

OUR RESPONSIBILITY. REPORT 2014

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INTERVIEW WITH PETER TERIUM CEO OF RWE AG



Mr Terium, four years ago you launched the programme “RWE 2015”. In 2015, are you now in a position to say: “Job done”?

No, certainly not. It’s true that we have achieved a lot over the past four years. We have become more efficient in our work processes, reduced our debts and developed new business ideas. Nevertheless, the changes are going to continue. The transition in the European energy sector, and megatrends like “Sustainable Development” and “Digitisation” are challenging us anew every day.

Is it possible to position a company sustainably if it is engaged in an ongoing process of transition?

This is absolutely essential. We will only have a common benchmark for our actions on a day-to-day basis if our mission is clearly defined over the long term. That benchmark is: We are the most trusted and high-performing partner for the sustainable transformation of the European energy system.

How do you motivate your employees to commit to this mission?

A transition of this nature cannot be ordered top down – it needs to be lived bottom up by everyone working for RWE. Over the past few years, we have introduced the project “We are RWE”, which is designed to achieve this objective. Since the project has been in existence, we have held discussions in small workshops about the new strategic direction of the Group and addressed new ways of thinking and working. This has involved around 60,000 employees.

RWE has traditionally been a company defined by technology. Are supposedly soft topics like this taken at all seriously by colleagues?

Fifteen years ago I would have had considerable doubts. However, today the mood is different. Everyone in the company is aware that technical excellence is no longer adequate on its own. Not only ‘what’ but also ‘how’ is a key factor in decision-making. We need employees who have creative powers and use their own initiative to develop new ideas independently. They then need to go on and develop these ideas in the interests of the customer.

Does RWE have the right people on board for this task?

There’s no question about it. And we also have the right mix with experts from the power plants, energy trading, distribution grids and the customer centre – each of them has their own special knowledge and experience. This is how innovative solutions are generated.

How do you ensure that employees from the different RWE companies are able to come together, let alone cooperate together?

We have formed our own innovation teams which are bundled in an “Innovation Hub”. Some colleagues work there full-time and others have a commitment in addition to their other functions. This creates an ideal balance between continuous cooperation and tight integration within the structure of routine business every day.

“How is also a key factor”

Does RWE have the capital available to develop new products and take them to market?

We no longer have the funds to invest that we had ten years ago. But there again we are not building new, expensive power plants any more. Nevertheless, there is still money available for healthy growth. However, although the main fields where we want to focus our growth require a lower level of finance, they demand know-how and strategic partners in order to develop new business models and smart technologies.

Who are you working with in concrete terms?

For example, we are working with the thermostat developer Nest. We have been selling intelligent heating controllers in the United Kingdom since April 2014 and since September of last year we have also been selling these exclusively in the Netherlands. A second example of this is our cooperation with Samsung. The SmartCams are now compatible with our Smart Home System for intelligent house control.

Why is the topic of partnership so important for RWE?

The global world is too complex and dynamic for us to implement the energy transition alone. Joined-up action is the key. It provides information, opens up new markets for us and increases the level of acceptance for our role in the new energy world. Finance is also important, particularly finance for the expansion of renewable energies. Last year, we invested around 750 million euros in renewable energies. From 2015 until 2017, we are planning capex of one billion euros. We need partners to continue developing major new projects with this budget.

In which areas are you experiencing a higher level of acceptance through joint ventures?

One example of this kind of success is setting up intelligent networks or building local-authority generating plants. The value of joint ventures is also evident in completely different areas, such as the purchase of hard coal from other countries. Our objective here is to ensure that standards for human rights and the environment are upheld at our producers. Working as an individual company we are unable to get much leverage on this issue. We are only able to exert an impact together with other companies in the Bettercoal sector initiative.

Generating electricity from hard coal will undoubtedly also be an issue at this year's World Climate Summit in Paris. What are your hopes from this conference?

Most importantly, more reliability in relation to how international climate protection will be dealt with in the future. We have been demanding a binding international agreement for some time now. This will not only help the climate, it will also power economic development in Europe.

What climate targets has RWE defined for itself?

We have set ourselves the goal of reducing our CO₂ emissions by 20% compared with 2005. However, as far as we are concerned, sustainability is not just about climate protection. We have also set ourselves goals in the other CR areas for action. Our commitment to the United Nations Global Compact at an overarching level has been steadfast since 2004 and we continue to be dedicated to its principles.

The interview was conducted by Dr Matthias Kussin and Daniel Schneiders, RWE Corporate Responsibility



OUR COMPANY

RWE ranks among the biggest electricity and gas utilities in Europe. Around 60,000 employees ensure that some 16 million customers are supplied with electricity and 7.2 million customers with gas. At the close of 2014, RWE had power station capacities totalling 49,064 MW. 32 % of this electricity was generated from gas (2013: 34 %), 23 % from lignite (2013: 23 %), 21 % from hard coal (2013: 20 %), 8 % from nuclear energy (2013: 8 %) and 7.5 % from renewable energies (2013: 7 %). This includes 4,351 MW of capacity generated by contracted power stations owned by other companies and we are able to access their capacities freely through long-term contracts. In Europe, we are ranked by retail business in third place for electricity and fifth place for gas. In Germany, the Netherlands and the United Kingdom, we are positioned among the biggest electricity and gas utilities. In the Czech Republic, we are number one in the gas

business. We also occupy leading positions in other markets located in Central Europe. Furthermore, we have electricity and gas distribution networks with a total length of around 504,000 km in the countries of Germany, Czech Republic, Hungary and Poland. In the business year 2014, we generated revenue of approximately € 48 billion.

RWE is operating at all levels of the energy value chain with its expertise in the production of lignite, the generation of electricity from gas, coal, nuclear energy and renewable sources, its energy-trading operations, the distribution and sale of electricity and gas, and energy-related services. As an international group, we have a workforce of full-time employees in 19 countries. The RWE Group is divided into seven segments. These are designated as “divisions” and they are clearly differentiated from each other on the basis of national and functional criteria.

