

# 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 ([www.enbw.com/corporate-governance](http://www.enbw.com/corporate-governance)).

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 governance. 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 5 December 2018. The current declaration of compliance and the declarations from previous years are published at [www.enbw.com/declaration-of-compliance](http://www.enbw.com/declaration-of-compliance).

The remuneration report is contained in the management report on p. 124 ff. of this report.

## Management and supervision

### Board of Management

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". As of 31 December 2018, the Board of Management of EnBW AG consisted of four members. Colette Rückert-Hennen joined the Board of Management as the replacement for Dr. Bernhard Beck on 1 March 2019 and took over responsibility for the areas of personnel, executive management and health management. Dr. Bernhard Beck will remain in office until 30 June 2019 and will still be responsible for the other areas under his remit in the allocation of responsibilities up until this date.

### Allocation of responsibilities at Board of Management level (as of 31/12/2018)

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

[www.enbw.com/board-of-management](http://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 shareholders 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, a digitalisation committee and 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. 145 ff.) as well as in the Declaration of Corporate Management 2018 of the EnBW Group and EnBW AG including the Corporate Governance Report 2018 and the Report of the Supervisory Board ([www.enbw.com/corporate-governance](http://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 Federal 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 2018 when compared to the previous year.

## Shareholders of EnBW

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

<sup>1</sup> The figures do not add up to 100% due to rounding differences.

## Compliance

### Compliance management systems

Natural compliance with the relevant legal regulations and internal company rules forms the basis for the business activities of EnBW and is part of our corporate culture. The compliance management systems (CMS) and functions of EnBW are individually designed: They are based on company and sector-specific priorities and risks, the size of the company and other factors. They are designed to support each company – and thus the whole Group – in avoiding risks, liability claims and damage to reputation.

Depending on the type of corporate control over a company, the compliance-relevant companies with employees are either directly or indirectly integrated into the compliance management system of EnBW.

The CMS at EnBW is continuously examined and updated internally as part of the audit or by the compliance organisation itself. It covers the directly controlled companies. The CMS focuses on the prevention, detection and sanctioning of corruption, the prevention of violations against competition and antitrust laws, the prevention of money laundering and data protection – which falls within the scope of compliance at EnBW. In the reporting year, there were 27 companies directly integrated into the CMS at EnBW. New companies are integrated into the CMS using a risk-based approach.

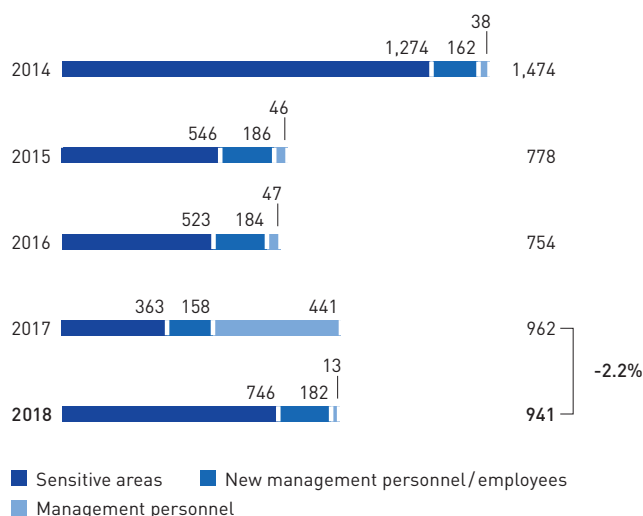
Companies indirectly integrated into the CMS of EnBW have their own CMS. Relevant participating interests held by these companies are also integrated into their CMS. Three companies in the ED Group were integrated into the CMS for Energiedienst Holding (ED), while two subsidiaries have independent control over compliance. Seven companies with employees were integrated into the CMS at Pražská energetika (PRE), three at Stadtwerke Düsseldorf (SWD) and 18 at the VNG Group.

In order to safeguard the commercial success of the company against compliance risks – especially to fight corruption and bribery – preventative risk assessment methods, advisory services and training concepts have been set up at EnBW, the compliance-relevant companies and the ITOs (Independent Transmission Operator) (Glossary, p. 154).

