

RWE

**Focus
on responsibility.**

Non-financial report 2021



Separate Non-financial Group Report

The CSR Directive Implementation Act (CSR-RUG) obliges large capital-market oriented companies to draw up and publish a Non-financial Declaration (NfD) in the Management Report or a separate Non-financial Group Report (NfR). The aim is to provide information that is necessary to understand the business performance, business results and position, and also impacts of the activity of the company on the environment and society. RWE is publishing a separate Non-Financial Group Report.

In this Non-financial Report, we are using the Standards of the Global Reporting Initiative (GRI) as a framework for the description of the concepts. The details of the EU Taxonomy follow the regulations in accordance with the DIRECTIVE (EU) 2020 / 852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL dated 18 June 2020 about setting up a framework for facilitating sustainable investments and for amending the Directive (EU) 2019/2088.

Non-financial reporting encompasses all fully consolidated companies defined in the RWE Annual Report 2021. The time-based data relate to the period from 1 January 2021 to 31 December 2021. In the case of data for a specific reference date, we report in line with the Group of consolidated companies as at 31 December 2021.

The Non-financial Report was audited and approved by the Supervisory Board of RWE AG. The external business audit for limited assurance was carried out by professional services firm PricewaterhouseCoopers GmbH, see [Assurance Report on page 24](#).

Business model

We report on our business model and our markets in the [combined review of operations](#) in section 2.1 Strategy in the [RWE Annual Report 2021, page 23](#).

RWE is a leading European energy utility and focuses its business activities on the production of electricity. We have a massive programme of growth based on our “green core business” with the renewable energy sources wind and solar. Our core activities also encompass battery storage, flexible backup power plants, hydrogen business, own and intermediate trading with energy-related commodities and the offering of innovative energy solutions to industrial customers.

RWE has set out to become climate neutral along the entire value chain by 2040. We want to achieve this by “green growth”. By 2030, we intend to double our generation capacities in wind energy, photovoltaics and storage technologies, increasing flexible backup power plants and electrolyzers for hydrogen production. By 2030, we intend to invest € 50 billion in these renewable generation assets. We will gradually reduce electricity generation from coal pursuant to the Coal Phaseout Act (Kohleverstromungsbeendigungsgesetz, KVBG). This means we will be playing our part in achieving the Paris climate goals.

Our Group structure reflects the energy sources used for electricity generation and features five segments as follows: (1) Offshore Wind, (2) Onshore Wind / Solar, (3) Hydro / Biomass / Gas (this segment also includes the design and roll-out of our hydrogen strategy), (4) Supply & Trading as well as (5) Coal / Nuclear. The first four segments make up our core business. This is where we want to grow. The fifth segment covers power generation from coal and nuclear energy, which will increasingly lose importance due to legally mandated phaseout roadmaps.

Non-financial risks

The function of risk management at RWE AG is identifying, assessing and managing quantifiable risks at the earliest possible stage. This encompasses among other things our groupwide reporting and controlling systems. Appropriate guidelines regulate the handling of risks, and risk analysis within the scope of strategic, planning and controlling processes. The activities of the Risk Committees and Internal Audit are also essential for this work alongside reporting on the basis of the German Corporate Control and Transparency Act (KonTraG).

When carrying out its risk-oriented audit planning, Internal Audit regularly includes a review of various principles of the Code of Conduct as a focus for audit.

Non-financial aspects are also relevant from the sustainability perspective. These include environment, employee and social concerns, and human rights, and anti-corruption and combatting bribery. Potential risks were identified that could arise from the business activities of RWE or from business relationships. These risks could exert effects on the company itself and on the company environment and its stakeholders. The risks addressed here extend beyond reporting on the basis of the German Corporate Control and Transparency Act (KonTraG) (see [Development of Risks and Opportunities in the combined review of operations in the RWE Annual Report 2021, page 70](#)). The definition of risk here deviates from the risk concept used in the context of the RWE Annual Report 2021. This relates in particular to transitory risks, i.e. possible risks relating to longer-term developments. Some of these can only be identified with difficulty. In the case of the non-financial risks presented in this report, potential material risks were analysed, which are highly likely to exert serious negative impacts before potential mitigation measures. These include potential risks such as long-term climate risks or possible risks in relation to our supply chain. The risks with the potentially biggest accumulated impact are listed in the following table. Potential impacts were assessed in a total of three dimensions: influence on the part of RWE, influence on RWE, and relevance for stakeholders. The following risks were identified by the Sustainability Department for the fiscal year 2021:

The human rights aspect can exert negative impacts in the supply chain. Even if the impact of individual cases may be limited, the overall risk of such impacts on human rights is a challenge that we have to address. We consider the occurrence of possible corruption cases to be relevant in the battle against corruption. We address our measures relating to this matter on [page 12](#).

More frequent occurrence of extreme weather events may be a possibility as part of global climate change, which can also exert an impact on our business activities. We report on our measures for reducing our greenhouse gas emissions on [page 13](#).

Employee concerns are another important issue for us. For detailed information, see [page 20](#). We want to minimise the risk of possible fatal occupational accidents by applying the high standards of occupational safety. Furthermore, we see in relation to the aspect of employee concerns a potential risk of not attracting sufficiently skilled candidates for the many personnel vacancies that our company has to offer.

During the course of our internal assessment, we also perceived a possible non-financial risk in the aspect of social concerns. In spite of the fundamental change undergone by our company over recent years, this would mean that our company is not yet perceived as a “green company” that is contributing to global sustainability within the framework of our business model. External stakeholder groups could lead to RWE being perceived in a negative light, which may result in a lack of investments in our company.

Aspect	Possible non-financial risk	Influence on the part of RWE	Influence on RWE	Relevance for stakeholders
Human rights	Negative impacts on human rights in the supply chain	++	++	++
Anti-corruption	Occurrence of cases of corruption	++	+	++
Environment	Climate: Extreme weather events	+	+++	++
Employees	Fatal occupational accidents	+++	++	+++
	Lack of appeal as an employer	++	++	+
Social	Negative public perception (not a "green company")	++	++	+++

Scale: (+) low risk, (++) medium risk, (+++) high risk

Aspects

Every year, the Sustainability Department compiles non-financial performance indicators for topics which assume material impacts caused by the business operations of the RWE Group. The selection of performance indicators is based on a number of factors including the topic areas that were assessed as relevant by our stakeholders within the framework of the Materiality Analysis. Examples of other selection criteria include whether measurable indicators can be surveyed from the company's perspective and whether a controllable influence can be exercised by the Executive Board for these indicators. After integrating the relevant specialist departments, these selected indicators are proposed as targets and then reviewed by the Personnel Committee. On the basis of this review, targets are defined in consultation between the Supervisory Board and the Executive Board for the following fiscal year. These are then incorporated in the performance-related remuneration of the Executive Board, see separately published [Remuneration Report](#). The target definition was based on the current RWE Group structure so that the valid concepts, structures and targets throughout RWE are being applied.

The topics with assumed material impacts resulting from the business activities of the RWE Group are crucially important for the content of this report. The following table presents the topics allocated to the aspects of human rights and anti-corruption, as well as environment, employee and social concerns. The aspects of environmental concerns and employee concerns are of great importance for the business activity of RWE. Furthermore, respect for human rights, anti-corruption and combatting bribery are highly relevant for our company. Social concerns are important on account of our international business strategy and the associated aspects, but they have not yet been anchored with performance indicators in the remuneration for the Executive Board. These topics are consequently not a constituent element of this Non-financial Report pursuant to the requirements of the CSR Directive Implementation Act (CSR-RUG).

Topics for the Non-financial Report

Statutory aspects pursuant to Article 289c Section 2 German Commercial Code (HGB)	Topics
Respect for human rights	Procurement practices
Anti-corruption and combatting bribery	Anti-corruption
Environmental concerns	Greenhouse gas emissions, environmental compliance
Employee concerns	Occupational health and safety, motivation of employees
Social concerns	Owing to our international business strategy and the associated aspects, the aspect of social concerns has not yet been anchored with performance indicators in the remuneration for the Executive Board. This aspect is therefore not currently included in this Non-financial Report as a material topic for RWE pursuant to Article 289c, Section 3 of the German Commercial Code (HGB).