€ 48.5

billion external
revenues

59,784

Employees

0.745

metric tons (mt) of
CO₂ per MWh of
electricity

7.5 %

share of renewable
energies in power plant
capacity

€ 2.4

billion in capital
expenditure and
expenses for
environmental
protection

2.3

LTI_F¹ occupational
accidents

¹ Number of accidents leading to the loss of at least one person day per million worked hours (Lost Time Incident Frequency) incl. employees of contractors

OUR VALUE CHAIN



RWE is an integrated energy supplier and operates at all stages of the value chain. At the moment, we are adapting our business model to the changes in the sector. This is because the energy industry in Europe is undergoing fundamental change. We are increasingly focusing on initiatives for local energy supply, seeking out partnerships with investors and municipal utilities, and we want to drive the energy transition forward together with local residents in the community. We are achieving these goals by offering our customers products and services based on innovative technologies. This is also reflected in the structure of our value chain.

We have allocated our CR areas for action to the stages of the value chain and highlighted the relevant challenges. These vary according to the different stages of the value chain. Furthermore, the representation includes an allocation of the key aspects of the Global Reporting Initiative (GRI). We also state whether the major opportunities for exerting influence to overcome the challenges are inside or outside the RWE Group.

Our Value Chain



Extraction of fossil fuels and Provision and supply of biomass

Activities:

RWE extracts lignite in its own opencast mines, and produces wood pellets and other biomass fuels

KPIs¹ 2014:

5 opencast lignite mines (9,905 hectares)
106 million mt of lignite products at our opencast mines in the Rhineland lignite mining area and in Hungary

22,763 hectares of recultivated land at opencast mines in the Rhineland lignite mining area
631,768 mt of wood pellets manufactured at the Way-cross pellet plant (USA)

Challenges and key impact opportunity

Area for action	Challenges at the stage of this value chain	Key aspects in compliance with the GRI G4 reporting standard	Key impact opportunity	
			Inside the RWE Group	Outside the RWE Group
Biodiversity/Environmental Protection	<ul style="list-style-type: none"> - Sustainable recultivation of mining areas - Safeguarding the water resources in the region - Structuring environmental mitigation measures - Minimising particulate and noise emissions 	<ul style="list-style-type: none"> - Water - Biodiversity - Effluents and waste - Compliance (environment) - Overall (environment) - Environmental grievance mechanisms 	●	
Supply Chain	<ul style="list-style-type: none"> - Sustainable production of wood pellets and other biomass fuels 	<ul style="list-style-type: none"> - Procurement practices 	●	
Community Engagement	<ul style="list-style-type: none"> - Resettlement of residents under social and ethical conditions 	<ul style="list-style-type: none"> - Indirect economic impacts - Local communities - Public policy - Grievance mechanisms for impacts on society 	●	●
Occupational Safety/Healthcare Management	<ul style="list-style-type: none"> - Guaranteeing the health and work ability of our employees and the employees of our subcontractors 	<ul style="list-style-type: none"> - Occupational health and safety 	●	
Security of Supply	<ul style="list-style-type: none"> - Quality and appropriate quantities supplied to power plants - Maintenance of infrastructure for coal extraction from approved mines 	<ul style="list-style-type: none"> - Availability and reliability - Demand side management 	●	

¹ KPI: Key Performance Indicator



Supply and trading

Activities:

RWE supplies and trades in commodities including coal, natural gas, biomass, electricity and CO₂ certificates

KPIs 2014:

1,501 TWh of electricity
393 billion m3 of gas

735 million mt of coal
1,598 million barrels of oil

685 million CO₂ certificates

Challenges and key impact opportunity

Area for action	Challenges at the stage of this value chain	Key aspects in compliance with the GRI G4 reporting standard	Key impact opportunity	
			Inside the RWE Group	Outside the RWE Group
Supply Chain	<ul style="list-style-type: none"> - Human rights, social standards, and environmental protection in the producing countries - Sustainable cultivation of biomass in the supply countries 	<ul style="list-style-type: none"> - Procurement practices - Supplier environmental assessment - Supplier assessment for labour practices - Supplier human rights assessment - Supplier assessment for impacts on society 		●



Power and heat generation

Activities:

RWE constructs and operates fossil-fired power stations, wind farms as well as hydropower plants, and biomass power stations. Other activities of the Group include operation and decommissioning of our nuclear power stations.

KPIs 2014:

77.2 TWh of lignite	38.3 TWh of gas	10.1 TWh of renewable energies	2.7 TWh of pumped-water, oil, other energy sources
48.3 TWh of hard coal	31.7 TWh of nuclear energy		

Challenges and key impact opportunity

Area for action	Challenges at the stage of this value chain	Key aspects in compliance with the GRI G4 reporting standard	Key impact opportunity	
			Inside the RWE Group	Outside the RWE Group
Climate Protection	<ul style="list-style-type: none"> - Reduction in CO₂ emissions - Making the power plant portfolio more flexible in order to adjust to the volatile feed-in of renewable energies - Connection to offshore wind farms 	<ul style="list-style-type: none"> - Plant decommissioning - Emissions - Products and services 	●	
Energy Efficiency	<ul style="list-style-type: none"> - Increase in the efficiency of energy use in the power plants 	<ul style="list-style-type: none"> - System efficiency of the power station portfolio and distribution - Energy 	●	
Biodiversity/ Environmental Protection	<ul style="list-style-type: none"> - Limiting the emissions of pollutants - Treatment and minimisation of the (cooling) water used - Use of pumped water for heat supply - Reduction of particulate and noise emissions - Safe operation of nuclear power stations - Disposal of radioactive waste - Preparation and safe implementation of decommissioning concepts - Sustainable fresh-water management - Noise abatement during the construction of offshore wind farms - Compliance with national and international requirements for the sustainability of the biomass used 	<ul style="list-style-type: none"> - Water - Biodiversity - Effluents and waste - Compliance (environment) - Overall (environment) - Environmental grievance mechanisms 	●	
Community Engagement	<ul style="list-style-type: none"> - Acceptance for construction measures - Acceptance for plant operation 	<ul style="list-style-type: none"> - Indirect economic impacts - Local communities - Public policy - Grievance mechanisms for impacts on society 	●	●
Occupational Safety/ Healthcare Management	<ul style="list-style-type: none"> - Safeguarding the health and work ability of our employees and the employees of our subcontractors 	<ul style="list-style-type: none"> - Occupational health and safety 	●	
Security of Supply	<ul style="list-style-type: none"> - Guaranteeing security of supply - Contribution to system stability 	<ul style="list-style-type: none"> - Availability and reliability - Demand-side management - Access 	●	●
Innovation	<ul style="list-style-type: none"> - Development of climate-friendly and efficient technologies, projects and concepts 	<ul style="list-style-type: none"> - Research and development 	●	●



