

Remuneration system for the members of the Board of Management of EnBW AG

2024

Remuneration system for the members of the Board of Management

In accordance with the legal regulations in section 87a (1) German Stock Corporation Act (AktG), the Supervisory Board passes resolutions that define a clear and understandable system for the remuneration of members of the Board of Management of EnBW Energie Baden-Württemberg AG (hereinafter also referred to as “EnBW AG” or “Company”) on the basis of proposals by the personnel committee and uses this system to determine the precise remuneration of each member of the Board of Management. This agreed remuneration system must be approved by the Annual General Meeting. The Supervisory Board then uses the approved system to define all of the remuneration components, which it regularly reviews. The Supervisory Board also ensures that the remuneration of the members of the Board of Management is appropriate in relation to the tasks and performance of each member of the Board of Management and the economic situation of the Company, while making sure that it does not exceed the customary level of remuneration without special reason. The criteria for determining appropriate remuneration not only include the tasks and performance of the members of the Board of Management but also in particular the economic situation, success, long-term and sustainable development of the Company and the relationship of the remuneration of the Board of Management to the remuneration of senior management and the workforce¹ as a whole, as well as its development over time. To compare the customariness of the total remuneration of the members of the Board of Management, the Supervisory Board carries out a comparison with another suitable group of companies. This comparison is carefully controlled to ensure that it does not automatically lead to an upward trend in remuneration. If necessary, the Supervisory Board consults with an external remuneration expert when updating the remuneration system and evaluating the appropriateness of the remuneration, while ensuring that this expert is independent of the Board of Management and the Company.

At least every four years or in the event of any material change to the remuneration system for the members of the Board of Management, the remuneration system is presented to the Annual General Meeting for its approval in accordance with section 120a (1) AktG. If the Board of Management remuneration system presented to the Annual General Meeting is not approved, a revised remuneration system for the members of the Board of Management will be presented for approval by the next ordinary Annual General Meeting at the latest.

The remuneration system presented below was resolved by the Supervisory Board on 7 December 2023 on the basis of proposals made by the personnel committee and came into effect on 1 January 2024. In comparison to the previous remuneration system, a yearly lock-in has been added for the performance indicator EBT for the long-term multi-year variable remuneration in order to reduce any market-related volatilities. In addition, the option of granting special remuneration within the short-term variable remuneration in the event of extraordinary performance by the whole Board of Management or one member of the Board of Management has now been removed. This change was made based on a comparison of the remuneration system for the Board of Management and other Board of Management remuneration systems within the market. At its meeting on 25 March 2024, the Supervisory Board also defined the level of remuneration for a Deputy Chairperson of the Board of Management due to the first-time appointment of a Deputy Chairperson at EnBW AG with effect from 9 March 2024, thus modifying the Board of Management remuneration system approved on 7 December 2023 with respect to this newly created role. The revised remuneration system complies with the rules in ARUG II and takes all recommendations of the latest version of the German Corporate Governance Code, to which the Board of Management and Supervisory Board have declared their compliance, into consideration.

¹ The group of workers included in the comparison as the workforce comprises the employees of EnBW AG, using the average remuneration for a full-time equivalent (FTE) employee.

Structure and components of the Board of Management remuneration system

The remuneration system for members of the Board of Management of EnBW AG has several components. Rules and provisions relating to the remuneration system can be found in the service agreements of the members of the Board of Management together with any modifying or supplementary agreements, the variable remuneration system for members of the Board of Management, agreements on the company pension scheme for members of the Board of Management and resolutions passed by the Supervisory Board on the remuneration of members of the Board of Management in accordance with sections 87 and 87a AktG.

The terms of the service agreements are based on the respective resolution by the Supervisory Board on the appointment of the member of the Board of Management. A member of the Board of Management is usually appointed for an initial term of three years and reappointed for a term of five years.

