director</td>
</tr>
<tr>
<td>&gt; Markus Krebber, CFO</td>
</tr>
<tr>
<td>&gt; Appointed for 5 (Schmitz) and 3 years (Krebber)</td>
</tr>
<tr>
<td>&gt; Rolf Martin Schmitz (30 June 2021)</td>
</tr>
<tr>
<td>&gt; Markus Krebber (30 September 2019)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supervisory Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; Oversees the company's Executive Board and appoints its members</td>
</tr>
<tr>
<td>&gt; Requires to provide consent to major strategic decisions</td>
</tr>
<tr>
<td>&gt; Composed in line with German Co-Determination Act and consists of</td>
</tr>
<tr>
<td>&gt; 10 shareholder representatives elected by the AGM, and</td>
</tr>
<tr>
<td>&gt; 10 employee representatives elected by the employees of RWE AG and its group companies</td>
</tr>
<tr>
<td>&gt; Appointed for a period of five years (in accordance with German law)</td>
</tr>
<tr>
<td>&gt; Next regular elections at AGM in 2021</td>
</tr>
</tbody>
</table>
Diverse and experienced Supervisory Board fully fulfils competence requirements

**Diversity**

- **Gender**
  - Male
  - Female

- **Independency**
  - Independent

- **Length of membership**
  - < 3 years
  - 3-6 years
  - 7-9 years
  - > 9 years

**Experience**

- Target of 6 female Supervisory Board members achieved
- Target of 12 independent Supervisory Board members exceeded
- Target of maximum length of 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:

- Public sector: 95%
- Managerial experience: 95%
- Co-determination: 90%
- Utility sector: 85%
- Accounting: 60%
- Financial audit: 45%
- International utility sector: 40%

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 as independent under the German Corporate Governance Code.
Compensation system consists of three components

- **Annual Salary** (fixed) 30%
- **Bonus** (max. 180%) 30%
- **Strategic Performance Plan** (max. 200%) 54%

**Budget compensation ~100%**

- **Minimum compensation ~30%**

**Maximum compensation ~164%**

- **Long-term, share-based compensation scheme**
- **Conditional on achievement of earnings indicator**
- **Linked to performance of RWE shares**
- **Personal investment obligation**
- **Based on economic performance of company and individually achieved goals**
- **Payed after end of fiscal year; no retention**

**Annual salary**

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
> Depending 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 field 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
RWE Investor Relations – contacts

Important Links

- Annual and Interim Reports: http://www.rwe.com/ir/reports/
- IR presentations & further factbooks: http://www.rwe.com/ir/presentations/
- IR videos: http://www.rwe.com/ir/videos/
- Consensus of analysts’ estimates: http://www.rwe.com/ir/consensus-estimates

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Financial Calendar

- 13 March 2018
  - Annual Report 2017

- 26 April 2018
  - Annual General Meeting

- 2 May 2018
  - Dividend payment
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