

# 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 (Deutschen 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 German Corporate Governance

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 subsequently approved the company's declaration of compliance pursuant to section 161 of the German Stock Corporations Act (AktG).

The "remuneration report" is contained in the management report on page 88 ff. of this report.

## Management and supervision

### Board of Management

As of 31 December 2015, 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 the 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 31/12/2015)

CEO	Finance	Personnel, law and compliance, auditing	Technology
<b>Dr. Frank Mastiaux</b>	<b>Thomas Kusterer</b>	<b>Dr. Bernhard Beck</b> (Chief Personnel Officer)	<b>Dr. Hans-Josef Zimmer</b>
<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 added chain</li> <li>&gt; Escalation: risk management 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 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, 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. 107ff.), as well as in the Declaration of Compliance, the Corporate Governance Report and the Report of the Supervisory Board ([www.enbw.com/corporate-governance-page](http://www.enbw.com/corporate-governance-page)).

## 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 members of the Board of Management and Supervisory Board, the appropriation of earnings and the 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 [www.enbw.com/annual-general-meeting](http://www.enbw.com/annual-general-meeting).

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.

The State of Baden-Württemberg, NECKARPRI GmbH and NECKARPRI Beteiligungsgesellschaft mbH, as well as Zweckverband OEW and OEW Energie-Beteiligungs GmbH, annulled their shareholder agreement with which they had previously regulated their cooperation as shareholders of EnBW AG with mutual consent on 22 December 2015 (p. 95). The goal of this measure is to exclude any future additional liability of the main shareholders of EnBW AG for the dismantling and disposal costs in the nuclear power sector. The involvement of shareholders in this extended liability is linked – in accordance with a draft law by the German government – to a controlling interest in a company. As a result of the annulment of this agreement, this controlling influence no longer exists in a legal sense. In this context, the main shareholders have publicly declared that they completely and fully support the obligations of EnBW AG in relation to nuclear energy.

Overall, the shareholder structure is unchanged as of 31 December 2015 when compared to the previous year.

## Shareholders of EnBW

Shares in % <sup>1</sup>	
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

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

## Compliance

Compliance as an expression of all measures required for the observance of statutory regulations and internal guidelines is regarded as an essential management and supervisory task at EnBW.

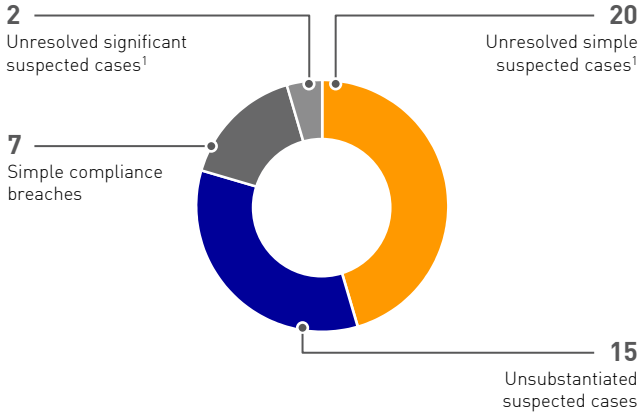
The Compliance Management System (CMS), which has been implemented throughout the Group, serves to minimise risks and avoid liability issues and a loss of reputation. It focuses on company and sector-specific risks and priorities and encompasses all controlled companies with employees in the EnBW Group. The main focus of compliance activities is placed 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 issues. The effectiveness of the corruption prevention and antitrust law areas of the system were tested in accordance with the IDW PS 980 testing standard in 2013. They are deemed appropriate for the detection of the risk that there could be a significant violation of the regulations applicable in these areas in good time and with a sufficient degree of certainty, as well as for the prevention of such violations.

Alongside the need for a reliable CMS, the Compliance Department emphasised the most recent compliance incidents in the German economy, particularly in light of the importance of the compliance culture at EnBW, during numerous events and will also focus on this subject in more depth in 2016.

In the reporting year, 22 (91.7%) of the total of 24 controlled companies with employees in the EnBW Group were included in the CMS. The central compliance programme that is created on an annual basis and the company-specific measures contain the required preventative activities which are based on the Compliance Risk Assessments (CRA). The annual risk assessments examine corruption, antitrust law, fraud and data protection risks and were conducted in 21 controlled companies with employees in the EnBW Group (87.5%) in 2015.