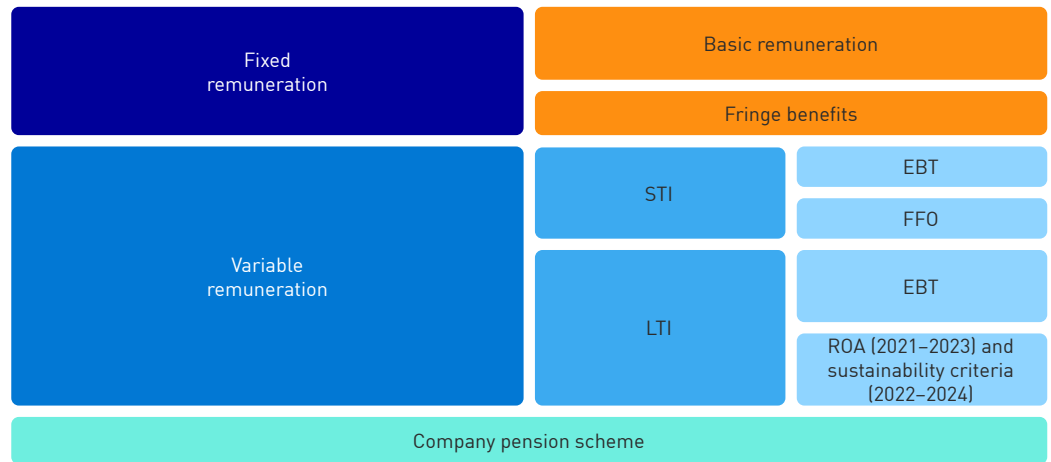
Decisions to be made by the Supervisory Board on defining, implementing and reviewing the remuneration system and its components are prepared by the personnel committee² of the Supervisory Board, which submits proposals to the Supervisory Board for resolution. All members of the Supervisory Board inform the Chairperson of the Supervisory Board (or his/her deputy if the Chairperson is personally involved) about any potential conflicts of interest at an early stage so that measures can be taken in advance to ensure that as far as possible no conflict of interest can arise. Aside from disclosing any potential conflicts of interest, consulting with the Chairperson of the Supervisory Board on the matter and informing the other members of the Supervisory Board, other possible measures to avoid and handle conflicts of interest in accordance with best practices and the recommendations in the German Corporate Governance Code range from abstaining from taking part in resolutions by way of non-participation in associated consultations, avoiding receiving corresponding information and documentation both before and after these consultations (no minutes with related content) through to resigning from office as the "ultima ratio" in the event of a member of the Supervisory Board having a material conflict of interest that is not merely temporary in nature.

The remuneration for members of the Board of Management and thus also their maximum remuneration comprises fixed remuneration, variable remuneration and contributions to the company pension scheme. These components are described in more detail below. The Supervisory Board defines the levels of each component of the remuneration when appointing a member of the Board of Management and, following a review that is usually carried out in combination with the reappointment of a member, decides on any amendments at its due discretion. The remuneration defined by the Supervisory Board for each member of the Board of Management is published in the annual remuneration report produced in accordance with section 162 AktG, which is presented to the Annual General Meeting for approval in accordance with section 120a (4) AktG. The figures published in the remuneration report on basic remuneration, minimum and maximum achievable plus target variable remuneration and contributions to the company pension scheme show the minimum and maximum levels of remuneration, total target remuneration and the relative share of fixed and variable components defined for each member of the Board of Management.

² The tasks carried out by the personnel committee of the Supervisory Board are described in the Report of the Supervisory Board that is presented to the Annual General Meeting and published every year.

The following diagram provides an overview of the remuneration structure:

Components of remuneration for members of the Board of Management



The structure of the remuneration system is designed to promote the long-term development of the Company. Using both transparent and performance-based criteria and a predominant multi-year variable remuneration ratio creates an incentive to manage the Company in a successful and sustainable way. The performance of the whole Board of Management and also the individual performance of each member of the Board of Management is taken into account when determining the remuneration. Unrestricted application of the performance and sustainability criteria ensures that the fixed and variable components comply with the remuneration system.

Fixed remuneration

Fixed remuneration of the members of the Board of Management comprises basic remuneration and fringe benefits.

The basic remuneration is contractually agreed with each member of the Board of Management as a fixed sum and paid out in twelve equal monthly installments.

Each member of the Board of Management also has access to a company car with a driver for business and appropriate private use, whereby any taxes on this non-cash benefit are borne by the respective member of the Board of Management.

Furthermore, the Company reimburses each member of the Board of Management for an annual health check, insofar as this is not already covered by an existing health insurance scheme. Other fringe benefits are the inclusion of the members of the Board of Management in third-party liability, legal and accident insurance policies and the provision of adequate D&O insurance for board members concluded in the interest of the Company, whereby the deductible for board of management members according to section 93 (2) sentence 3 AktG must be borne by the member themselves and is thus not covered.