Distribution of electricity and gas

Activities:

RWE expands, operates and maintains distribution grids for electricity and gas.

KPIs 2014:

392,000 km of distribution grids for electricity
112,000 km of distribution grids for gas

307,500 of generating plants for renewable energies
connected to our grids

Challenges and key impact opportunity

Area for action	Challenges at the stage of this value chain	Key aspects in compliance with the GRI G4 reporting standard	Key impact opportunity	
			Inside the RWE Group	Outside the RWE Group
Biodiversity/Environmental Protection	- Reduction of impacts on local ecosystems	- Plant decommissioning - Water - Biodiversity - Effluents and waste - Compliance (environment) - Overall (environment) - Environmental grievance mechanisms	●	
Occupational Safety/Healthcare Management	- Safeguarding the health and work ability of our employees and the employees of our subcontractors	- Occupational health and safety	●	
Security of Supply	- Concepts for flexible load distribution for feed-in of renewable energies - Expansion of suitable storage facilities - Uninterrupted supply with electricity - Acceptance of grid expansion - Uninterrupted supply with gas	- Availability and reliability - Demand-side management - Access	●	●
Innovation	- Integration of renewable energies, volatile demand through PV connections, problems with commercial storage technologies	- Research and development	●	●



Retail business and use of electricity and gas

Activities:

RWE supplies electricity and gas to residential, commercial and industrial customers, as well as to downstream suppliers such as municipal utilities.

KPIs 2014:

15,958 thousand electricity customers
7,155 thousand gas customers

258.3 TWh of external retail business for electricity
281.3 TWh of external retail business for gas

Challenges and key impact opportunity

Area for action	Challenges at the stage of this value chain	Key aspects in compliance with the GRI G4 reporting standard	Key impact opportunity	
			Inside the RWE Group	Outside the RWE Group
Climate Protection	- Measures and packages for climate protection at our customers	- Emissions - Products and services	●	●
Market/Customer	- Competitive, individualised and flexible packages - Support for customers in energy savings	- Demand-side management - Products and services - Product and service labelling - Customer privacy	●	●
Innovation	- Development of service packages for own consumption and for marketing of renewable energies	- Research and development	●	●



Our employees

Activities:

RWE takes responsibility for its employees and offers them support for their personal and career development alongside ethical treatment and fair remuneration.

KPIs 2014:

59,784 employees	26.6 % proportion of women in the company	2,297 apprentices 6.4 % proportion of	severely disabled people in Germany
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Challenges and key impact opportunity

Area for action	Challenges at the stage of this value chain	Key aspects in compliance with the GRI G4 reporting standard	Key impact opportunity	
			Inside the RWE Group	Outside the RWE Group
Employees	<ul style="list-style-type: none"> - Maintaining and promoting the motivation and work ability of our employees - Restructuring measures at social and ethical conditions - Promotion of diversity and inclusion in the company 	<ul style="list-style-type: none"> - Employment - Labour/Management relations - Training and education - Diversity and equal opportunity - Equal remuneration for women and men <p>Other key GRI aspects (across value added stages):</p> <ul style="list-style-type: none"> - Economic performance - Labour practices Grievance mechanisms - Humans rights Grievance mechanisms - Anti-corruption - Anti-competitive behaviour - Compliance (society) - Disaster/Emergency planning and response 	●	

DEVELOPMENTS IN OUR REGIONS



Our market environment and the demands of the community are changing with the transition of the energy systems in Europe. We are meeting the diverse challenges faced by the RWE Group at all levels of the value chain and in all the regions where we are operating.