Alongside the aspects and topics referred to, sustainable investments are becoming more and more relevant for investors and therefore also pertinent for RWE. In this report, RWE describes for the first time its activities on the basis of the European Taxonomy Criteria. The necessary processes are being established for this during the fiscal year.

Furthermore, our emission reporting in accordance with the Greenhouse Gas Protocol (GHG Protocol) will form part of this Non-financial Report for the first time. The previous reporting in the Sustainability Report will now also be integrated in the Non-financial Report, see [page 13](#).

EU taxonomy

The EU Taxonomy is a key element of the European Green Deal of the European Commission in order to create a sustainable financial sector. This forms a classification system for a uniform classification of environmentally sustainable company activities. Business activities are analysed for their contribution to six defined environmental goals (climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems). Only the first two environmental goals referred to are relevant for 2021. As an energy utility, our activities contribute most importantly to the environmental goal of climate protection.

For the fiscal year 2021, the regulations in accordance with the DIRECTIVE (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL dated 18 June 2020 about setting up a framework for facilitating sustainable investments and for amending the Directive (EU) 2019/2088 (hereinafter referred to as EU Taxonomy) are being applied for the first time. In accordance with the simplification regulations in place for the year 2021, we are reporting exclusively on the taxonomy-eligible activities. Analysis processes were established during the reporting year and the available activities were reviewed for their taxonomy eligibility. Taxonomy-eligible activities relate to business activities for which concrete, defined technical screening criteria are available in accordance with the Taxonomy Regulation. An appropriate assessment can be carried out for these activities in order to establish whether this is an environmentally sustainable activity in accordance with the EU Taxonomy (taxonomy-aligned). We will report on our taxonomy-aligned activities for the first time in relation to the fiscal year 2022.

Our taxonomy-eligible economic activities primarily comprise electricity generation from onshore and offshore wind, using photovoltaic technology and hydropower.

On 2 February 2022, the European Commission passed a supplementary delegated act which formalises the taxonomy criteria for activities in natural gas and nuclear energy. This enables electricity generation using natural gas and nuclear power, and the corresponding generation of heat to be classified as taxonomy-eligible or taxonomy-aligned subject to very well-defined prerequisites. Since first-time application of this extension is intended from 1 January 2023, the specified activities are reported as not taxonomy-eligible in the current report. Our business activities that are not taxonomy-eligible therefore primarily comprise electricity generation from coal, nuclear energy and gas (conventional).

Our reporting is carried out in accordance with the metrics for the three key performance indicators (KPI), revenues, capital expenditure (CapEx) and operating expenditure (OpEx). These metrics are calculated by using the EU Taxonomy definitions:

The revenues correspond to the proportion of net revenues with goods or services, which are associated with taxonomy-eligible business activities (numerator), in total consolidated revenues (denominator). Explanations of consolidated revenues are provided on [page 110 et seq of the RWE Annual Report 2021](#).

The CapEx corresponds to the proportion of additions to property, plant and equipment and intangible assets during the fiscal year before depreciation and amortisation, and re-evaluations, which are associated with taxonomy-eligible business activities (numerator), in the total amount of the CapEx (denominator). The total amount of CapEx is made up of a number of aspects including additions in the statement of assets on [pages 117 and 121 of the RWE Annual Report 2021](#) plus the additions to property, plant and equipment, and intangible assets from business combinations. The key addition in the fiscal year was the first-time full consolidation of Rampion Offshore Wind Limited, which is shown on [page 134 of the RWE Annual Report 2021](#). In line with our expansion plans, we have primarily concentrated on renewable energy projects which will only come onstream in the coming years. The CapEx attributed to these projects amounts to € 2.2 billion in the fiscal year under review. In the course of the construction phase, we expect CapEx for these projects in the amount of approximately € 5.4 billion.

The OpEx corresponds to the proportion of direct, non-capitalised costs for research and development, building refurbishment measures, short-term leasing, maintenance and repair, and all other direct expenditure in conjunction with the day-to-day maintenance of assets included in property, plant and equipment, which are associated with taxonomy-eligible business activities (numerator), in the total amount of the OpEx (denominator). The expenditure in connection with daily maintenance of our property, plant and equipment primarily relates to expenses for the maintenance of wind turbines and our power plants. This takes account of purchased and in-house repair measures. Aside from the service expense, directly attributable material expense, personnel expense and other operating expense are also included here.

In the first instance, an analysis of our business activities was carried out in order to determine the KPIs. This involved directly allocating individual business units and hence the revenues achieved there, CapEx and OpEx generated there to a business activity in accordance with the Taxonomy Regulation.

If direct allocation to business activities was not possible, we were able to use appropriate allocation procedures to allocate the KPIs to taxonomy-eligible and non-taxonomy-eligible activities. In order to calculate the revenues, revenues from the segment Supply & Trading were allocated to our taxonomy-eligible or non-taxonomy-eligible business activities essentially on the basis of internal sales. The reason for this is that electricity production is carried out at the level of the individual business activities, whereas the sale of electricity generally takes place through the segment Supply & Trading.

For the reporting year 2021, we calculated the following data on the taxonomy-eligible activities of the RWE Group:

	Total (in € million)	Proportion of taxonomy-eligible activities	Proportion of non-taxonomy-eligible activities
Revenues	24,526	18%	82%
CapEx	6,035	88%	12%
OpEx	1,639	25%	75%

18% of the taxonomy-eligible revenues are essentially represented by the shares which we generated with our electricity generation from renewable energy, mainly from wind power, in the reporting year 2021. These taxonomy-eligible activities have therefore already demonstrated in the first reporting year of taxonomy that RWE is at a good starting point for taxonomy as a result of the expansion of the renewable energy business. We also expect to be able to increase the taxonomy-eligible share of sales in the future.

The taxonomy-eligible CapEx at 88% is an indication of our comprehensive investments in renewable energy. We have also included this in our investment and growth strategy “Growing Green” which we presented to the public in 2021. Continuous expansion of our green generation portfolio forms the foundation of our strategy alongside achieving our objective as a Group of being carbon neutral by 2040.

OpEx shows a taxonomy-eligible share of 25%. This results primarily from the operational expenses for electricity generation from renewable energy. The generation technologies permit comparatively low operational expenses compared with other non-taxonomy-eligible activities, particularly in the area of lignite.

Respect for human rights

Procurement practices

Ethical and lawful procurement is an important topic for us. In order to comply with this principle, we align our supply chain taking into account local framework conditions, national or pan-national regulations and international standards. The procurement practices at RWE are essentially divided into two categories. On the one hand, this relates to the procurement of energy sources, i. e. combustion fuels such as hard coal, biomass and gas. This is carried out through our trading subsidiary company RWE Supply & Trading. On the other hand, the procurement of goods, plant components and services is carried out through various purchasing departments within the Group. The procurement procedures of our trading subsidiary and the purchasing departments are presented separately below in order to provide a better overview.

Procurement of goods, plant components and services

Challenges

We mainly source goods, plant components and services for conventional power plants from business partners who are based in the European Union. Meanwhile, the focus of procurement for the Renewables division is also the American continent and the Asia-Pacific region. A majority of our procurement processes takes place in countries of origin which are characterised by a robust legal framework. Additional procurement activities include service packages or services that are deployed throughout the Group.

We have established management systems and controlling systems in the Group in order to ensure to the best of our abilities compliance with legislation and safeguarding standards in relation to environmental, labour and social concerns, human rights, and prevention of corruption. Our efforts are directed towards the avoidance of diverse potential negative

effects, but we are unable to guarantee that such impacts are excluded entirely by our efforts. We are therefore working consistently on continuing to improve our operations. To this end, we also cooperate with other companies and organisations. Above all, we are looking to identify new digital solutions. One of these is IntegrityNext. This is a digital platform for collecting sustainability data on the topics of environmental protection, human and labour rights. Suppliers are required by us to provide additional information and verification documents through IntegrityNext. These are then evaluated and validated.