Variable remuneration

Variable remuneration is designed to provide additional incentive for the strategic direction chosen by the Board of Management, especially with respect to promoting the business strategy and achieving a positive earnings trend and high profitability but also with respect to ensuring the long-term and sustainable development and long-term growth of the Company and Group, and to appropriately reward the Board of Management for any associated business success. In this way, variable remuneration is designed to help to maintain and increase the value of the Company.

The variable remuneration comprises a short-term single-year variable remuneration component and a long-term multi-year variable remuneration component.

The ratio of single-year to multi-year variable remuneration is approx. 40% to 60%, depending on the individual target remuneration for the member of the Board of Management, so that multi-year variable remuneration significantly outweighs single-year variable remuneration. The single-year variable remuneration component is described below as the Short Term Incentive (STI), while the multi-year variable remuneration component is described as the Long Term Incentive (LTI). The Supervisory Board defines the relevant targets and criteria for the variable components at the beginning of each remuneration period and then decides at the end of each remuneration period on the individual amount of variable remuneration to grant each member of the Board of Management based on the extent to which targets have been achieved.

The variable remuneration system for the members of the Board of Management of EnBW AG presented below governs the variable remuneration for remuneration periods that were not yet concluded in 2021 and for all subsequent remuneration periods, and thus replaces from this point onwards any previous rules defining the variable remuneration system for the members of the Board of Management.

Short-term variable remuneration (Short Term Incentive – STI)

The STI is awarded for a period of one financial year in each case and paid out in the following financial year. The measurement period for the STI is the financial year in which it is awarded.

The performance indicators for calculating the extent to which the target for the STI has been achieved are the following corporate performance indicators for the EnBW Group determined for the relevant financial year:

- EBT (earnings before taxes), adjusted for earnings from the measurement of financial assets allocated to the financial result and outstanding items for derivatives allocated under trading as well as for effects due to the adjustment of the nuclear provisions and to the change in the inflation rate for costs for the operation, dismantling and disposal of the nuclear power plants and in the discount rate
- FFO (funds from operations), adjusted for the items of income tax paid and income tax received

The Supervisory Board will define the target values for the performance indicators EBT and FFO each year before the start of the single-year measurement period.

The target value for the performance indicator EBT is generally defined on the basis of the figure actually achieved in the previous year, whereby the Supervisory Board can, at its own discretion, make the achievement of the target easier or more difficult by adjusting the figure from the previous year, taking into account extraordinary events in the previous year and general considerations on the development of earnings (target-actual comparison).

The target value for the performance indicator FFO corresponds to the value defined for the performance indicator in the single-year budget plan approved in the year before the start of the measurement period (plan-actual comparison).

The target remuneration for the STI consists of two equally weighted partial remuneration amounts (50:50). Each partial remuneration amount will be achieved if the target value for the respective performance indicator is achieved to 100%.

The extent to which the individual targets for each of the performance indicators are achieved is based, in the case of the underachievement or overachievement of the target value, on the ratio of the defined target value and the actual value for the performance indicator in the measurement period as defined in the consolidated financial statements for the year of payment.

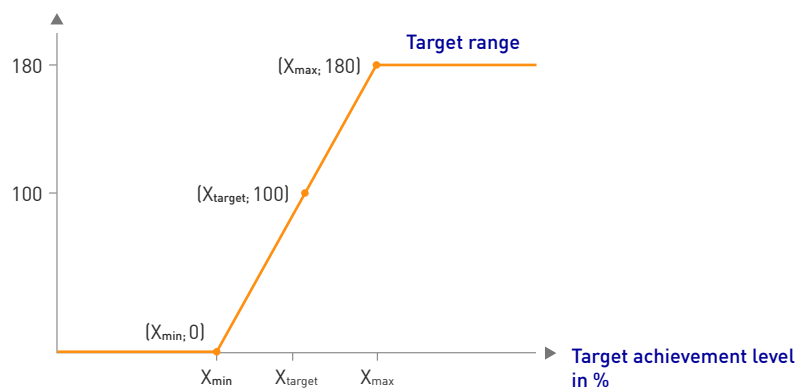
In the event of the overachievement of the target, the maximum possible remuneration that can be paid is limited to 180% of the partial target remuneration defined for each performance indicator (partial remuneration cap). The sum of both partial remuneration caps gives the total STI remuneration cap, which is 180% of the total amount for the STI target remuneration. In the event of the underachievement of the target, STI remuneration has no lower limit and can fall to an amount of €0.

