

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).

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 7 December 2017. 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 103 ff. of this report.

Management and supervision

Board of Management

As of 31 December 2017, 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 31/12/2017)

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 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. 124 ff.) as well as in the declaration of corporate management 2017 of the EnBW Group and EnBW AG including the corporate governance report 2017 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 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 2017 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

Compliance management system

The 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 structure. The compliance management systems (CMS) and functions at EnBW, and of the companies in which it has a participating interest, 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.

The CMS at EnBW is continuously examined and revised. It covers the directly controlled Group companies with employees¹. 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 is part of the compliance department at EnBW. In the reporting year, there were 27 directly controlled Group companies with employees integrated into the CMS at EnBW. The integration methods were modified in 2017 to achieve a more risk-based integration in order to make management more efficient and effective.

The compliance management systems at the de facto controlled Group companies² also cover the companies in which there is a relevant participating interest. Three companies in the ED Group were integrated into the CMS for Energiedienst Holding, while two subsidiaries have independent control over compliance. Five companies with employees were integrated into the CMS at Pražská energetika (PRE), three at Stadtwerke Düsseldorf (SWD) and 17 at VNG.

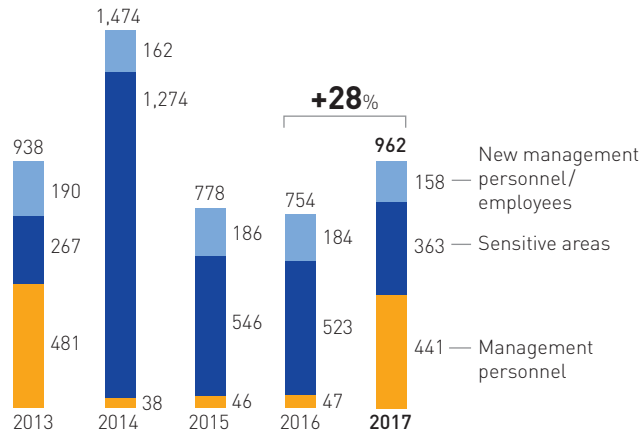
In order to safeguard the commercial success of the company against compliance risks – especially to fight corruption and bribery – preventative risk assessment methods, advisory services, training concepts and reporting channels have been set up at EnBW, the directly controlled Group companies with employees, the de facto controlled Group companies and the ITOs (independent transmission operators).

1 Directly controlled: companies with a shareholding >50%, where EnBW AG or a GmbH directly controlled by EnBW AG is listed as the shareholder; a corresponding domination agreement needs to also exist for public limited companies (Aktiengesellschaften). As well as directly controlled subsidiaries of these companies with an attributable shareholding calculated as >50%.

2 De facto controlled: public limited companies with a shareholding >50% without a domination agreement (legal presumption of Group affiliation); currently: ED, PRE, SWD, VNG, ZEAG.

Activities this year

Number of participants in compliance training events¹



¹ At EnBW AG and directly controlled companies with employees.

Management personnel formed the main focus of the face-to-face training events for the EnBW CMS in 2017. The third management personnel compliance campaign started at the end of 2016. It targeted all employees in a management position and emphasised the importance of a solid compliance culture during periods of change. More than 460 management personnel participated in 28 workshops. In accordance with the risk-based training plan, face-to-face training events with a focus on the prevention of corruption and antitrust issues – such as in business activities dealing with renewable energies – were held in which around 360 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 EnBW employees. The main focus of the employee communication this year at EnBW was the compliance week in September: The necessary “culture of taking a closer look” was raised and employees were presented with real examples of compliance breaches from the past on the Intranet for the first time in order – just like with the annual compliance day – to stimulate discussion about compliant behaviour.

Employees and management personnel were also the main focus at the de facto controlled Group companies: for example, the sales team, assistants and new employees were given training on corruption risks at the ED Group (a total of 43 persons). In addition, the provision of internal information was optimised, risks relating to money laundering were analysed and the auditing of business partners was expanded. ED discusses compliance issues with its independent subsidiaries Tritec and EnAlpin. Tritec established a new compliance department in spring 2017.