Europe's energy industry in transition

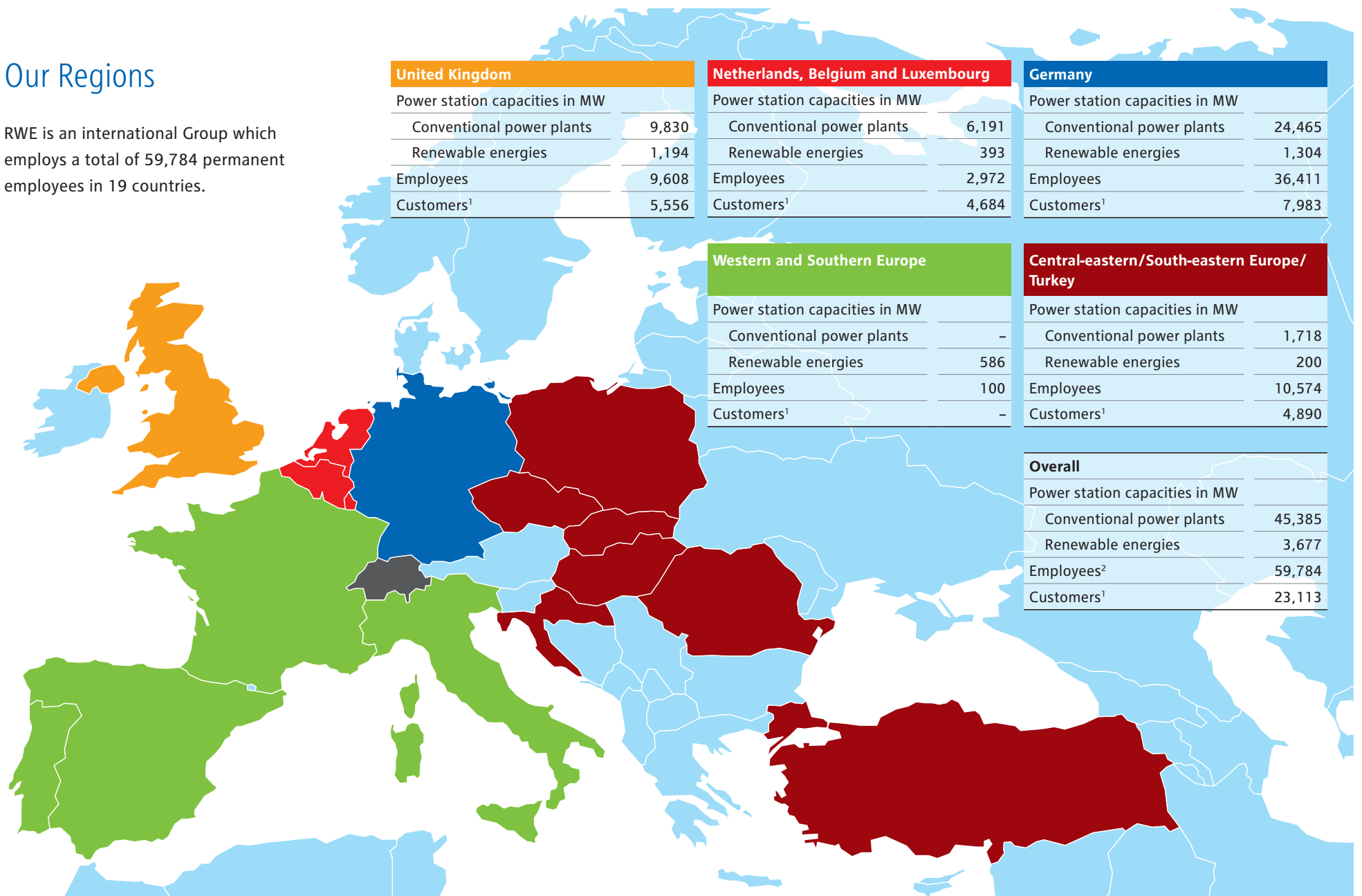
The framework conditions for our business are changing fundamentally as a result of political interventions. The expansion of renewable energies is modifying the way energy markets operate – with major impacts on our business success.

In wholesale markets for electricity generation, regulatory instruments like the feed-in priority for renewable energies and their remuneration through the system of subsidies increase demand and thereby reduce electricity prices in this market segment and the associated utilisation of our plants. This in turn cuts down the revenues derived from our power plants, especially in Continental Europe. Many plants, in particular gas-fired power plants, are no longer able to cover their operating costs. Conversely, their use is popular with a large number of stakeholders because they are regarded as flexible and have lower CO₂ emissions by comparison with coal-fired power stations.

Our electricity production has therefore also declined. This trend will continue over the coming years because an increasing number of citizens, companies and energy cooperatives are generating electricity for themselves in decentralised plants and feeding some of that electricity into the public electricity grid. This is also reducing the amount of electricity available to market to customers in our retail business. At the beginning of 2012, we launched the programme "RWE 2015" in order to maintain our position in this market environment. This programme has defined the changes and efficiency improvements within the RWE Group for the future. These include comprehensive measures for reducing costs, increasing profits and a strategic realignment with a stronger focus on innovative products and services in the energy market.

Our Regions

RWE is an international Group which employs a total of 59,784 permanent employees in 19 countries.



United Kingdom	
Power station capacities in MW	
Conventional power plants	9,830
Renewable energies	1,194
Employees	9,608
Customers ¹	5,556

Netherlands, Belgium and Luxembourg	
Power station capacities in MW	
Conventional power plants	6,191
Renewable energies	393
Employees	2,972
Customers ¹	4,684

Germany	
Power station capacities in MW	
Conventional power plants	24,465
Renewable energies	1,304
Employees	36,411
Customers ¹	7,983

Western and Southern Europe	
Power station capacities in MW	
Conventional power plants	-
Renewable energies	586
Employees	100
Customers ¹	-

Central-eastern/South-eastern Europe/Turkey	
Power station capacities in MW	
Conventional power plants	1,718
Renewable energies	200
Employees	10,574
Customers ¹	4,890

Overall	
Power station capacities in MW	
Conventional power plants	45,385
Renewable energies	3,677
Employees ²	59,784
Customers ¹	23,113

¹ In Thousands.

² Incl. 119 employees of RWE Supply & Trading in India, Indonesia, Singapore and the USA.

Germany

Germany is our biggest market. This is where we generate 57 % of our total sales amounting to € 26.2 million (not including levies on natural gas/electricity). The historic roots of our company are also in Germany. We manage the entire RWE Group from our Head Office located in Essen.

Extraction and generation

RWE operates three large opencast mines in Germany for the production of lignite. We have four lignite-fired power stations with a total generating capacity of 10,291 MW. Furthermore, BoA 2&3 optimised power plant units are currently the most advanced lignite-fired units in the world. These generating plants are located very close to our lignite mines at Neurath, Niederaußem, Weisweiler and Frimmersdorf. We also have generating capacity in Germany amounting to 5,318 MW for hard coal and 4,411 MW for gas. At the Hamm site in Westphalia, we are constructing one of the most advanced hard-coal power stations in the world with a total output of 1,528 MW. In August 2014, we brought unit E of the power plant on stream. At the end of 2014, we additionally had generating capacities of nuclear energy in Germany amounting to more than 3,908 MW. Following the exit from nuclear energy adopted by the German Parliament ("Bundestag"), our last nuclear power station is scheduled to exit from the grid in 2022. We are not involved in investment projects for nuclear energy. We have a further generating capacity of 4,197 MW in the areas of pumped-storage, oil and other power-plant capacities.