When defining the target values for the short-term variable remuneration components, the Supervisory Board also separately defines a minimum and maximum value – at its own discretion – and thus the target range for each of the performance indicators on an annual basis.

The target range corresponds to a piecewise linear function, as shown in the diagram below, which is determined by the value of the lowest achievement level X_{\min} in relation to the lowest payout factor and the value of the highest achievement level X_{\max} in relation to the highest payout factor. The relationship between the target value and the minimum and maximum values can be used to determine the lowest and highest achievement levels (X_{\min} and X_{\max}), respectively, while the relationship between the target remuneration and the minimum and maximum remuneration can be used to determine the lowest and highest payout factors, respectively. The partial amount of the short-term variable remuneration for each performance indicator based on the achievement level is calculated by multiplying the actual payout factor by the target remuneration defined for the respective performance indicator. The actual payout factor is derived using the actual value achieved for the performance indicator and the piecewise linear function for the target range.

Target range

Payout factor
in %



If the definitions for the performance indicators or accounting policies change, especially as a result of amendments to accounting standards, the target values and ranges will be adjusted correspondingly during the ongoing measurement period, insofar as these changes cause the relevant achievement level to differ by more than +/-5 percentage points in comparison to the value that would have been achieved without these changes. The sum of the partial remuneration amounts for each performance indicator gives the total preliminary STI remuneration.

The amount of the total preliminary STI remuneration, which is calculated exclusively on the basis of financial performance indicators, is then evaluated qualitatively using additional criteria. The adjustment is carried out by multiplying the total preliminary remuneration by a certain factor, whose lowest value is 0.7 and highest value is 1.3. Only one decimal place is used for this factor. If not defined otherwise by the Supervisory Board, the default factor is 1.0. The size of this factor is primarily determined by the Supervisory Board on the basis of an evaluation of criteria that are defined in advance on an annual basis. The sustainable growth of the Company is an aspect that is particularly taken into account.

As part of a final evaluation of the short-term variable remuneration, the Supervisory Board also has the discretionary power to appropriately adjust the amount of the STI to take into account extraordinary and unforeseeable events and / or events that cannot be influenced by the Board of Management. This discretionary power must be exercised in accordance with the recommendations in the German Corporate Governance Code and shall not apply to the success targets or comparative values, the subsequent adjustment of which should be excluded according to the recommendation G.8 DCGK.

When taking any decisions concerning remuneration described in the three previous paragraphs, the Supervisory Board must also ensure – in accordance with section 87 (1) AktG – that the remuneration is appropriate in relation to the tasks and performance of the member of the Board of Management and the economic situation of the Company, while making sure that it does not exceed the customary level of remuneration without special reason. Furthermore, the Supervisory Board must take care to ensure that the total STI remuneration cap of 180% of the target STI remuneration still applies.

Calculation of the Short Term Incentive (STI)

Partial target remuneration EBT	×	Target achievement level EBT	×	Evaluation factor based on defined criteria	=	Final total STI remuneration
Partial target remuneration FFO	×	Target achievement level FFO				

Long-term variable remuneration (Long Term Incentive – LTI)

The LTI is granted for a period of one financial year and paid out in the financial year following the conclusion of the multi-year measurement period. The measurement period for calculating the LTI covers a period of three financial years, which includes the year in which the remuneration is granted and the two subsequent financial years (performance period).

Up to and including the LTI performance period 2021-2023, the performance indicators for calculating the target achievement level for the LTI are the following corporate performance indicators for the EnBW Group determined for one financial year in each case:

- EBT (earnings before taxes), adjusted for earnings from the measurement of financial assets allocated to the financial result and outstanding items for derivatives allocated under trading as well as for effects due to the adjustment of the nuclear provisions and to the change in the inflation rate for costs for the operation, dismantling and disposal of the nuclear power plants and in the discount rate
- ROA (return on assets = return on the capital expenditure for intangible assets and property, plant and equipment based on the relationship between the non-adjusted EBIT [adjusted in line with the regulations for deviations in the performance indicator EBT] and the sum of the intangible assets and property, plant and equipment [adjusted for subsidies related to capital expenditure])

The target values for the performance indicators EBT and ROA for LTI performance period 2021-2023 were defined by the Supervisory Board at its own discretion each year based on the corporate strategy and with effect for the next performance period that begins in the following year.

The target remuneration for the LTI up to and including LTI performance period 2021-2023 consists of two equally weighted partial remuneration amounts (50:50). Each partial remuneration amount will be achieved if the target value for the respective performance indicator is achieved to 100%.