In the last year, PRE provided more than 300 employees and management personnel with training after a new law dealing with the criminal liability of legal persons came into force.

This change in the law extended the range of offences that apply to legal persons. PRE introduced numerous new processes, pushed forward the integration of compliance systems into existing subsidiaries and began the process of modernising all operating standards in 2017.

VNG amended, above all, the process of auditing business partners.

The new umbrella directive dealing with compliance was the focus of the communication and training at terranets bw.

At many of the de facto controlled Group companies, employees were also made aware of compliance issues via e-learning courses.

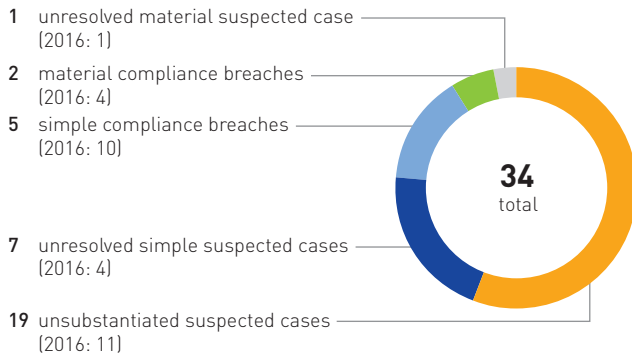
The annual compliance risk assessments at EnBW investigate the corruption, antitrust, fraud and data protection risks and act as the basis for the compliance and data protection programme, as well as for decentralised preventative activities. They were carried out at twelve Group companies in 2017. At the same time, in-depth antitrust workshops were held in the first company departments. This new in-depth approach for assessing and raising awareness for risks will be continued in 2018. The summary of the material compliance risks is contained in the “Report on opportunities and risks” (p. 95 and 98). At the de facto controlled Group companies, as well as the ITOs, risks were also assessed, such as at ED, PRE and VNG. SWD analyses the compliance risks across all 100%-owned subsidiaries with employees on a three-yearly basis, while TransnetBW analyses the risks on an annual basis. terranets bw carried out an analysis of corruption risks for the first time in 2017.

The advisory services offered by the EnBW compliance department, which form another key element of prevention, were also utilised in 2017 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. Comparable advisory services with similar main themes exist at the subsidiaries: ED received, for example, 26 requests for advice, while SWD documented around 50 requests for advice.

Compliance breaches and suspected cases

EnBW and the companies in which it has a participating interest have established reporting channels via which internal, and in isolated cases also external, whistle-blowers can report compliance breaches or suspected cases. Whistle-blowers always have a right to the confidential and prompt handling of any compliance breaches or 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).

Number of compliance breaches and suspected cases¹



¹ At EnBW AG and directly controlled companies with employees. As of 17/01/2018

The number of indications received in 2017 was at the same level as in the previous year. The compliance department of EnBW received 34 indications of compliance breaches and suspicious cases in the reporting year, 3 of which were submitted to the ombudsman. The cases dealt with sales and also procurement-related matters. There was no evidence for cases of corruption. Due to their level of importance, 3 of the 34 cases were handled by the compliance committee task force. Disciplinary measures were taken in two cases. In addition, a serious case of fraud at EnBW AG from 2016 that caused significant damage to the company was rigorously pursued and handled in the reporting year.

A total of two suspected cases of corruption were investigated at TransnetBW and VNG, although they proved to be unfounded. A total of eight breaches or suspected cases were reported to the compliance department at PRE and three suspected cases were reported at the SWD subsidiaries.

The EnBW Group faced neither antitrust law penalty procedures nor third-party antitrust lawsuits in the 2017 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 2017. It is not possible to say at the present time when these proceedings will end.

Data protection

In the area of data protection, the main focus in the reporting year was placed on providing advice about the new requirements in the EU General Data Protection Regulation. Advancing digitalisation in both internal processes and in sales projects necessitates an in-depth examination of the requirements under data protection law and the provision of corresponding advice and support to the specialist departments by the compliance and data protection department. Concrete examples include the support provided for cloud solutions and for new smart products such as EnBW solar+. The number of consultations and requests for information rose as a result.