Grids and retail business

RWE is one of the biggest operators of distribution grids in Germany. The Group operates electricity distribution grids with a total length of 330,000 km and gas distribution grids with a total length of 48,000 km. At the end of 2014, we were granted around 3,000 electricity grid and 800 gas grid concession agreements in Germany with a term of at least 15 to 20 years. Alongside the sale of electricity, gas and heat, we are also active in the areas of energy efficiency and electromobility, as well as in the development and operation of smart devices to measure and control energy consumption. Overall, we supply around 8.0 million customers in Germany with electricity and gas, in addition to other energy services. The regional companies enviaM, LEW, Süwag and VSE are part of the RWE Group and we also have shareholdings in around 80 regional and local-authority energy utilities.

Renewable energies

In Germany, we are particularly strong in the area of renewable energies. At the end of 2014, RWE in Germany was operating consolidated generating capacity of renewable energies amounting to 1,263 MW, of which 621 MW is generated by hydropower, 598 MW is wind energy and 40 MW is biomass. In 2014, RWE joined forces with 29 municipal utilities to bring the onshore wind farm "Düshorner Heide" on stream with 26 MW. Furthermore, RWE supports the development of future-proof technologies and provides seed capital for innovative companies at the pump-priming stage and finance for them in the growth phase.

Structuring the energy transition

The German government wants to use its national climate protection plan to achieve the ambitious targets for reducing greenhouse gas emissions by 2020 and hence highlight its pioneering role in climate protection. All sectors need to be integrated in order to achieve the objective of a 40% reduction for CO₂ emissions in Germany by 2020 compared with the established baseline from 1990. The German government has defined a reduction volume of 22 million mt of CO₂ each year for the energy industry in addition to the savings previously agreed. We are reducing our CO₂ emissions with advanced and highly efficient plants. At the same time, by 2017 we will have reduced our generating capacities in the area of conventional power plants in Germany by up to around 9,000 MW, partly on account of lack of profitability. We are also taking 6,300 MW of our own gas-fired and hard-coal power stations out of service or mothballing them over the long term. A further 2,700 MW of generating capacity relates to contracts for long-term use of hard-coal capacities which we will not be renewing.

The improvement in energy efficiency in Germany is a key element of the national climate protection plan. We offer customers intelligent products and services to provide solutions that allow energy to be used more efficiently, for example by deploying intelligent control systems or advanced electricity storage (p. 38 and p. 53).



In addition, climate protection is also a constituent element of further regional and local initiatives and we contribute our expertise and concrete proposals to these projects.

United Kingdom

The United Kingdom is our second most important market. RWE is one of the six biggest energy suppliers in the country and produces around 10% of the electricity consumed there. In 2014, we generated sales of € 9,533 million in the UK with a total workforce of 9,984 employees.

Generation

RWE operates conventional power plants in the United Kingdom with a total capacity of 9,830 MW. Gas-fired power stations make up the biggest proportion. Pembroke is the largest CCGT power station in Europe with a net output of more than 2,000 MW and it also has the highest level of efficiency at 59%.

Retail business

We are one of the leading suppliers of electricity and gas with around 5.556 thousand retail and business customers in the United Kingdom.

Renewable energies

In the United Kingdom, RWE is also focusing on the expansion of renewable energies in onshore and offshore wind farms. Overall, we operate 1,194 MW of generating capacity from renewable energies. During the year under review, the Goole Fields 1 onshore wind farm came on stream with a capacity of around 33 MW and the Maldie pumped-storage plant with a capacity of 4 MW also started up. At the latest from mid-2015, our offshore wind farm Gwynt y Môr is scheduled to be connected to the grid generating 576 MW of electricity commercially at full capacity.

Fair prices in focus

The United Kingdom is legally bound by a political decision to deliver a greenhouse-gas emissions reduction of 80 % by 2050. As one of the biggest energy suppliers in the country, RWE has the challenge of meeting all the requirements for an affordable and secure energy supply while also protecting the climate. In recent years, we have invested heavily in advanced gas-fired power stations in the United Kingdom. As in Germany, profitable operation of these power plants is at risk due to the latest developments, comparatively low electricity generating costs in hard-coal power stations and the expansion of renewable energies. The British government therefore introduced a capacity market in order to counteract potential problems with security of supply. The first auction for the initial subsidy period (2018/2019) was held in December 2014.

Providing fair and transparent energy prices is particularly important for our customers in the United Kingdom. In recent times, the biggest driver of customer prices has been the regulatory and policy costs that are associated with delivering infrastructure investment and implementing social and environmental programmes. We support consumers in improving their energy efficiency in order to make energy affordable, particularly for the most vulnerable households in society. Intelligent electricity

meters known as smart meters help consumers to understand and control their energy use as never before. They will therefore also be key to delivering other intelligent levels of service in the area of energy efficiency. We are cooperating with the government in order to foster greater public understanding and acceptance for this technology among consumers. Through ECO (Energy Company Obligation) we support the energy efficiency measures of our customers, such as building insulation and new heating systems. We are the only energy supplier in the United Kingdom to offer our customers the Nest Learning Thermostat. This thermostat programs itself and can switch off automatically.



Netherlands, Belgium and Luxembourg

RWE is one of the leading energy utilities in the Netherlands and Belgium. A focus of our activities in these countries is in the area of renewable energies, as well as in the retail business for electricity and gas.

Generation

In the Netherlands and Belgium, RWE operates hard-coal and gas-fired power stations with a total generating capacity of 6,045 MW. At our coal-fired power station in Geertruidenberg, we also use large quantities of biomass to replace hard coal. The new hard-coal Eemshaven power station with a total capacity of 1,554 MW will start commercial operation in 2015. We are planning to use biomass for generation there as well if technical and commercial conditions permit. RWE also holds a minority shareholding in the Borssele nuclear power station.