### Activities this year

At the **compliance training courses** in 2018, there was a special focus in the face-to-face training sessions on purchasing and construction coordination with respect to the CMS at EnBW. In addition, a number of antitrust training events were held for sensitive areas of the company. The completion of an e-learning course or participation in face-to-face introductory training courses is obligatory for new EnBW employees.

### Number of participants in compliance training events<sup>1</sup>



<sup>1</sup> At EnBW AG and directly integrated companies.

EnBW holds a **compliance day** every year. The event was held on 22 October 2018 in Karlsruhe and provided the around 115 participants with a varied programme that covered themes such as data compliance and the risks posed by cyber attacks and how to avoid them.

Extensive Group regulations can pose a challenge to young, innovative companies that are active in highly competitive and volatile markets. Therefore, the compliance and data protection department and the EnBW Innovation Campus developed a set of **Basic Rules** together in 2018. These rules describe the minimum requirements for innovation projects, micro business units and start-ups. This streamlined set of rules is designed to help those responsible in the Innovation Campus guarantee compliance. The core principles followed when defining the Basic Rules were, amongst other things: guaranteeing competitiveness by using a risk management approach, passing on greater responsibility to managers, protecting the interests of EnBW and a focus on short and concise rules [p. 67].

All of the indirectly integrated companies held training courses to increase awareness amongst employees. The companies were able to choose whether to use either **face-to-face or online training courses**.

The annual **compliance risk assessments** at EnBW investigate the corruption, antitrust, fraud and data protection risks and form the basis for the compliance and data protection programme, as well as for decentralised preventative activities. In 2018, they were carried out at those companies directly integrated into the CMS. The in-depth approach for assessing and raising awareness for risks using face-to-face training events for sensitive areas was followed again in 2018 and will be continued in 2019. The summary of the material compliance risks is contained in the "Report on opportunities and risks" [p. 118 and 121]. Risks are also systematically identified in the indirectly integrated companies and the ITOs.

The **advisory services** offered by the EnBW compliance department, which form another key element of prevention, were also utilised in 2018 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 around 1,000 enquiries relating to the key issues of gifts, donations and sponsoring, as well as to further topics such as conflicts of interest and the auditing of business partners. The advisory services dealing with compliance themes have also grown at the indirectly integrated companies.

### Compliance breaches

EnBW and the directly integrated companies have established reporting channels via which internal, and in isolated cases also external, whistle-blowers can report suspected cases. Whistle-blowers always have a right to the confidential and prompt handling of any suspected cases they report and can always contact the relevant compliance department or external bodies under the guarantee of complete anonymity with respect to the company (at EnBW, ED, PRE, SWD and TransnetBW). In the reporting year, there were ten compliance breaches, one of which was material. There was no evidence for cases of corruption.

There was one compliance breach at terranets bw in the reporting year, while two suspected cases at VNG proved to be wellfounded. There were also four compliance breaches at PRE.

The EnBW Group faced neither antitrust law penalty procedures nor third-party antitrust lawsuits in the 2018 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 CO<sub>2</sub> allowance [Glossary, p. 152] trading were also ongoing in 2018. It is not possible to say at the present time when these proceedings will end.

### Data protection

An important theme in 2018 was the EU General Data Protection Regulation (GDPR) that came into force on 25 May. Any adjustments that were necessary as a consequence were identified and subsequently implemented as part of a project led by the compliance and data protection department that also included representatives from all different functions and departments. In the project, working groups networked throughout the Group were established, for example, to examine themes related to the GDPR and define and establish conceptual standards.

A newly introduced and obligatory e-learning course and numerous face-to-face events in particularly affected areas ensure that there is sufficient awareness for the subject of data protection within the Group. Furthermore, the advancing digitalisation of both internal processes and sales projects means that the requirements stipulated by data protection law must be dealt with intensively. The compliance and data protection department provides the specialist departments with advice and support in this context. Especially after the rights of the data subject were strengthened in the GDPR, there were a large number of requests for information in 2018.