National and international standards are becoming increasingly concrete in relation to the expectations for sustainable supply chain management. Several countries already have national action plans in place for business and human rights, or such plans are currently being prepared. These regulations on the duty to respect human rights relate in particular to the UN Guiding Principles on Business and Human Rights. In July 2021, a law on company due diligence in supply chains was adopted in Germany. The European legislative proposal on due diligence in the supply chain was submitted for scrutiny at the beginning of 2022. The UK Modern Slavery Act in the United Kingdom requires us to do everything in our power to prevent modern slavery from occurring in our supply chains. Our objective is to uphold human rights throughout RWE. As far as this is concerned, we have already achieved a great deal and we intend to continuously improve in this area. Our goal in procurement is therefore to achieve coverage for the complete procurement volume of goods, services and plant components with our direct business partners through the RWE Code of Conduct. This approach is intended to ensure that the rights and principles defined in the Code of Conduct are upheld in all supply relationships. However, we regard the biggest challenge as including the entire supply chain because RWE as a company generally only has direct scope for taking action with suppliers or service providers we have direct business relationships with. We are currently carrying out a risk-based review in order to analyse potential impacts of the regulations referred to above on our supply chain.

Project development and the operation of plants for the Renewables division is carried out in the international arena. Projects for renewable energy are being developed or implemented in North America, in Europe and in many countries in the Asia-Pacific region. This also leads to an expanded supply chain. The procurement organisation of the Renewables division has to select, qualify and manage a wider range of suppliers and service providers with a high number of sub-suppliers in all areas of activity. Consequently, the challenge increases when it comes to identifying risks in the supply chain and measures to minimise risk.

Organisation and management

The procurement organisations of the RWE Group manage the procurement relationships. A total of three purchasing departments within the Group are currently responsible for groupwide procurement procedures. Group Procurement is assigned organisationally to RWE Power AG and reports to its Chief Financial Officer. Procurement by the Renewables division is assigned to RWE Renewables GmbH and the department also reports there to the Managing Director responsible for finance. Group Procurement is responsible for the requirements of RWE AG, the operating segments (with the exception of Renewables) and Supply & Trading, as well as the overarching requirements for the Renewables division. Furthermore, Group Procurement is also responsible for drawing up guidelines, processes and systems relating to procurement. The Procurement Department for Renewables is responsible for the so-called direct requirements of this business that are needed for developing and realising projects, and for the operation and maintenance of the generation plants. Project procurement of RWE Technology International looks after the project-specific requirements of RWE Technology International. In 2022, the procurement organisation in the Group is being restructured in order to be in an optimum organisational position for our much more international strategic focus.

The common platform for purchasing activities of the procurement organisations is provided by our Group Procurement Guideline. This defines uniform principles applicable throughout the Group for purchasing goods and services.

Our compliance rules and principles must be complied with for all procurement transactions alongside the RWE Code of Conduct. Our suppliers or service providers are also obliged to adhere to these regulations. We review business relationships with partners if it becomes known in the public domain that they have breached the principles of the UN Global Compact. We then take appropriate measures that we consider necessary and put them into action. Depending on the severity of a potential breach, these vary significantly. We review the compliance system, agree measures for avoidance of violations in the future or terminate the business relationships in a worst-case scenario.

Code of Conduct as a constituent element of all contractual relationships of procurement organisations

The production of goods and the provision of services in our supply chains should take place under comparable conditions to those prevailing in our own company. We expect partners in a business relationship with RWE to accept the principles of our Code of Conduct as a basis for cooperation. This includes the RWE principles governing behaviour and conduct. These principles address issues including the topics of human rights, labour standards, the environment, anti-corruption and money laundering.

In the area of supplier management, RWE draws a fundamental distinction between supplier qualification and supplier relationship management including risk management. New suppliers entering into a business relationship with RWE must successfully complete the supplier qualification process and comply with our high standards in order to be able to take part in tender processes. As part of this digitalised process in the “Supplier Life Cycle” tool, suppliers must answer a sustainability questionnaire. They also have to confirm compliance with the Sustainable Procurement Policy and the RWE Code of Conduct. Additional sustainability or decarbonisation targets may be agreed in the tender procedure.

A range of measures ensures transparency of supplier services and development of important supplier relationships within the framework of supplier relationship management. For example, service quality and supply performance are monitored in the “Supplier Life

Cycle” tool. Furthermore, we use a supplier monitoring tool, IntegrityNext, for supplier self-assessments and social media monitoring, in order to minimise risks and to ensure sustainable supply chains. The application of these digital tools will continue to be expanded. In addition, the personal relationship with strategic partners is very important for RWE. We consult closely with suppliers and hold meetings with them in order to guarantee long-term and strategic partnerships.

Measures and performance measurement

Code of Conduct as a constituent element of all contractual relationships

The procurement organisations bear responsibility for procurement procedures at the RWE Group. Around 13,000 suppliers, which received a purchase order in 2021, are registered in our supplier portfolio for procurement of goods, plant components and services within the framework of business and plant operation, and project development and realisation. While most suppliers received small-scale purchase orders, some 540 of these suppliers are important for projects and operation, and are therefore strategically relevant. Around 70% of the order volume is attributed to these strategically relevant (tier 1) suppliers. The supplier classification and the invoicing volume for each supplier and year determine whether supplier management is applied for a supplier. This must take place for suppliers with a supplier classification of “critical” or “strategic”. We are launching this classification in 2022 and this classification will provide appropriate support for this initiative. In addition, the same approach can be adopted for suppliers with an invoicing volume of more than € 1 million each year.

In the case of potential suppliers, we carry out a self-assessment to gather information on matters including environmental protection, occupational safety and compliance. All the business partners accredited for our trading operations were reviewed for compliance with our Code of Conduct before we commenced business relationships with them. In line with the Code of Conduct, the individual trading processes highlighted below are based on standard contracts usual in the market. We are in regular and close contact with strategically relevant suppliers. The supplier classification based on a variety of issues is used to identify dependencies which are assessed as critical or strategically relevant for RWE and consequently come under the auspices of supplier management.

During the reporting year, the procurement organisations purchased goods, services and plant components with a total order volume of around € 7.9 billion (2020: € 4.3 billion). The increase in order volume in a year-on-year comparison essentially results from order processes that contribute to the expansion of projects in Renewables.

We regularly monitor the proportion of the procurement volume in which the requirements of our Code of Conduct are a constituent element of the contractual relationship. During the year under review, the corresponding level of coverage of RWE Group Procurement met its target value of 100% in relation to the procurement volume for goods and services including the procurement volume for Renewables.

Declarations on the UK Modern Slavery Act

Our Group companies RWE Supply & Trading GmbH, RWE Generation SE and RWE Renewables also operate in the United Kingdom. They therefore regularly publish a [Statement of Compliance](#) relating to the UK Modern Slavery Act on their national Internet pages.

Procurement of energy sources

Challenges

The procurement of energy sources and derivatives on trading markets presents challenges that are very similar to those in the procurement of goods, plant components and services. Furthermore, we are also confronted with a challenge in excluding money laundering and financing terrorism.

Organisation and management

Key elements of our value chain are the procurement and marketing of hard coal, natural gas, liquefied natural gas (LNG) and biomass. The procurement of biomass is carried out entirely through direct business partners. Furthermore, all the procured biomass is provided with sustainable certification. Raw materials are traded as standardised products with defined quality attributes on international wholesale markets. These markets are the most important source of procurement for hard coal, natural gas and liquefied natural gas (LNG). Raw materials traded in these markets often change ownership several times after they

have been first offered for sale by the producers. Generally, the immediate upstream owner is only known to us when a transaction is concluded, while the precise geographical origin of the raw material is not known. There are therefore only limited direct supplier relationships between RWE and the producers. This means we are only able to indirectly exert influence on the production conditions.

Measures and performance measurement

We expect all our business partners to comply with the principles of the RWE Code of Conduct or to comply with their own equivalent Code of Conduct. The Code of Conduct for the RWE Group defines the company's expectations for our own working practices, the standards for cooperation with contractual partners and the joint basis for establishing contractual relationships.