In Luxembourg, we operate the Vianden pumped-storage power plant. This is one of the largest power generating facilities of its type in Europe. The plant plays a key role in the stabilisation of Europe's electricity grids and in maintaining the balance between feed-in and

consumption of electricity and it is connected to the German grid. We installed an additional turbine to increase its output to 1,300 MW in 2014.

Retail business

In the Netherlands and in Belgium, we have 3.7 million electricity and gas customers. More than one million customers use our "green power" product. We also deliver heat and offer innovative energy services. In Belgium, we are continuing to expand the energy retail business.

Renewable energies

RWE is one of the major investors in wind farms in the Netherlands and Belgium, and its portfolio includes onshore and offshore facilities. At the end of 2014, we were operating wind turbines here with a total capacity of 217 MW. In 2014, we started construction work on the Zuidwester (90MW) wind farms. The Thornton Bank offshore wind farm has a capacity of 325 MW and is one of the biggest facilities of its kind in the Belgian section of the North Sea. RWE has a stake of around 27% in this offshore wind farm.

Retail channels in transition

As a result of low wholesale prices, the crisis in the eurozone and solar-powered generation of electricity in Germany, Dutch coal-fired power stations and in particular gas-fired power stations are coming under economic pressure. Since 2013, we have mothballed two modern and environmentally friendly power stations “Claus C” and “Moerdijk II”. In 2013, the Dutch government also introduced a coal tax which brought about a deterioration in the competitive conditions in the Netherlands for coal-fired power stations by comparison with power plants in other countries. Under the National Energy Agreement, it was agreed to reduce the coal tax to zero with effect from 1 January 2016. In return, the power plant operators agreed to take five old coal-fired power stations out of service by the same date.

The current national subsidy system for the generation of electricity from biomass comes to an end in 2015. We will continue to expand electricity production with the help of biomass within the framework of the successor programme and this will therefore provide significant support for the Dutch and European targets on expanding renewable energies.

In the Netherlands, we are being challenged by increasing competition from new, national energy suppliers and by new retail channels. We have been successful in the face of this competition by improving our customer service, introducing new pricing models for loyal customers and developing new retail channels with retail partners. We offer customers other products in the area of renewable energies and energy efficiency. They can use an online portal to check their energy consumption, obtain advice about energy issues and order products to reduce their energy consumption.



Central Eastern and South-eastern Europe, and Turkey

RWE is also an active player in Central Eastern and South-eastern Europe, and Turkey in the areas of conventional generation, retail business and grids, as well as operating in renewable energies. We have businesses in Croatia, Poland, Romania, Slovakia, Czech Republic, Turkey and Hungary. Overall, we supply around five million customers there with energy and services.

Generation

In Hungary, we operate the Mátra lignite-fired power station with two associated opencast lignite mines. In 2014, we produced a total of 8.8 million mt of lignite. The power plant with a generating output of 780 MW was also fuelled with 373,000 mt of biomass. RWE operates a gas-fired power station in Turkey with an output of 775 MW. We are involved in Croatia as the co-owner of the Plomin hard-coal power station and in wastewater business.

Grids and retail

Retail business, distribution and storage of gas are the focus of our business in the Czech Republic. RWE operates a gas distribution grid there with a length of 63,875 km and supplies 1.4 million customers with natural gas. Since 2010, we have also been selling electricity in the Czech Republic and we supply around 265,000 customers with power.

In Hungary, we operate an electricity distribution grid with a length of 46,200 km and supply around 2.1 million customers with electricity.

We have an electricity distribution grid in Poland with a length of 15,998 km and we supply around 900,000 customers with electricity. Since 2014, we have also been supplying natural gas in Poland.

In Slovakia, we supply more than 100,000 customers with natural gas. We also operate an electricity grid more than 20,000 km in length and we are developing decentralised energy solutions in Central and Eastern Slovakia.

We are active in energy retail business in Croatia and we supply nearly 100,000 customers with electricity.

Since 2014, we have been operating a nationwide retail organisation in Romania and we are now supplying our first customers with electricity. Our head office is located in Bucharest and we have a number of regional offices. We want to grow our operations there and concentrate on supplying small and mid-size companies, and industrial customers.

Renewable energies

In Poland, we are continuing to expand our capacities in the area of renewable energies. We have a total of six wind farms there with an installed output of 197 MW.

Study on the Polish energy market

RWE contributes its expertise to the debate about energy systems of the future. We carried out an energy market study in Poland to analyse the developments and technological challenges there. We have presented potential political, economic and community framework conditions for the development of innovative technologies up until 2050 in four hypothetical scenarios.

Poland's energy industry is currently defined by energy generation from coal-fired power stations. Coal as a fuel will continue to play an important role there for the generation of energy, even if the proportion of this form of energy generation declines in favour of other energy sources. These include in particular increasing levels for generation of electricity by gas-fired power stations, and from wind power and photovoltaic plants. As they are expanded, Poland will also be in a position to safeguard security of supply over the long term without significantly increasing its energy imports. At the same time, the study identified opportunities for increasing diversification and modernisation of the energy supply in order to reduce the country's greenhouse gas emissions and make its contribution to the climate protection targets of the European Union. Important issues include the ongoing dissemination of smart meters, load management and hence associated services for reduction of energy consumption. By 2020, electromobility will play an important role in Poland.

By 2015, decentralised energy generation in small plants has also increased in importance. The proportion of energy produced by these plants out of all the energy generated in Poland was seen to rise significantly in all the scenarios analysed. Two developments in particular have contributed to this change in the electricity market. Small plants which have previously only been used for generating heat are now being upgraded with the help of cogeneration and they are achieving higher levels of efficiency as a result. At the same time, energy generation by photovoltaic systems will become increasingly popular as investment costs come down significantly over the upcoming five years.