From LTI performance period 2022-2024 onwards, the performance indicators for calculating the target achievement level for the LTI are the following corporate performance indicators for the EnBW Group determined for one financial year in each case:

- EBT (earnings before taxes), adjusted for earnings from the measurement of financial assets allocated to the financial result and outstanding items for derivatives allocated under trading as well as for effects due to the adjustment of the nuclear provisions and to the change in the inflation rate for costs for the operation, dismantling and disposal of the nuclear power plants and in the discount rate
- Two to a maximum of four sustainability performance indicators. The term “sustainability” is defined broadly by the Supervisory Board, covering not only the aspects of environmental protection and nature conservation, but also further aspects of sustainability. When selecting the sustainability performance indicators, the Supervisory Board will endeavor to strike a sensible balance for the Company with respect to the ESG (environment, social, governance) components and their associated themes.

The target values for the performance indicator EBT and for the sustainability performance indicators from LTI performance period 2022-2024 onwards are defined by the Supervisory Board at its own discretion on an annual basis in alignment with the corporate strategy. They will be effective for the next performance period that begins in the following year.

The target remuneration for the LTI from LTI performance period 2022-2024 onwards consists of two differently weighted partial remuneration amounts. When defining the SPLs, the Supervisory Board will also define the weighting of the partial remuneration amounts. The weighting for the performance indicator EBT can be between 50% and 70% and for the sustainability performance indicators between 50% and 30%. Each partial remuneration amount will be achieved if the target value for the respective performance indicator is achieved to 100%.

Up to and including LTI performance period 2023-2025, the extent to which the individual targets for each of the performance indicators are achieved is based, in the case of the underachievement or overachievement of the target value, on the ratio of the previously defined target value and the arithmetic mean of the actual values for the performance indicator as reported in the consolidated financial statements for each individual year of the performance period.

From LTI performance period 2024-2026 onwards, the extent to which the individual targets for the LTI performance indicator EBT are achieved is based on a comparison of the actual value for the respective year of a particular performance period and the target value for each year of this performance period. The payout factor is the arithmetic mean of the three different payout factors measured for each year of a performance period. The extent to which the sustainability performance indicators are achieved is still based, in the case of the underachievement or overachievement of the target value, on the ratio of the previously defined target value and the arithmetic mean of the actual values for the performance indicator as reported in the consolidated financial statements for each individual year of the performance period.

In the event of the overachievement of the target, the maximum possible remuneration that can be paid is limited to 180% up to and including LTI performance period 2021-2023 and from LTI performance period 2022-2024 onwards to 150% of the partial target remuneration defined for each performance indicator (partial remuneration cap). The sum of both partial remuneration caps gives the total LTI remuneration cap, which is 180% (2021-2023) or 150% (2022-2024) of the total amount for the LTI target remuneration. In the event of the underachievement of the target, LTI remuneration has no lower limit and can fall to an amount of €0.

When defining the target values for the long-term variable remuneration components, the Supervisory Board also separately defines a minimum and maximum value – at its own discretion – and thus the target range for each of the performance indicators on an annual basis (see here the diagram and the information provided for the STI).

The partial amount of the long-term variable remuneration for each performance indicator based on the achievement level is calculated by multiplying the actual payout factor by the target remuneration defined for the respective performance indicator. The actual payout factor is derived using the actual value achieved for the performance indicator and the piecewise linear function for the target range.

If the definitions for the performance indicators or accounting policies change, especially as a result of amendments to accounting standards, the target values and ranges will be adjusted correspondingly during the ongoing measurement period, insofar as these changes cause the relevant achievement level to differ by more than +/-5 percentage points in comparison to the value that would have been achieved without these changes.