Our goal is to review all potential trading partners before we enter into any business relationships in the wholesale market and procure the combustion fuels coal, gas or biomass. The review takes place in a standardised and multistage process. We use international databases and information systems to review whether there are indications of any potential misconduct. This is independently of the procurement volume with the individual trading partners. Each trading partner is evaluated using a fixed procedure in the form of the "Know Your Customer" (KYC) process and through the compliance team. Partners are also monitored for negative reporting in the media. A date for the next audit is defined on the basis of risk in the course of this process. This approach ensures that audits are carried out on a regular basis and not just at the beginning of a business relationship. Since 2014, we have also had access to the information gathered in the Bettercoal Initiative for the procurement of hard coal. In 2021, all the new trading partners from whom we purchased combustion fuels were reviewed by the KYC process. On the basis of the increasing level of review enquiries by new business partners, we built up further personnel resources. In 2021, temporary suspension of business relationships with one existing business partner was imposed as a consequence of the review.

In the context of the renewable energy business with wind, solar and hydro power, procurement of energy sources is not material because electricity generation is based on renewable energy sources and these natural resources do not have to be procured. The procurement volume for energy sources by RWE Supply & Trading for the operation of conventional and biomass-fired power plants was around € 5.6 billion (2020: € 2.7 billion) in 2021. The increased year-on-year procurement volume is primarily due to the fact that our conventional power plant fleet produced more electricity in 2021 in spite of increased combustion fuel costs. In addition to the economic recovery and the resulting increase in demand for electricity, wind power was furthermore able to contribute less to the energy supply due to weather conditions.

Anti-corruption and combatting bribery

Anti-corruption

Challenges

The energy industry is a sector defined by regulatory decisions, continuous change and projects with high order volumes. This also impacts to a greater or lesser extent on the value chain of RWE. The risks of corruption cannot therefore be entirely excluded in our supply chain. RWE AG has implemented comprehensive systems for avoidance of corruption within the framework of the Compliance Management System in order to ensure compliance with statutory legislation as far as possible.

A key objective of the Compliance Management System is to establish compliant, rules-based conduct permanently in the mindset and actions of all RWE employees, and to strengthen the compliance culture within the Group sustainably over the long term. A top priority for us is the prevention of corruption. The Compliance Management System therefore focuses in particular on identifying potential structural risks of corruption and avoiding corruption and non-compliance conduct within the RWE Group.

Besides the risk of reputational damage for the Group, corruption can put constraints on economic growth, reduce equal opportunities and contribute to an increasing level of poverty. For this reason, at RWE we conduct all business operations and make decisions on the basis of defined compliance guidelines and we do not tolerate corruption or breaches of any other nature. We also factor in compliance requirements when making decisions about entering into business relationships with suppliers or business partners and in the administration of donations, sponsorship measures and memberships.

Organisation and management

Integrity and acting in accordance with the law are key values for our entrepreneurial activity. We want to avoid corruption in all our processes and within the company we are committed to raising the awareness of our employees, including managers. The RWE Code of Conduct forms the platform for our interpretation of compliance and it is binding for all employees. The Code sets out the targets and principles for compliance. The Code of Conduct prohibits all forms of corruption and is given concrete form by additional Group guidelines.

Overarching management of the Compliance Management System at the RWE Group is carried out by the Chief Compliance Officer of RWE AG. Compliance officers are also appointed for Group companies. They ensure uniform implementation of groupwide compliance principles for prevention of corruption in the Group companies (including their subsidiary companies). RWE Supply & Trading GmbH has its own Compliance Department owing to the special requirements of international trading business.

The Chief Compliance Officer of RWE AG regularly reports to the Executive Board and the Audit Committee of the Supervisory Board of RWE AG on issues relevant to compliance.

Furthermore, organisational procedures such as the double-checking principle (four-eyes principle), separation of functions, justification concepts and approval arrangements are key building blocks of our internal controlling system. The appropriateness of the underlying internal controlling system is regularly reviewed by the Internal Audit Department.

Measures and performance measurement

Every manager is required to report on the implementation of the Code of Conduct in their area of responsibility. This Executives' Compliance Reporting is carried out once a year in order to create transparency in relation to compliance with the Code of Conduct and obtain an overview of compliance awareness at RWE. The feedback rate for this Executives' Compliance Reporting survey provides us with an indicator for awareness of the issue of compliance. We strive to generate a feedback rate of 100% and this was indeed achieved in 2020 and 2021.

We always follow up reports of potential compliance violations. If such compliance violations by employees and / or business partners are substantiated, we introduce the measures that are necessary and appropriate from our perspective.

The Compliance Management System is regularly reviewed by an auditing firm in compliance with the Audit Standard 980 of the German Institute of Public Auditors (IDW). The effectiveness review of the Compliance Management System for prevention of corruption at RWE was successfully completed at the end of 2021. The professional services firm confirmed the appropriateness, the implementation and the effectiveness of the Compliance Management System.

Preparatory audits of the Compliance Management System were carried out for the new business of RWE Renewables. Measures were derived from the audit findings that also have to be implemented in relation to the reorganisation of the companies. Rollout of the measures has already commenced.

The regular compliance risk analysis is a key element of our Compliance Management System. In 2021, risk assessments were carried out in RWE Group companies selected on the basis of risk, including the renewables companies. These risk assessments included the topic areas anti-corruption, prevention of money laundering and compliance with export control.

Internal Group media inform our employees about compliance issues, such as current developments, existing and new Group guidelines, requirements for compliance-conform behaviour and potential risks in the case of breaches. Furthermore, our employees receive annual compliance training on a web-based training programme with variable focus topics. The topic for the training programme in 2021 was "Global Combatting of Corruption". Participation in the web-based training programme is mandatory for all employees. Staff members without PC access receive instruction from their supervisors. In addition, employees join in-person attendance training sessions organised by the Compliance Department. These are calibrated on an incremental scale of risk according to the risk associated with the relevant activity. In 2021, these training sessions continued to be primarily virtual owing to the COVID-19 situation. The Executive Board is also integrated in this training concept.

Environmental concerns

Greenhouse gas emissions in accordance with the international Greenhouse Gas Protocol

Challenges

Alongside direct emissions, indirect emissions that also contribute to greenhouse gases are becoming increasingly important for companies and stakeholders. Direct emissions have already been a focus for a considerable period of time and corresponding measures and instruments directed towards their reduction have already been implemented. In future, it will be even more important to also analyse indirect greenhouse gas emissions because their share of total emissions will increase in the foreseeable future. Owing to the large number of possible activities that can cause emissions, identification of these activities and assessment of their relevance can be challenging.

Organisation and management

We base our business model on sustainable development over the long term and we are contributing to the fundamental transition of the energy industry – with the target of virtually CO₂-free electricity generation which continues to be secure and affordable, see [page 2](#).

The transition of RWE has presented us with an opportunity to account for our emissions in even greater detail. This creates more transparency for our stakeholders. We determine and report our greenhouse gas emissions based on the Greenhouse Gas Protocol (GHG) as the acknowledged standard for accounting of emissions. An analysis carried out in 2020 forms the basis for our emissions inventory. We reviewed activities for their relevance in this analysis. Emissions that we regularly record will also form the basis for our work on additional reduction targets.

At the end of 2020, the Science Based Targets initiative (SBTi) already officially confirmed to RWE that the RWE climate protection targets are in compliance with the Paris Climate Agreement and the target used there to limit the warming of the earth to significantly less than two degrees. Targets for direct emissions (Scope 1) and for indirect emissions (Scope 2 and 3) are linked to the Science Based Targets. These emissions also contain additional greenhouse gases defined under the Greenhouse Gas Protocol. The targets of RWE provide for specifically reducing by 50% the greenhouse gas emissions from Scope 1 and 2 by 2030 in comparison with 2019 (per kilowatt hour of generated electricity). The emissions in Scope 3 are to undergo a reduction of 30% by 2030 compared with 2019. Comprehensive reporting on our greenhouse gas emissions was established last year and is also reflected in our Sustainability Report. We will continue to develop this reporting further.

Direct emissions mainly result from electricity generated in our own power plants. Indirect greenhouse gas emissions from RWE are determined by a number of factors including the emissions that are generated as a result of the use of our products at end customers. Additional emissions, for example from the extraction, production and transport of purchased combustion fuels also contribute to indirect emissions.