[> The Energy Market Study to download](#)



Western and Southern Europe

RWE is exclusively active in the area of renewable energies in France, Italy, Portugal and Spain. It operates wind farms and hydropower plants in these countries. Furthermore, RWE has a stake in the Andasol solar thermal power plant in Spain. Overall, we have a total installed generating output of 513 MW for wind energy and 73 MW for hydropower in France, Italy, Portugal and Spain.

Other countries

We carry out significant activities outside Europe in the USA and through our engagement in the Desertec Initiative in North Africa.

Within the framework of the first planned benchmark projects in the Desertec Initiative, RWE has launched a project for combined electricity generation in Morocco with a capacity in each case of 50 MW for solar energy and 50 MW for wind energy. RWE additionally operates a plant for manufacturing wood pellets in the US state of Georgia.

RWE also has trading locations in Mumbai, New York, Singapore and Jakarta.

CR STRATEGY AND MANAGEMENT



We pursue the objective of integrating sustainability more firmly in the core business of RWE through our Corporate Responsibility (CR) Strategy. Ten areas for action have been defined which encompass the most important challenges confronting RWE and we use them to achieve this goal. The areas for action are the means of continuously managing our activities on the basis of concrete goals and measurable key performance indicators (KPI). Our intention is to make Corporate Responsibility a fixed element in the operational controlling system of our company by 2020. Our roadmap on Corporate Responsibility presents development since 1998 and describes our long-term objective.

Continuous further development

In 2012, we launched a group-wide process for revising Corporate Responsibility in order to strengthen Corporate Responsibility within the Group. In the following year, we adjusted our strategic focuses to match current developments by revising the conceptual platform underlying our areas for action. The results of this process were validated by a stakeholder survey. The three dimensions of environment, social engagement and corporate governance in accordance with the ESG Model (Environment, Social, Governance) served as a framework for the new alignment. In 2014, we consistently continued along the road route of realignment relating to our areas for action and strategic focuses.

In the area for action "Energy Efficiency", we continued to focus on efficient electricity generation at our power plants and energy efficiency in other corporate activities. Conversely, we have allocated our packages for improving energy efficiency with customers to the recently renamed area for action "Market/Customer" and we report here on our products and services for the energy world of the future. This complements the content of the original area for action which was focused on the issues of credibility and performance for our customers under the former designation "Customer Trust". This realignment enables us to focus on the Group Strategy. This incorporates a greater role to the offering of products and services for the energy transition as a division of the RWE Group.



CR Management

The RWE Group Centre holds overall responsibility for coordinating the group-wide implementation and realisation of Corporate Responsibility in all divisions. At the beginning of 2014, the Corporate Responsibility Department was brought together with the areas of communication and energy policy to form the Corporate Affairs Department in order to ensure tighter integration of differing stakeholder interests. The head of this department, reports directly to the Chief Executive Officer. Since 2014, the RWE "Stakeholder Council" (p. 28) has been advising the Executive Board of the Group on sustainability issues. Furthermore, representatives from the Group Cen-

tre and the major operating companies come together at meetings held by the staff of CR officers several times a year. These meetings serve as forums for coordinating ideas and discussing joint activities.

Making CR successes quantifiable

We consistently pursue the roadmap of making governance and its effectiveness quantifiable and controllable. Our ten areas for action are underpinned with targets, measures and concrete key performance indicators. A review of the relevance and timeliness of the programme is carried out every year and always takes account of developments in the areas for action, the strategy of the RWE Group and the expectations of our stakeholders (p. 35).

Roadmap of our Corporate Responsibility

	Launch (1998-2000)	Structuring (2001-2005)	Implementation (2006-2010)	Role of CR driver (2011-2015)	Best in class (2016-2020)
Strategy	Group Directive environmental management	Group CR guidelines	Review of CR areas for action	Continuous up-dating of the CR areas for action	CR becomes an integral part of Group strategy
		CR strategy	Embedding of CR in all business areas		
Coordination and management	Permanent staff of environmental officers	Introduction of occupational safety management system	Key performance indicators concept for CR	CR as an integral part of goal agreement for the Executive Board	CR as an integral part of operations management
	Introduction of Environmental Reporting and Information System	Introduction of group-wide Code of Conduct	Group-wide CR implementation	Regular reporting on KPIs (Key Performance Indicators)	
Reporting and dialogue	1st systematic environmental report	1st CR Report	Institutionalised stakeholder dialogue	Industry leader in transparency	High level of acceptance in society
	Inclusion in Dow Jones Sustainability Index	Convention on the future of sustainable development	Corporate Volunteering		

We also create long-term incentives for sustainable corporate governance by linking part of the variable compensation payable to Members of the Executive Board with the achievement of our CR goals. The assessment is carried out by the Supervisory Board of the RWE Group. Relevant CR aspects are channelled into the individual balanced scorecards of the operating companies.

Orientation to national and international standards

We base our reporting on globally acknowledged targets such as the guidelines of the Global Reporting Initiative (GRI) and the UN Global Compact. This enables us to comply with the growing demands being placed on the quality of our CR Management and our reporting. We have also developed a Data Recording Manual with the aim of continuously improving the quality of our CR indicators. This manual sets our binding definitions, assessment limits and processes for collecting data.

At national level, we have been submitting a Declaration of Compliance with the German Sustainability Code since 2011. This declaration makes our activities transparent to external stakeholders year on year.

[> The Sustainability Code](#)

Transparency through dialogue

Openness, dialogue and participation are central community expectations for large companies. We strive to meet this challenge. In cooperation with the operating companies, we track all important developments on the issue of sustainability and we evaluate them for their relevance to the RWE Group. The dialogue with our stakeholders provides some essential indications. Large sections of society continue to be critical of our company when it comes to a number of issues. Our aim is therefore to expand dialogue and achieve a high level of acceptance for our actions in the public domain by 2020 (p. 28). This is in harmony with the guiding principle of RWE as the empowering and credible partner for restructuring the European energy system.