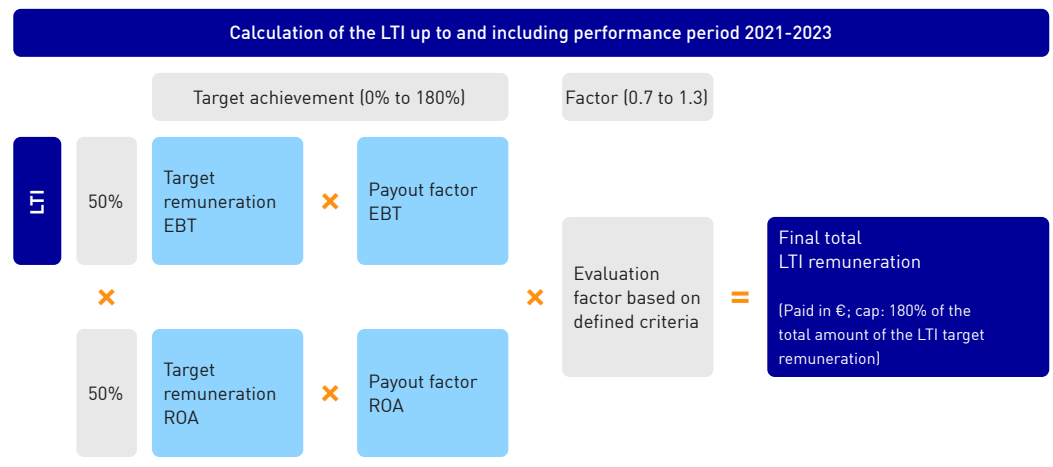
The sum of the partial remuneration amounts for the two performance indicators EBT and ROA (up to and including LTI performance period 2021-2023) or the sustainability performance indicators (from LTI performance period 2022-2024 onwards) gives the total preliminary LTI remuneration. The amount of the total preliminary LTI remuneration, which is calculated based on financial and non-financial performance indicators, is then evaluated qualitatively using additional criteria, as is the case for the STI (see explanations for the STI).

The amount of the total preliminary LTI remuneration, which is calculated exclusively on the basis of financial performance indicators, is then evaluated qualitatively using additional criteria. The adjustment is carried out by multiplying the total preliminary remuneration by a certain factor, whose lowest value is 0.7 and highest value is 1.3. Only one decimal place is used for this factor. If not defined otherwise by the Supervisory Board, the default factor is 1.0. The size of this factor is primarily determined by the Supervisory Board on the basis of an evaluation of criteria that are defined in advance on an annual basis. The sustainable growth of the Company is an aspect that is particularly taken into account.

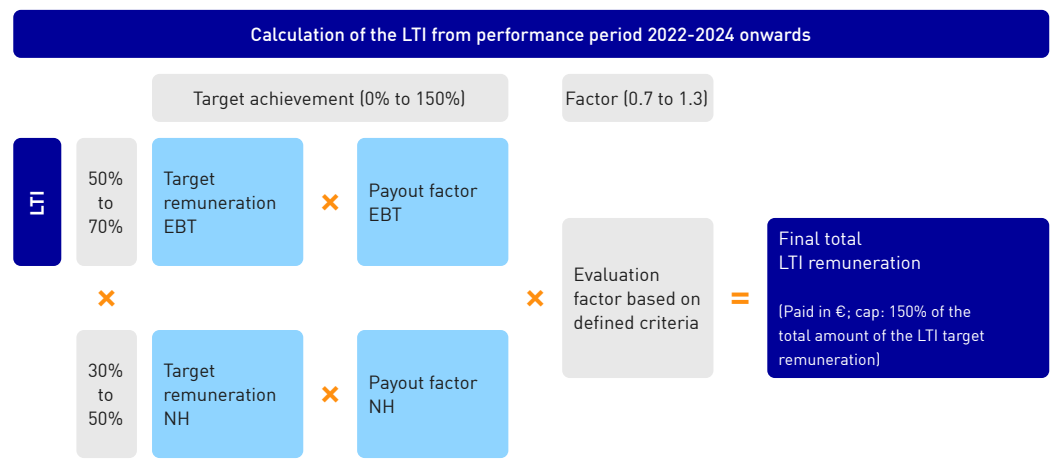
As part of a final evaluation of the long-term variable remuneration, the Supervisory Board also has the discretionary power to appropriately adjust the amount of the LTI to take into account extraordinary and unforeseeable events and / or events that cannot be controlled by the Board of Management. This discretionary power must be exercised in accordance with the recommendations in the German Corporate Governance Code and shall not apply to the success targets or comparative values, the subsequent adjustment of which should be excluded according to the recommendation G.8 DCGK.

When taking any decisions concerning remuneration described in the two previous paragraphs, the Supervisory Board must also ensure – in accordance with section 87 (1) AktG – that the remuneration is appropriate in relation to the tasks and performance of the member of the Board of Management and the economic situation of the Company, while making sure that it does not exceed the customary level of remuneration without special reason. Furthermore, the Supervisory Board must take care to ensure that the total LTI remuneration cap of 180% (2021-2023) or 150% (2022-2024) of the target LTI remuneration still applies.