Measures and performance measurement

RWE as a company has a clearly-defined goal of ensuring that the emissions from all scopes are climate neutral by 2040. Furthermore, we restated our announcement in advance of the UN Climate Conference (COP26) and we allied ourselves with the global campaign “Race to Zero” sponsored by the United Nations. This global campaign brings together representatives of companies, towns and cities, regions and investors with the aim of creating a healthy, robust and climate-neutral world in the future. One of the aims is to create jobs and this approach is also intended to safeguard integrative, sustainable growth.

Our investment and growth strategy “Growing Green” is directed towards expanding our green generation portfolio to 50 GW by 2030. We placed three corporate bonds for this purpose worth a total of € 1.85 billion in 2021 in order to underpin this objective. This will be used exclusively for financing or refinancing wind-power and solar projects. This measure contributes to driving forward the expansion of renewable energy.

We would like to support our customers by offering them sustainably produced electricity. Through our trading subsidiary, RWE Supply & Trading, we have succeeded in concluding long-term supply contracts for green electricity with several customers.

Our aim as a Group is to impress through our actions. One important example of this was our commitment to build the RWE Campus in Essen as a sustainable and future-oriented project. This approach is exemplified by around 300 charging stations for electric cars and e-bikes, additional electricity generated by a photovoltaic plant and installation of energy-efficient underfloor cooling and heating.

Lots of campaigns were organised at the RWE Group during the campaign month Sustainable September in 2021. Action in these campaigns was facilitated by an international project team. All our employees were able to gain insights into the current climate science, measure their own CO₂ footprint, get tips on sustainable travel or find out more about the sustainability activities of RWE.

Recording and reporting of greenhouse gas emissions

Our reporting of greenhouse gas emissions is based on the Greenhouse Gas Protocol. This includes all emissions for greenhouse gases, including carbon dioxide, methane, nitrous oxide and sulphur hexafluoride.

We determine the direct Scope 1 carbon emissions from thermal power plants on the basis of the volumes of combustion fuel used. Scope 1 also includes other emissions resulting from our direct activities. This includes our vehicle fleet and ships that operate for us. We determine the resulting greenhouse gas emissions primarily by energy consumption and the corresponding emission factors. Moreover, the CO₂ emissions from our own power plant portfolio still make up the largest proportion of the Scope 1 emissions generated by RWE.

The reporting of Scope 2 emissions includes the indirect greenhouse gas emissions resulting from the generation of the electricity that RWE buys and consumes. Examples of use include the electricity required within our office buildings but also the electricity necessary for running our power plants. We calculate the Scope 2 emissions mainly by multiplying the purchased amounts of electricity by country-specific emission factors. In future, we will also strive to report these emissions in a market-based approach as a supplement to the current site-based reporting.

The figures for Scope 3 greenhouse gas emissions comprise the upstream and downstream emissions divided into 15 sub-categories. We report the greenhouse gas emissions according to Scope 3 in the individual categories that are material for RWE. These were estimated on the basis of a groupwide internal evaluation as material for our Scope 3 emissions.

	Description	Unit	2021	2020
Direct greenhouse gas emissions (Scope 1)^{1,2}	Direct emissions from electricity generated in own power plants and our direct activities	million mt CO₂e	86.9	70.2
Indirect energy-related greenhouse gas emissions (Scope 2) – site related²	Indirect emissions from generation of purchased and used electricity	million mt CO₂e	2.7	3.1
Greenhouse gas intensity Scope 1 + 2, electricity generation ^{1,2}	We calculate the intensity of the greenhouse gas emissions as the total of Scope 1 and Scope 2 emissions (site related) divided by the total electricity generation	mt CO ₂ e/MWh	0.499	0.538
Category 1: purchased goods and services ³	Upstream emissions from the manufacture and transport of purchased goods and services	million mt CO ₂ e	0.9	0.7
Category 2: capital goods ^{2,3}	Upstream emissions from the manufacture and transport of purchased capital goods	million mt CO ₂ e	1.4	0.8
Category 3: combustion fuel and energy-related emissions ^{2,4}	Emissions from the production and (partly) transport of purchased combustion fuels	million mt CO ₂ e	6.5	5.5
Category 4: upstream transmission and distribution	Upstream emissions from the transmission of purchased energy sources	million mt CO ₂ e	0.3	0.3
Category 5: waste	Emissions from waste which are incurred in RWE operations or are disposed of by us	million mt CO ₂ e	0.1	0.1
Category 6: business travel ⁵	Emissions from the travel activities of our employees	million mt CO ₂ e	< 0.1	< 0.1
Category 7: commuting by employees	Emissions from our employees commuting between home and workplace	million mt CO ₂ e	< 0.1	< 0.1
Category 9: downstream transport and distribution	Emissions from transport of finishing and other products	million mt CO ₂ e	< 0.1	< 0.1
Category 10: processing of sold products	Emissions from further processing of products sold by us, e.g. mineral building products or gypsum	million mt CO ₂ e	0.1	0.1
Category 11: use of sold products ⁶	Emissions from the use of our sold products with the end customer	million mt CO ₂ e	13.4	12.5
Total of Scope 3 emissions listed above^{2,7}		million mt CO₂e	22.7	19.9

1 Our electricity generation amounted to 166,560 GWh in the fiscal year 2021, 146,755 GWh in the fiscal year 2020. Contracted power plants are included in the CO₂ and electricity figures, but not in other figures, e.g. waste, water, input materials.

2 Greenhouse gas emissions for the fiscal year 2020 were adjusted retrospectively by using a more appropriate data item. It is not possible to exclude the possibility that shares from Scope 2 emissions are already taken account of in Scope 1 emissions as a consequence of the underlying data used.

3 The greenhouse gases are calculated by using input/output modelling based on our procurement volume.

4 The emission factors applied in the fiscal year 2021 were optimised. Since 2021, we have been increasingly using updated emission factors from public databases such as DEFRA.

5 The emission factors used do not take account of any radiative forcing.

6 Includes a number of figures such as sold gas volumes to end customers. Trading transactions without delivery to the end customer are not included. A change in the figure also results for 2020 as a result of the correction of an emission factor.

7 The total amount of Scope 3-emissions includes the individual categories listed in the table.

The emissions listed show an increase in Scope 1 emissions compared with the prior-year figure. This primarily results from the comparatively high electricity demand in the fiscal year 2021, combined with effects from high gas prices and low wind speeds. This contributed to the use in particular of lignite-fired power plants in order to cover the electricity demand. During the course of the reporting year, we adjusted the underlying data used for the calculation of Scope 2 emissions in 2021 and adjusted it retrospectively for 2020. This adjustment was made in order to show the effects not taken into account to date such as own consumption. The calculation of emissions from capital goods (category 3.2) reflects the rising emissions as a result of our massive investment programme based on the RWE “Growing Green” growth strategy which resulted in increased investment expenses in the year under review.

CO₂ emissions in accordance with the European Emissions Trading System

Challenges

Along with discussions in the public domain, many political developments have taken place with the objective of addressing the problems associated with climate change. On the basis of the Paris Climate Agreement ratified in 2015, the trajectory was defined with the aim of jointly limiting the global temperature rise to well below two degrees Celsius compared to pre-industrial levels and to ensure we adhere to the target of 1.5 degrees Celsius. New European climate targets were adopted in the European Climate Protection Act in June 2021. The planned initiatives are intended to ensure that the climate-damaging emissions of the 27 member states will decrease. Climate neutrality up to the middle of the century has also been enshrined in law.

The European legislation on energy and climate policy is currently being fundamentally revised. A number of measures are being worked out for this purpose under the “EU Green Deal” in order to achieve the ambitious new climate target. Climate protection and the competitiveness of the European economy are being considered in tandem. The “Fit for 55” programme directed towards practical implementation of the goals makes provision for

several new laws to ensure that the emissions damaging the climate in the EU are 55% below the figure for 1990 by 2030. The European Emissions Trading System (EU ETS) is to be strengthened as part of these measures. The intention is for this organisation to act as a market-based lead instrument and to contribute to achieving the climate targets. As part of this effort, our fossil fuel-fired power plants in the EU are subject to this emissions trading system.

