

Corporate governance

Corporate management

Good corporate governance is an essential part of the corporate culture at EnBW. We are convinced that responsible and transparent corporate governance strengthens the trust and confidence that customers, capital providers, employees and the general public place in the company, thereby contributing to its long-term success. The Board of Management and Supervisory Board have the responsibility of managing and supervising the company above and beyond merely fulfilling statutory requirements, but to do it in accordance with recognised benchmarks for good corporate governance and in harmony with the principles of a social market economy, guaranteeing the continued existence of the company and ensuring a sustainable increase in its added value. Therefore, EnBW also meets all the recommendations of the German Corporate Governance Code (Deutscher Corporate Governance Kodex).

As in previous years, Dr. Bernhard Beck, the member of the Board of Management responsible for corporate governance, monitored conformity with the Code at EnBW and reported extensively to the Board of Management and Supervisory Board on all current themes pertaining to corporate gover-

nance. Both boards acknowledged his report and addressed the recommendations and suggestions in the Code. They subsequently approved the company’s annual declaration of compliance pursuant to section 161 German Stock Corporations Act (AktG) on 9 December 2016. The current declaration of compliance and the declarations from previous years are published at www.enbw.com/entsprechenserklaerung.

The “Remuneration report” is contained in the management report on page 90 ff. of this report.

Management and supervision

Board of Management

As of 31 December 2016, the Board of Management of EnBW AG consisted of four members. The Board of Management is jointly responsible for managing Group business. In addition to the role of CEO, the tasks performed by the Board of Management are split into the remits of “finance”, “personnel, law and compliance, auditing” and “technology”.

Allocation of responsibilities at Board of Management level (as of 31/12/2016)

CEO	Finance	Personnel, law and compliance, auditing	Technology
Dr. Frank Mastiaux	Thomas Kusterer	Dr. Bernhard Beck (Chief Personnel Officer)	Dr. Hans-Josef Zimmer
<ul style="list-style-type: none"> > Corporate development/ sustainability > Strategy/energy industry > Communication/policy > Transformation/IT/ procurement/infrastructure > Innovation management > Sales, marketing and operations > Gas value chain > Escalation: risk management and trading 	<ul style="list-style-type: none"> > Accounting > Tax > Controlling > Finance > Investor relations > Mergers and acquisitions > Risk management/ICS > Trade 	<ul style="list-style-type: none"> > Personnel and executive management > Law > Auditing > Compliance management/data protection > Regulatory management > Boards/shareholder relationships > Equity investment management > Health management 	<ul style="list-style-type: none"> > Generation (renewable, conventional, nuclear) > Waste management/environmental services > Electricity and gas transmission grids > Distribution grids (electricity and gas) > Grid technology > Research and development > Occupational safety/environmental protection/crisis management

www.enbw.com/board-of-management

Supervisory Board

The Supervisory Board of EnBW AG consists of 20 members in accordance with section 8 (1) of the Articles of Association. In accordance with the German Co-determination Act (MitbestG), an equal number of members represent share-

holders and employees. Three employee representatives are nominated by the ver.di trade union. The Supervisory Board appoints the members of the Board of Management and advises them on their management of the company. It discusses business performance, planning and strategy of the company together with the Board of Management at regular intervals and

ratifies the annual financial statements. The Supervisory Board is always involved in decisions of fundamental importance to the company. Legal transactions and measures subject to the approval of the Supervisory Board are defined in its rules of procedure. In order for the Supervisory Board to optimally perform its functions, it has formed the following standing committees: a personnel committee, a finance and investment committee, an audit committee, a nomination committee and a mediation committee in accordance with section 27 (3) MitbestG, as well as an ad-hoc committee.

Further information on the Board of Management and Supervisory Board can be found in this report under the section on “Corporate bodies” (p. 108ff.), as well as in the declaration of corporate management including the corporate governance report and the Report of the Supervisory Board (www.enbw.com/corporate-governance).

Annual General Meeting

Shareholders exercise their rights with regard to company matters at the Annual General Meeting. The Annual General Meeting passes resolutions on the discharge of Board of Management and Supervisory Board members, the appropriation of earnings and selection of the auditor. Resolutions of the Annual General Meeting only require a simple majority of votes in most cases. Each bearer share is equivalent to one vote. Further information on the Annual General Meeting is available at <http://hv.enbw.com>.