Calculation of the LTI (up to and including performance period 2021-2023)



Calculation of the LTI (from performance period 2022-2024 onwards)



The Supervisory Board can decide at its due discretion to withhold a portion of up to 50% of the total LTI remuneration for a member of the Board of Management for a performance period and thus reduce the amount paid out if the member of the Board of Management in question has seriously and culpably breached one of their duties according to the Articles of Association, the rules of procedure of the Board of Management or Supervisory Board, their service agreement or a resolution passed by the Annual General Meeting or Supervisory Board. A serious and culpable breach exists, in particular, if the member of the Board of Management has committed a criminal offense in relation to their service on the Board of Management and/or has caused serious pecuniary and non-pecuniary damage (including reputational damage) to the Company, or a company associated with it, or if their actions or omissions have caused significant penalties to be imposed on the Company, or a company associated with it, due to a violation of the regulatory provisions or legal regulations according to criminal law or laws relating to administrative offenses (including supplementary penal provisions). When exercising its judgment, the Supervisory Board will take into account the seriousness of the breach of duty, the degree of responsibility of the member of the Board of Management, the possible pecuniary and non-pecuniary damage, any contributions made to limit the damage and the principle of proportionality. The Supervisory Board is also entitled to withhold remuneration even if the member of the Board of Management is no longer a member of the Board of Management at the time the right to withhold remuneration is exercised. The right to withhold remuneration is limited to those performance periods that are ongoing or were ongoing at the time of the breach of duty and/or the time at which damage associated with the breach of duty occurs and for which the respective LTI remuneration has not yet been fully paid out. Any claims for damages against the relevant member of the Board of Management remain unaffected by this provision.

Rules with respect to the start of service, end of service and unavailability for service

If a service agreement for an initial term of service begins during the year, variable remuneration for the year in which this initial term starts is calculated pro rata temporis using the number of calendar days in the initial year of service covered by the service agreement and the total number of calendar days in the initial year of service.

In the event of temporary unavailability for work on the part of a member of the Board of Management due to illness or any other reason for which the member of the Board of Management is not responsible, remuneration will be paid for the first six months. The amount of variable remuneration will be calculated from the average of the last three years, and basic remuneration will be paid for a further six months. However, payments in the event of unavailability for work will be made no longer than until the end of the term of the service agreement.

If a service agreement ends due to non-extension, permanent incapacity for work, retirement after reaching pensionable age or death, the amounts paid for the year in which the member leaves the Board of Management are calculated pro rata temporis using the number of calendar days in the year the member leaves the Board of Management covered by the service agreement and the total number of calendar days in the year the member leaves the Board of Management.

Rules for premature termination of service

If the appointment of a member of the Board of Management is revoked, the service agreement is legally terminated for an important reason by either the Company or member of the Board of Management or is terminated for another reason (except if this is by mutual agreement) before the end of the term of the service agreement, the member of the Board of Management loses their claim to payment of any variable remuneration components that have not yet been paid out at the time the service agreement is terminated or granted at the time the appointment is revoked.

In the event of the premature termination of the appointment or service agreement by mutual agreement, the Supervisory Board shall decide on whether the member of the Board of Management has a claim to variable remuneration components for the year in which they leave the Board of Management.

Members of the Board of Management do not have any general entitlement to a severance payment in the event of premature termination of service on the Board of Management. However, severance benefits may be payable on the basis of a severance agreement made with the individual. In these cases, it is agreed with members of the Board of Management that payments made to a member of the Board of Management on premature termination of his or her contract without serious cause, including fringe benefits, shall not exceed the value of two years' remuneration (severance cap) and compensate for no more than the remaining term of the contract. In concluding or extending contracts for the Board of Management, care is taken to ensure that no payments will be made to a member of the Board of Management in the event of the premature termination of the contract due to a serious cause for which the member of the Board of Management is responsible.

In the event of the premature termination of service on the Board of Management due to a change of control, the possibility of a severance payment for the member of the Board of Management is limited to the pro rata share of annual remuneration(s) for the residual term of the contract. However, the severance payment must not exceed three times the annual remuneration.