Organisation and management

RWE is pursuing a long-term growth and investment strategy that we have presented under the title of “Growing Green”. This approach means we are following our mission statement of “Our energy for a sustainable life”. We are making major investments in the expansion of renewable energy, in storage technologies and in flexible backup capacities, as well as in hydrogen production so as to cover the rising demand for electricity associated with digitalisation and electrification, while simultaneously continuing to drive forward our business model in a climate-conscious approach. The roadmap for expansion is underpinned by the applicable and anticipated legal framework conditions based on our own and external expectations for us to sustainably reduce CO₂ emissions. Our goal is climate neutrality by the year 2040. While sustainability is the core element of our corporate culture, we have also taken account of climate protection in our corporate strategy and anchored responsibility for the environment aspect with the CEO of RWE AG. In this connection, the coordination of decision-making and preparing the groundwork are in the hands of Group Strategy, which integrates all the relevant divisions and generating segments, and reports to the Executive Board of RWE AG. For the organisational position of environmental compliance, see [page 18](#).

The direct emissions generated by RWE are determined in operational terms by the use of our power plants. RWE Supply & Trading is primarily responsible for commercial optimisation in order to enhance utilisation of power plants. The electricity price we offer in the wholesale market depends on a number of factors including the market prices for combustion fuels and the CO₂ certificates available for purchase. The demand for electricity determines when and which power plants are used. Power plants with higher variable electricity generation costs are correspondingly only deployed when there is high demand in the electricity

market. They emit correspondingly lower levels of greenhouse gases and harmful air pollutants owing to the lower number of operating hours. Electricity generated from renewable energy is fed into the grid as a priority owing to the very low variable costs in the market. The additional expansion of renewable energy means that the operational hours and the associated emissions for all other power plants are therefore continuously declining.

Reporting on CO₂ emissions from the fossil fuel-fired power plants is made to the national emissions trading offices, which report to the responsible EU authorities. Rights and obligations of the emitters are regulated in detail at the level of the member states so that no additional corporate internal regulatory standards are necessary. The European Emissions Trading Directive is one of the regulations applicable for this area at European level. In Germany, the Netherlands and the United Kingdom, the relevant national regulations based on this directive are applicable.

The CO₂ data relevant for reporting in the EU ETS are calculated in the opencast mines, at the relevant power-plant locations, and when combustion fuel is purchased. They are then collated centrally in the course of reporting for RWE. This ensures that for each metric ton of CO₂ emitted subject to emissions trading, a CO₂ certificate is purchased and then eliminated. This is carried out through our trading subsidiary RWE Supply & Trading. The Group Management is integrated as part of regular financial reporting.

Measures and performance measurement

Alongside expansion of renewable energy, the phaseout from coal-fired electricity generation constitutes a key building block for emission reduction in the energy sector. The Coal Phaseout Act (Kohleverstromungsbeendigungsgesetz, KVVBG) was ratified to this end in 2020. This provides for a plant-specific exit path for lignite-fired power plants in Germany and involves a tender process for the shutdown of hard coal-fired power plants by 2027. RWE's first tender involved its two remaining hard coal-fired power plants in Germany at Westfalen and Ibbenbüren. In the meantime, these have been completely shut down. The lion's share of the initial shutdowns for lignite-fired power plants falls on RWE plants. By the end of 2022, the act provides for us removing around 2.8 GW of lignite-fired capacity. Additional plants will follow in 2025 and respectively 2028 and 2029. We will then have reduced the total capacity of our lignite-fired power plants by around 70% compared with

2018. From 2030 onwards, only our three most advanced lignite-fired units in the 1,000 MW class will remain in the market. On the basis of the current statutory regulations, they may keep operating until the end of 2038.

Emissions over the medium and long term at RWE can be influenced by the ongoing development of the power plant portfolio. This relates to a range of potential measures including modernisation and efficiency enhancement of existing power plants, and changing the combustion fuel, for example from coal to biomass. Since the beginning of 2013, we had already removed from the grid around 81% of the installed capacity for electricity generation using hard coal or converted it to biomass combustion (2020: 72%; 2019: 69%). Today, conversion to biomass contributes more than 7% to this. From 2012 to 2020, measures such as shutdowns or a reduction in the capacity utilisation of coal-fired power plants have facilitated a significant decrease of 62% in CO₂ emissions from electricity generation. During the reporting year, the CO₂ emissions initially went up again in spite of ongoing closure of our coal-fired power plants. The higher capacity utilisation of lignite-fired power plants is attributable to a number of factors. Aside from the renewed demand for electricity, the extremely high level of gas prices and low wind speeds contributed to this. However, we expect to return back to our ambitious emission reduction path in 2022.

We use CO₂ emissions from plants subject to the European Emissions Trading System (EU ETS) as an indicator for greenhouse gas emissions. We report emissions from our power plants in Turkey and in the United Kingdom together with the EU ETS emissions as the total CO₂ output for the RWE Group.

Most of the emissions are hedged by the purchase of European Emission Allowances (EUAs) on different exchanges. In 2021, we emitted 80.9 million metric tons of CO₂ (2020: 67.0 million metric tons of CO₂) from our power plants in accordance with EU ETS. This was covered by an estimated 78.5 million EUAs (2020: 64.3 million EUAs), in addition to 0.8 million certificates (2020: 1.1 million certificates) allocated free of charge.

CO ₂ emissions ¹ in million metric tons of CO ₂	CO ₂ emissions		Free allocation of CO ₂ certificates		Shortage of CO ₂ certificates	
	2021	2020	2021	2020	2021	2020
Hydro / Biomass / Gas of which:	25.0	20.3	0.2	0.5	23.2	18.2
Germany	2.6	3.5	0.2	0.5	2.4	3.0
Netherlands	8.0	6.1	-	-	8.0	6.1
United Kingdom ²	12.8	9.1	-	-	12.8	9.1
Turkey ²	1.6	1.6	-	-	-	-
Coal / Nuclear	55.9	46.7	0.6	0.6	55.3	46.1
RWE Group	80.9	67.0	0.8	1.1	78.5	64.3

1 No longer considers the CO₂ emissions from generation assets in which RWE does not own the majority, but which we have long-term usage rights to. Prior-year figures adjusted accordingly.

2 Since Turkey does not participate in the European Emissions Trading System, we do not need any emissions allowances for the CO₂ emissions there. There is a corresponding British emissions trading system for the United Kingdom.

Financial risks resulting from fluctuating market prices for electricity and combustion fuel, and which are associated with CO₂ emissions from our power plants, are presented in our risk management, see [combined review of operations in the RWE Annual Report 2021, page 70](#). Today, the marketing of electricity generated from renewable energy is still largely based on regulated revenue components, but market-based remuneration components are increasingly becoming part of the mix. We reduce the associated market risks by concluding appropriate hedging contracts. Furthermore, we sell most of the electricity from our power plants in forward transactions and hedge the prices for the combustion fuels and emission allowances required. The Commodity Management Committee (CMC) is responsible for concrete implementation of the hedging strategies within a framework for the market-related risk positions approved by the Executive Board of RWE AG.

Investors also include the topic of climate protection in their company assessments. Our customers too are also increasingly taking sustainability aspects into account in their procurement processes, e.g. the CO₂ intensity of the electricity we generate. The CO₂ intensity of the electricity generation output of the RWE power plant portfolio amounted to 0.41 mt CO₂/MW (2020: 0.45 mt CO₂/MW) in the reporting year.

Environmental compliance

Challenges

RWE has the goal of sustainably shaping the energy supply. At the same time, the operation of our power plants and systems for electricity and heat generation, as well as our mines for the production of lignite inevitably mean that we impact on natural ecosystems. We would therefore like to limit our impact on nature and avoid the risk of serious negative impacts on ecosystems. Stringent environmental legislation and regulatory approvals define the framework for our operational activities in the regions where we are operating. Our activities there partly extend beyond the obligations arising from legislation or licences.

Organisation and management

We are committed to the principles and standards of behaviour and the RWE Code of Conduct as part of a responsible approach to natural resources, and we promote the use of environmentally friendly technologies. The provisions of the Code of Conduct were applicable for all employees of the RWE Group in 2021.

The Group Guideline Environmental Protection is based on ISO 14001:2015 and defines uniform principles for environmental protection. This applies to all the Group affiliates that are integrated in the consolidated financial statements and have business operations with personnel and / or plants.