Compliance breaches and suspected cases

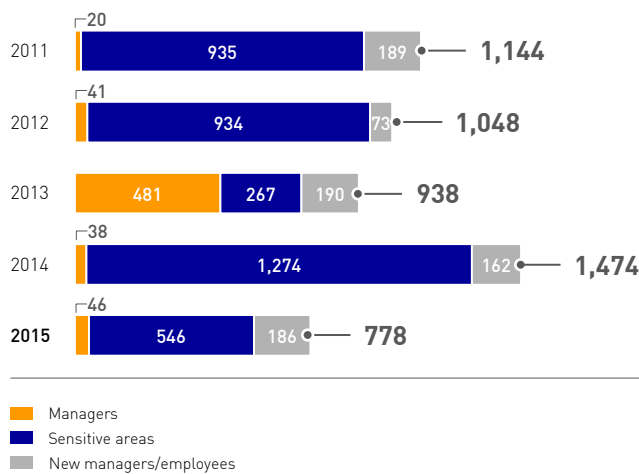
Number



<sup>1</sup> As of February 2016

The prompt and confidential handling of indications and suspected cases is an essential part of the CMS. Whistle-blowers can either contact an external ombudsman who will guarantee complete anonymity with respect to EnBW if they so wish or they can use the reporting channel of the Compliance Department. EnBW received 44 indications of compliance breaches and suspected cases in the reporting year, two of which were submitted via the ombudsman. They primarily related to sales and internal matters, and did not lead to any evidence for cases of corruption. Due to their level of importance, 4 of the 44 cases were handled by the Compliance Committee Task Force. Disciplinary measures were taken in four other cases. The number of reported cases in 2015 (previous year: 30 cases) reflects the current level of sensitivity in this area – it does not indicate any exceptional abnormalities.

Participants in face-to-face compliance training events



As an important measure for prevention, specific training campaigns in how to handle corruption, deal with antitrust law risks or address the issue of crimes carried out by public officials are conducted at EnBW. In accordance with the risk-oriented training plan for 2015, the areas of renewable energies, sales, local authority consultancy and operations and trading at EnBW were identified as sensitive target groups requiring face-to-face workshops. Corresponding expertise was shared with around 550 employees in these workshops. The completion of an e-learning course or participation in face-to-face introductory training courses is obligatory for new employees. A revised manager training campaign is planned for 2016.

The advisory services offered by the Compliance Department, which represent a key element of compliance and prevention measures, were also actively used during the reporting year. The compliance hotline received 1,152 enquiries relating to the key issues of gifts, donations and sponsoring, as well as to further topics such as the auditing of business partners.

By providing advice and support on legal issues in the area of data protection to Netze BW GmbH for their smart meter project, we also contributed to the digitalisation of the Energiewende in the reporting year. Advice on legal issues in the area of data protection during the development of new products and new business fields formed another important focus. The continuing trend of outsourcing IT services to external service providers meant that the advice offered was more complex and required greater explanation. These services include, amongst other things, so-called software-as-a-service and cloud services, which required support particularly with regards to the legally compliant processing of order data. There was an equally high number of requests for advice in the reporting year.

The Data Protection Department supported the task force for clarifying the processes for recording customer discussions as part of a so-called Quality Monitoring System (QMS), which were the subject of official investigations by the authorities.

The EnBW Group faced neither antitrust law penalty procedures nor third-party antitrust lawsuits in the 2015 financial year. The Baden-Württemberg antitrust authority initiated abuse proceedings under antitrust law in 2014 against EnBW on the grounds of what were allegedly excessive water prices in Stuttgart. EnBW had lodged a corresponding appeal. The process was concluded by the Higher Regional Court in Stuttgart after a settlement was agreed in July 2015. In addition, no penalties due to infringements of legal regulations were imposed on the company due to any other significant matters.

Law enforcement agency investigations of individual employees and former members of corporate bodies relating to the so-called Russian business and the so-called sales tax carousel in CO<sub>2</sub> allowance trading are ongoing. An end to or any results arising from these investigations are not yet in sight.