Shares of EnBW AG are listed on the General Standard segment of the Frankfurt Stock Exchange. A stake of 46.75% of the share capital in EnBW AG is owned by each of both the State of Baden-Württemberg – via its wholly owned subsidiary NECKARPRI GmbH and, in turn, via its wholly owned subsidiary NECKARPRI-Beteiligungsgesellschaft mbH – and by Zweckverband Oberschwäbische Elektrizitätswerke (Zweckverband OEW) via its wholly owned subsidiary OEW Energie-Beteiligungs GmbH.

Overall, the shareholder structure is unchanged as of 31 December 2016 when compared to the previous year.

Shareholders of EnBW

Shares in % ¹	
OEW Energie-Beteiligungs GmbH	46.75
NECKARPRI-Beteiligungsgesellschaft mbH	46.75
Badische Energieaktionärs-Vereinigung	2.45
Gemeindeelektrizitätsverband Schwarzwald-Donau	0.97
Neckar-Elektrizitätsverband	0.63
EnBW Energie Baden-Württemberg AG	2.08
Other shareholders	0.39

¹ The figures do not add up to 100% due to rounding differences.

Compliance

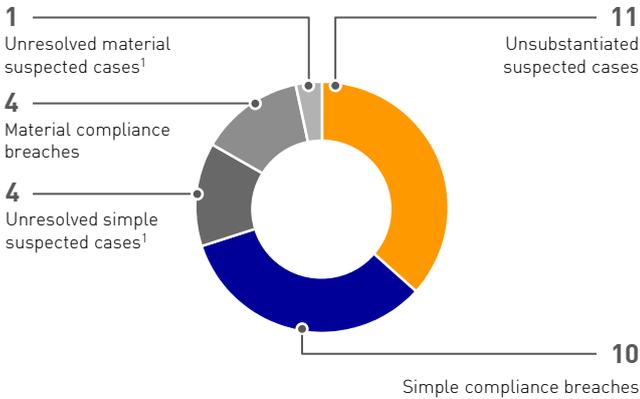
Good compliance is a matter of course at EnBW and forms an integral part of the business activities. We are convinced that emphasising the compliance culture – as one of the main focuses of the established Compliance Management System (CMS) – makes a significant contribution to securing the sustainable success of the company.

The CMS at EnBW serves to reduce risks and avoid liability issues and loss of reputation. It focuses on company and sector-specific risks and priorities, is continually monitored and adapted, and covers the companies of the EnBW Group in which there is a controlling interest from a compliance perspective and which are involved in managing personnel. The goals of the compliance activities at EnBW are, in particular, the prevention, detection and sanctioning of corruption, the prevention of violations against competition and antitrust laws, the prevention of money laundering and data protection. Especially during this time of great change in the sector and at the company, our compliance activities support the sense of responsibility in management personnel and employees: raising awareness amongst employees that knowledge about relevant regulations and the timely utilisation of internal advisory services at EnBW is important for safeguarding the success of the company against compliance risks. New challenges are being faced in this area, such as those relating to digitalisation and new products (ensuring products and processes that conform to data protection laws), local authority engagement (raising awareness amongst relevant employees about the legal regulations regarding concessions) or also those dealing with changes in the corporate and management culture (management workshops).

In the reporting year, 22 (79%) of the total of 28 companies of the EnBW Group in which there is a controlling interest from a compliance perspective and which are involved in managing personnel were included in the CMS. The annual Compliance Risk Assessments (CRA) examined the corruption, antitrust law, fraud and data protection risks. They were carried out in 2016 at the same 22 Group companies and act as the basis for the compliance programme at EnBW, as well as for the company-specific preventative and risk-controlling activities. The CRA have used the methodology of the Group risk management system since 2015. In accordance with a modern GRC (Governance, Risk Management and Compliance) approach, the identification and evaluation of risks as well as reporting was jointly carried out in coordination in 2016. The summary of the compliance risks is contained in the “Report on opportunities and risks” (p. 85).

Whistle-blowers always have a right to the confidential and prompt handling of any reported compliance breaches or suspected cases and can either contact an external ombudsman (who guarantees complete anonymity with respect to EnBW) or the Compliance Department.