The responsibility for this environmental protection is with the CEO of RWE AG. The RWE companies each appoint environmental officers in the Executive Management. These officers ensure within the framework of the Environmental Management System that environmental protection is responsibly implemented in accordance with operator obligations and that action is taken in accordance with our sustainability principles. Furthermore, there are also environmental management officers and central specialist environmental coordinators who regularly review, assess and improve the relevant Environmental Management Systems. As part of integrated compliance reporting, the Chief Compliance Officer also reports on environmental protection topics, and on serious incidents relevant for the environment to the Executive Board and the Audit Committee of RWE AG. The responsible specialist departments also report directly to the Executive Board on a case-by-case basis.

We pay particular attention to our generation plants in relation to environmental aspects. Environmental management in the relevant companies is therefore also accredited and certified in compliance with ISO 14001.

Anchoring environmental protection in business processes

In the course of groupwide environmental protection management, the relevant data are surveyed and calculated at the individual sites.

We analyse environmental topics and associated risks and opportunities, regularly evaluate our environmental performance and make use of these results in order to initiate systematic improvements on a rolling basis.

Measures and performance measurement

We continuously identify additional measures in order to further improve our performance in the area of environmental protection. This could be based on different sources including internal audits or monitoring audits. These measures ensure, for example, that the existing and new environmental management officers in the Group companies are adequately qualified. Delegations and appointment after reorganisations are regularly updated. We include collaborations with academic institutes or industrial companies within operational measures. RWE engages with organisations including the Future Agency Rhenish Mining Region (Zukunftsagentur Rheinisches Revier) with the aim of continuously increasing the proportion of recoverable materials. For example, a project relating to the topic of the circular economy is directed towards integrating factory railway tracks in the regional rail network and using them for suburban passenger transport or for goods transport. We are tackling existing challenges that we want to solve together with partners by working in industrial collaborations. One example of such a cooperation is already taking place in the manufacture of wind-turbine components that takes into account the possibility of subsequent end-of-life recycling.

Groupwide coverage by environmental management

The level of coverage by our Environmental Management System provides RWE with a performance indicator. Our objective is to achieve 100% coverage by the Environmental Management System, either through certification or internal audit. The coverage is comprised of the proportion of the employees covered by the Environmental Management System and the level of implementation. On 31 December 2021, the level of coverage for environmental management at RWE amounted to 100% (2020: 99.3%). 68% of the Environmental Management Systems in accordance with ISO 14001:2015 were certified as accredited (2020: 69%) and 32% were internally audited. Furthermore, our aim is to avoid serious events relevant to the environment. We classify such events as being the occurrence of environmental events that are caused by our activities. During the reporting year, no serious environmentally relevant events for which RWE is responsible were identified in an internal survey. Equally, no material monetary and no non-monetary sanctions in the environmental area were reported to us in an internal survey carried out during the year under review.

Employee concerns

Occupational health and safety

Challenges

The most valuable resources for RWE are healthy and satisfied employees because they are crucially important for the success of our company. We want all employees to be healthy and to remain healthy. We are therefore wholly committed at RWE to health protection, workplace safety and wellbeing. We address workplace safety as a key topic in this report.

Our workforce and the employees of our partner companies (subcontractors) often carry out their assignments at workplaces that are subject to special requirements for workplace safety. In particular, these include activities in the sphere of opencast mining, in technical areas at our power plants, and at wind turbines. These areas of application are subject to particular accident risks for our employees and the workforce of partner companies. So as to protect them, we are continuing to develop workplace safety sustainably over the long term. Our aim is to prevent diseases and accidents and to contribute to the recovery of sick employees. Expanding and living a respectful and trustworthy management culture is an essential platform for our culture of occupational health and safety.

In terms of occupational health and safety, the year 2021 was also defined by the impacts of the COVID-19 pandemic throughout the world. As an operator of a critical infrastructure, it continues to be a key concern to protect our employees against potentially getting ill and additionally to secure electricity generation.

Organisation and management

The Chief Human Resources Officer (CHO) is the Executive Board member of RWE AG responsible for groupwide coordination of occupational health and safety. The head of the organisational unit "Health & Safety" of RWE Power AG provides the CHO with information, advice and support in this area. The Executive Board also defines strategic goals for occupational health and safety as part of the overall strategy.

The structural and process organisation of Health & Safety is ensured through acknowledged management systems including international standards and rules. Corresponding regulations are defined in the guideline Occupational Health and Safety valid throughout the Group. This includes fundamental provisions for defining occupational health and safety policy and for structural and process organisation. Furthermore, we have implemented the organisation of occupational safety decentrally at local level. This is so that we are in the best possible position to better address the diverse and partly differing requirements, for example as a result of operational activities.

Continuous improvement of occupational safety

In order to achieve the best possible result for corporate goals, we established occupational safety management systems in RWE companies. These include management as well as business functions, such as the definition of structures, targets and rules. The relevant processes for occupational health and safety are systematically analysed and continuously improved using the Plan Do Check Act cycle. The integrated approach is applied for relevant activities that extend across management systems. These include management reviews, audits, analyses and event notifications.

All prevention programmes and measures of the divisions address the topics of leadership, management of opportunities and risks, and engagement and competences in occupational health and safety.

Measures and performance measurement

Continuous improvement of occupational safety

The health of our workforce and the employees of our partner companies is a top priority at RWE. We therefore ensure that health and safety in the workplace is firmly anchored in our corporate culture. This is why we comply with internationally recognised standards, such as ISO 45001, and we continually work on improvements in this area.

RWE has defined a target of all Group companies having certifiable management systems in the Occupational Safety Department. Alongside complete coverage for the Group with the Health & Safety Management System, a number of Group companies are also externally certified (in some cases accredited) (based on FTE = Full Time Equivalent). On 31 December 2021, the level of certification was 58% of RWE companies, as was the case in the previous year.

Since 2017, a uniform classification of all events and accidents relating to our employees has been implemented throughout RWE. This corresponds to the recommendations of international Health & Safety standards. We also regularly carry out a probabilistic assessment of potential based on a risk matrix. The aim of this is to assist our employees in achieving better identification and assessment of the safety risks. To this end, we particularly promote independent responsibility in employees and raise their awareness of the issues.

We primarily focus systematically on investigating events and accidents with a high potential for risk. Independent, interdisciplinary analysis teams determine causes and derive suitable measures. We also support our partner companies and help them to analyse and implement measures. For example, we have rolled out a development process in order to promote the awareness of suppliers related to workplace safety.

We treat the employees of our partner companies in the same way at all times as our own employees. We therefore take account of the number of accidents sustained by partner companies in the LTIF rate. Over the course of the past ten years, RWE has established and expanded a reliable system of Workplace Safety Partner Company Management (WSSM). Apart from reducing the accidents and work-related stresses for our partner companies, the focus is on joint development of a Health & Safety culture. In order to achieve this, we support our partner companies from the tender stage to carrying out the work through to the phase of continuous improvement.

We have developed a concept for the training course “H&S Culture – the Role of Management” tailored to our own managers. This is a blended-learning concept comprising online

training, attendance workshops and transfer phases on the topic of “responsibility in occupational health and safety”.

The programme “Keeping your Mind on the Issue” was developed on the basis of the accident focus of “Stumble, Slip, Fall” at RWE Power. The programme has been available to our employees as a training programme since it was developed. The combination of knowledge building and practice units establishes habits in employees and this leads to a greater level of awareness during work.

The “Mission ZERO” programme launched in 2019 was successfully continued and complemented by additional elements, such as the new web-based training on technical safety in 2021. This ensures that standards are set in all regions – for example, on life-saving rules, principles for conduct and specific topics like process safety. “Mission ZERO” encompasses the overarching content and communicative framework for activities relating to occupational health and safety, and they are implemented at the individual sites by specific measures.

RWE Renewables works together as a team to overcome complex global risks and has established a caring culture. The Renewables guiding principle of “We care today, so everyone enjoys tomorrow” was introduced in order to underpin this effort. This has a twofold effect: The first part is all about our contribution, while the second part is about the impact of this contribution. This guiding principle is about much more than simply focussing conventionally on occupational workplace safety, because it also encompasses wellbeing, plant safety and environmental protection on the ground, but equally fosters a broader sense of caring for our planet and society at large.