Company pension scheme

The company pension scheme for the members of the Board of Management of the Company was agreed by the Supervisory Board on 18 March 2016 based on a defined contribution pension model. It is a capital market-oriented pension system that provides members of the Board of Management with flexibility with respect to how the pension benefits are paid out. In this system, annual pension contributions are awarded that accrue interest at a rate oriented to the capital market. In order to ensure that the business risks associated with the pension scheme – especially the interest rate risks and biometric risks – remain calculable in the future, the interest model only contains a relatively low fixed interest entitlement that forms the basic interest rate plus a non-guaranteed surplus that is based on the actual development of interest rates in the life insurance industry.

During the term of the contract, EnBW AG pays fixed annual contributions to the pension scheme to an individual pension account. Pension contributions are awarded for a maximum period of three terms of office (or 13 years in office), unless the Supervisory Board passes a resolution to award pension contributions to the members of the Board of Management for longer than three terms of office. The fixed annual contributions are €230,000 for ordinary members of the Board of Management and €390,000 for the Chairman of the Board of Management.

In the event of invalidity and as a supplementary risk benefit, age-dependent “notional” contributions will be paid on top of the balance already existing on the pension account until the member reaches the age of 60 – although at the most seven contributions will be paid.

For capital market-oriented pension benefits, interest is awarded that is oriented to the market and consists of a guaranteed basic interest rate and a non-guaranteed surplus. The guaranteed interest is paid on every contribution in advance until the defined retirement age (63 years old). In addition, annual surplus payments can be paid above and beyond the guaranteed interest. These are based on the current average interest rate for capital investments actually achieved in the past year in the life insurance industry and are not guaranteed.

When the pension is due (age, invalidity, death), payment of the pension assets is generally made in five to ten installments. Alternatively, a life-long pension payment can be made on the request of the member of the Board of Management – including a 60% entitlement for surviving dependents – or a mixed form of payment. Payment options are also available to the surviving dependents. If the member leaves the Board of Management before the pension is due, the pension account will remain at its current balance plus any surplus payments that are still due to be made.

The members of the Board of Management are entitled to make their own contributions to the pension scheme and supplement the pension provision financed by the employer. For this purpose, a proportion of the annual STI bonus up to a maximum sum of €50,000 p.a. can be converted into a pension entitlement. The regulations described above apply correspondingly to self-financed contributions.

Individual pension contributions that deviate from the regulations for the new pension scheme: From 1 January 2016, the annual pension contributions and the interest on the contributions are generally awarded in accordance with the rules of the new system for new members of the Board of Management. Deviating from the new system, individual pension contributions and an individual contribution period were defined as part of the transition from the old pension scheme, which was valid up to 31 December 2015 for the then serving members of the Board of Management, to the new pension scheme that has been valid since.

Regulation for limiting severance payments: No severance benefit obligations exist in the event of premature termination of service on the Board of Management. However, severance benefits may be payable on the basis of a severance agreement made with the individual. For existing agreements, it was agreed that payments made to a member of the Board of Management on premature termination of his or her contract without serious cause, including fringe benefits, shall not exceed the value of two years' remuneration (severance cap) and compensate for no more than the remaining term of the contract. In concluding or extending contracts for the Board of Management, care is taken to ensure that no payments will be made to a member of the Board of Management in the event of the premature termination of the contract due to a serious cause for which the member of the Board of Management is responsible.

Changes to the remuneration system for the Board of Management and temporary deviations

The Supervisory Board may change the remuneration system for the Board of Management at any time by passing a resolution in accordance with the legal regulations (especially sections 87 and 87a AktG).

The Supervisory Board is entitled to temporarily deviate from the remuneration system in accordance with section 87a (2) sentence 2 AktG if this is necessary in the interests of the long-term well-being of the Company. In these cases, the Supervisory Board can temporarily deviate as appropriate from the remuneration structure, the levels of remuneration, the remuneration components, the performance indicators and their weighting, as well as the target values and target ranges. Every deviation from the remuneration system carried out at the due discretion of the Supervisory Board requires a resolution by the Supervisory Board, usually based on a recommendation from the personnel committee. When taking such decisions, the Supervisory Board must ensure – in accordance with section 87 (1) AktG – that the remuneration is appropriate in relation to the tasks and performance of the member of the Board of Management and the economic situation of the Company, while making sure that it does not exceed the customary level of remuneration without special reason. Furthermore, the Supervisory Board must take care to ensure that the relevant total remuneration cap still applies. Finally, the Supervisory Board shall ensure that a new declaration of compliance pursuant to section 161 AktG is issued if such decisions deviate from the recommendations in the German Corporate Governance Code with which the Board of Management and Supervisory Board have declared their compliance.

Important notes

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