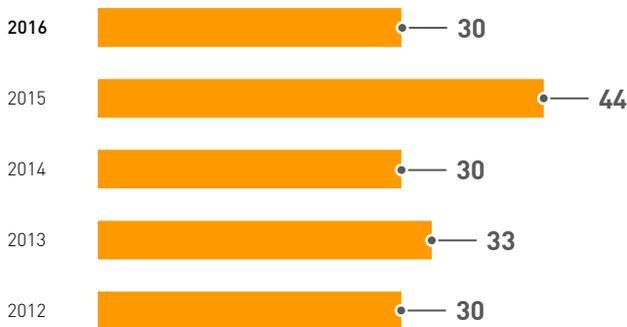
Number of compliance breaches and suspected cases



¹ As of February 2017.

EnBW received 30 indications of compliance breaches and suspected cases in the reporting year, one of which was submitted via the ombudsman. They related primarily to sales and internal matters, and did not lead to any evidence for cases of corruption. Due to their level of materiality, 5 of the 30 cases were handled by the compliance committee task force. Disciplinary measures were taken in four other cases.

Number of indications of compliance breaches received

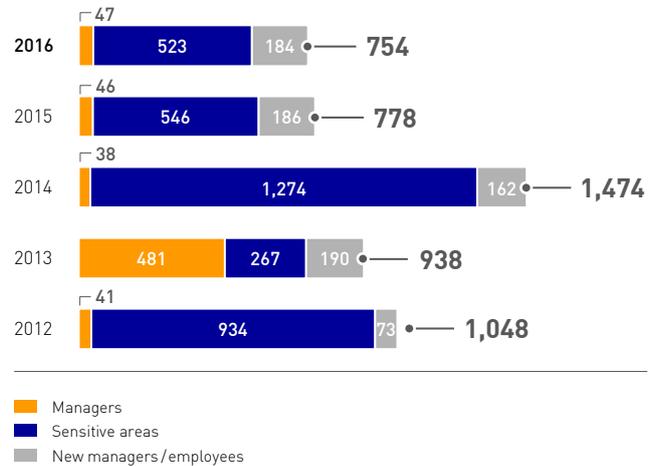


The number of indications received in 2016 was once again back to the level in the years 2012 to 2014. The increase in indications in 2015 due to an increased level of sensitivity (especially for data protection issues) remained an extraordinary effect and did not continue into the reporting year.

EnBW is convinced that the achievement of its strategic goals is only possible if it has employees and management personnel who are aware of the risks and take responsibility themselves. Therefore, all affected employee groups have been receiving training on a recurring basis for the last six years according to a coordinated and risk-based training plan on how to handle corruption, deal with antitrust law risks, address the issue of crimes carried out by public officials and understand data protection regulations.

Face-to-face workshops were held in 2016 for sensitive target groups in the EnBW areas of renewable energies and procurement, as well as at the associated company Erdgas Südwest, and around 520 employees and management personnel were provided with business-relevant compliance know-how. The completion of an e-learning course or participation in face-to-face introductory training courses is obligatory for new employees. The third management personnel compliance campaign started at the end of 2016. It targets all management employees – even those from large corporations in which the Group does not have a controlling interest – and emphasises the importance of a solid compliance culture during periods of change.

Participants in face-to-face compliance training events



The advisory services offered by the Compliance Department, which form another key element of the compliance and prevention measures, were also utilised in 2016 to the same high degree as in previous years. The compliance hotline, which is reachable by e-mail or telephone and deals with matters on a personal level, received 1,065 enquiries relating to the key issues of gifts, donations and sponsoring, as well as to further topics such as competition or antitrust laws or conflicts of interest.

In the reporting year, advice on legal issues in the area of data protection was provided, for example, to accompany the smart meter project conducted by Netze BW; the Compliance Department thus continued to contribute to the digitalisation of the Energiewende. Advice on the development of new products and new business fields formed another important focus. Particular attention was paid here to various new developments from the field of innovation. There was an equally high number of requests for advice in the reporting year.

The EnBW Group faced neither antitrust law penalty procedures nor third-party antitrust lawsuits in the 2016 financial year. Law enforcement agency investigations of individual employees and former members of corporate bodies relating to the so-called Russian business deals and the so-called sales tax carousel in CO₂ allowance trading were also ongoing in 2016. An end to or any results arising from these investigations are not yet in sight.