Alongside aspects of workplace safety, health protection and wellbeing are also important for the health of our employees. We have therefore initiated appropriate programmes for these areas at RWE corresponding to the measures presented on the topic of occupational safety.

The key performance indicator we use for occupational safety is the number of occupational accidents with at least one day of absence from work for every one million hours worked (Lost Time Incident Frequency, LTIF). This indicator also includes employees at partner companies. The indicator is surveyed centrally for the RWE Group. In the reporting year 2021, the number of occupational accidents year on year was higher at the RWE Group. The LTIF of the RWE Group was 2.0 (2020: 1.5). In 2020, major planned repair work and upgrades were not carried out or were postponed due to the coronavirus. In our experience, these have a potential for accidents so that an exceptionally low LTIF value was recorded in that year. In 2021, there were no operational restrictions so that the frequency of accidents and hence the LTIF was slightly above the defined target of 1.9 and was therefore back at the level prior to the coronavirus pandemic (2019: 2.1). Our evaluations show that a higher accident frequency occurred among employees of partner companies than was the case with our own employees. Since our own analyses did not reveal any changed or new focuses for the causes of accidents, we will continue to drive forward the existing prevention programmes and measures. We also want to achieve an improvement for our partner companies. Our goal is to bring about a sustainable reduction in the LTIF rate. An important focus for Health & Safety at RWE is therefore also to raise awareness for potential causes of accident and to avoid accidents. We intend to achieve an LTIF of < 1.9 at RWE by 2022.

In 2021, there was very regrettably a fatal accident at RWE during working hours. In July 2021, a severe rain event occurred in the Rhenish mining region with the Inden opencast mining facility being most severely affected by this bad weather. After the introduction of evacuation measures, an employee of a partner company was swept away by the huge volume of water and lost his life. This means that our rate of fatal occupational accidents is regrettably 5.48 per 100,000 employees.

Number of occupational accidents with at least one day of absence by divisions ¹	2021	2020
RWE Generation SE	3	4
RWE Power AG	75	47
RWE Supply & Trading GmbH	7	1
RWE AG (other)	0	0
RWE Renewables GmbH	36	35
RWE Group	121	89

¹ Including employees from partner companies. Data for 2020 including accidents for the discontinued operations of innogy to the end of Q2 / 2020

Measures during the coronavirus pandemic

At the beginning of the pandemic, RWE introduced protection measures internationally for all employees in order to avoid coronavirus infections within the company. To this end, regulations relating to rules for hygiene and physical distancing, wearing masks, mobile working, business travel, events and meetings were communicated. These are binding as a minimum standard throughout the RWE Group – even if national or sector-specific regulations have less stringent requirements. Furthermore, the company divisions safeguard compliance with the legal regulations applicable in the individual countries, take appropriate and effective protective measures in accordance with their risk assessments and adapt these measures to match the current development and situational assessment.

The RWE Guideline “COVID-19 Protective Measures in the Workplace” is applicable in Germany. It is based on the SARS-CoV-2 Workplace Safety Directive and provides managers with a reference work for taking action and making decisions relating to assessment of risk. This places them in a position to take appropriate and effective protective measures within their individual area of responsibility and hence discharge the responsibility for workplace safety during the coronavirus pandemic.

Motivation of employees

Challenges

The motivation of our employees makes a significant contribution to positioning our company as fit for a sustainable future. In the past, RWE has already mastered a number of challenges that exerted an influence on the motivation of employees. The company has undergone a constant, fundamental change from a conventionally structured energy production company focused on European core markets to an international company with a focus on renewable energy. This was associated with integration of new employees from a diverse range of working cultures, which reached an all-time high in the company. And this continues to be the case now. It has led to the development of a common RWE culture. The aim is for this to continue growing into a sustainable corporate culture which is motivating for our employees. Incentivisation of the Executive Board is also linked to achieving a high level of motivation among employees to signal a strong commitment to the workforce of the entire RWE Group.

Organisation and management

The Engagement Index is surveyed at Group level in order to determine what operates well in our organisation and what we can improve further. This also ensures that there can be comparability with other groups.

The departments “Corporate Change” and HR of RWE AG are responsible for determining the Engagement Index. An external service provider carries out the employee survey, the relevant platform provides automated evaluation of this and delivers the results. An interdisciplinary project team with the involvement of all Group companies provides support for implementing and evaluating the survey. The Chief Human Resources Officer is responsible for this topic at the level of the Executive Board.

Measures and performance measurement

Employee motivation as an overall perspective of employees has been documented annually in a groupwide survey since 2021. Out of a total of 24 questions, four questions relate explicitly to the Engagement Index.

Alongside the index, sub-indexes are also surveyed. This allows us to identify a potential requirement for optimisation and to initiate measures. In addition, specific follow-up processes are established as necessary for this purpose. The findings are also used for personnel development.

All indexes and values are calculated on the basis of the Top 2 logic. This involves the percentage share of the answers being calculated in which the first two answer options (“I fully agree” and “I agree”) were selected.

An analysis of the results for the individual companies identifies potential optimisation fields. Appropriate approaches for the respective Group companies are developed from this analysis based on needs. The relevant optimisation measures are implemented under the leadership of the relevant specialist department (for example Human Resources, Change, Strategy, Communication).

In 2021, a survey was taken for the newly introduced Engagement Index for the first time as a baseline measurement. We therefore set ourselves a target of greater than 70, which we want to increase continuously. Our expectations for 2021 were exceeded with an Engagement Index of 81%. Since this result significantly outperformed our target, we want to maintain this result as a minimum over the coming years.

Owing to the very good overall result throughout RWE, no cross-company measures were introduced. Over the course of this year, we are focusing on selected topics and measures in the relevant companies with the aim of also achieving the good overall result and the high level of employee satisfaction as a minimum next year.

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting¹

To RWE AG, Essen

We have performed a limited assurance engagement on the separate non-financial group report of RWE AG, Essen, (hereinafter the "Company") for the period from 1 January 2021 to 31 December 2021 (hereinafter the "Separate Non-financial Group Report").

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Separate Non-financial Group Report.

Responsibility of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Separate Non-financial Group Report in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB ("Handelsgesetzbuch": "German Commercial Code") and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section EU taxonomy of the Separate Non-financial Group Report.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as the executive directors consider necessary to enable the preparation of a Separate Non-financial Group Report that is free from material misstatement whether due to fraud or error.

¹ PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial group report and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section EU taxonomy of the Separate Non-financial Group Report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with limited assurance on the Separate Non-financial Group Report based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's Separate Non-financial Group Report, other than the external sources of documentation or expert opinions mentioned in the Separate Non-financial Group Report, are not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section EU taxonomy of the Separate Non-financial Group Report.

In a limited assurance engagement the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the Group's sustainability organisation and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Separate Non-financial Group Report about the preparation process, about the internal control system relating to this process and about disclosures in the Separate Non-financial Group Report
- Identification of likely risks of material misstatement in the Separate Non-financial Group Report
- Analytical procedures on selected disclosures in the Separate Non-financial Group Report
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the presentation of the Separate Non-financial Group Report
- Evaluation of the process to identify taxonomy-eligible economic activities and the corresponding disclosures in the Separate Non-financial Group Report
- Inquiries on the relevance of climate-risks

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance Opinion

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Separate Non-financial Group Report of the Company for the period from 1 January 2021 to 31 December 2021 is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section EU taxonomy of the Separate Non-financial Group Report. We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Separate Non-financial Group Report.

Restriction of Use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Düsseldorf, 4 March 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Aissata Touré ppa. Susanne Klages
Wirtschaftsprüferin
German public auditor

Contact and imprint

Publisher

RWE Aktiengesellschaft
RWE Platz 1
45141 Essen
Germany

Contact persons

Dr. Jens Wiggershaus
Dr. Christine Negrini
Sustainability
RWE Platz 1
45141 Essen
Germany
Telefon +49 201 5179-5039
E-Mail verantwortung@rwe.com

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Bart Willemsen
RWE Mediendatenbank