COMPLIANCE AND RISK MANAGEMENT

Acting in accordance with the law and rules and procedures is an integral part of our corporate culture at RWE. Any breaches mean that the company can suffer major and serious reputational damage. RWE therefore bases all its activities and business decisions on established rules for compliance and does not tolerate any corruption or other breaches of compliance regulations. Compliance requirements are factored in when taking all decisions on entering into business relations with suppliers or subcontractors (p. 63).

The main focus of our internal compliance management is to raise the level of awareness among our employees and our governance bodies in order to prevent the possibility of any breaches. A group-wide reference standard sets out a guidance framework for all our employees. Our Code of Conduct defines binding conditions for compliance with national and international laws and regulations, as well as rules for fair dealings with market participants and competitors. The Code of Conduct provides the platform for reference standards applicable throughout the Group, for example guidelines which provide additional concrete details relating to regulations. The prevention of corruption is particularly important here. Compliance with the guidelines is supported by organisational regulations, e.g. the double-checking principle, separation of functions, authorisation concept and rules for approval.

Compliance organisation

The Centre of Expertise Legal & Compliance based at RWE Group Business Services GmbH is responsible for directing our Compliance Management. The Group Centre continues to have overall responsibility for governance. Compliance Officers in all the operating companies are responsible for uniform implementation of group-wide principles. An independent, external ombudsman is also available to receive information about any breaches of the Code of Conduct from employees and from external third parties. Reports can be submitted in the relevant national languages and must remain anonymous if requested by the whistleblower.

The Chief Compliance Officer submits regular reports to the Executive Board and the Audit Committee of RWE AG. Internal media within the Group inform our employees about behaviour that conforms with compliance guidelines and also highlight potential risks if compliance is breached. Members of our workforce are also able to take part in a wide range of training sessions through a web-based training programme and at presentation events. Participation is obligatory and calibrated according to the risk of corruption associated with the relevant activity. The Executive Board too is integrated in this training concept. In 2014, we delivered training sessions to some 4,200 employees at presentation events in Germany and around 1,000 employees in the other regions where RWE is operating.

Compliance monitoring

We are able to track all compliance-sensitive procedures using our group-wide database. The use of this compliance IT tool is mandatory. This is how we are able to guarantee maximum transparency within the company. We also offer comprehensive assistance in processing the defined transaction.

We use a two-stage process to identify and assess compliance risks which arise for the RWE Group in the area of corruption. After we had established the risk profiles for the Group companies reporting directly to RWE AG in 2012, we moved onto a second stage in 2013 which focused on developing detailed corruption risk scenarios. In 2015, we want to include more companies in the detailed analysis.

The Group Audit Department regularly carries out preventive compliance audits in the Group companies. This enables us to review the implementation and effectiveness of our Compliance Management across the Group. We always follow up any information relating to potential breaches of compliance and we take any necessary measures as required. The reviews carried out by the Group Audit Department for the year 2014 revealed no material or systematic breaches of our compliance guidelines. Any individual shortcomings in processes or in the documentation were remedied.

The Executive Board of RWE AG commissioned audit firm KPMG to carry out the audit of the Compliance Management System (CMS) in order to combat any corruption and to ensure independent scrutiny of the compliance system. This was carried out in accordance with the IDW Audit Standard 980 drawn up by the German Institute of Auditors (Institut der Wirtschaftsprüfer). The first stage involving the audit of the conceptual approach and the appropriateness of the

CMS was completed in 2012. This process was continued in 2013 with an audit of effectiveness and it was successfully concluded by the start of 2014.

Corporate security

As an operator of a critical infrastructure, RWE is aware of its important contribution to providing a secure energy supply. Security Management is therefore a central management function at RWE. The Group Security Department reports directly to the RWE Group Executive Board. We use predictive risk management to derive measures which secure a commercially appropriate level of protection – for tangible and intangible company assets, as well as for personnel and sensitive business processes. This also applies to information security which is a further constituent element of security management.

In order to prevent security hazards, RWE is a member of various associations of companies and plays an active role in other security associations and initiatives. These commitments include the “Security Partnership against Metal Theft” (SIPAM). RWE was one of two German energy companies taking part in the exercise “Cyber Europe 2014” run by the European Union Agency for Network and Information Security (ENISA). As a member of the association “Cyber Security Council German”, we also support the development of a German Cyber Security Act. We guarantee the security of our employees while on business trips through our strategic travel management. We prevent criminal actions with corresponding preventive measures. When investigating criminal acts, we respond appropriately and work together with the responsible security services. If there are any suspicions of criminal actions, the Compliance and Group Security departments cooperate closely together.

Operational risk management

At all levels of our value chain we operate technically complex, networked production plants. Injuries can be sustained and damage can occur at our opencast mining equipment, conveyor systems, power-plant components and grids, sometimes entailing significant risks for people and the environment.

We have made comprehensive organisational preparations to overcome crises and emergency situations. Crisis teams have therefore been appointed at different levels and they are continuously accessible. Manuals, alarm lists or tools, and the necessary technical equipment are available for crisis management. We carry our regular emergency training courses and exercises. Emergency plans are also drawn up at the operational level to take account of different scenarios. Restarting critical business processes after major interruptions is controlled by "Business Continuity Management".

STAKEHOLDER DIALOGUE

Our stakeholders include all persons and organisations with which we maintain relations and engage in dialogue. We also regard as stakeholders individuals and entities who seek communication with us or who are interested in our company. The expectations placed on RWE are often very different from region to region.

In order to identify the different aspirations and take account of them in our corporate policy, we are in continuous communication with our stakeholders. Our company regularly engages in communication based on differing formats with customers, academics, politicians, representatives of environmental organisations, neighbours of our locations and other citizens. We also seek contact with the players who are involved in issues relating to the energy industry and the entrepreneurial actions of RWE and their effects on the community at large.

Stakeholder Council established

In 2014, we set up the RWE "Stakeholder Council" with the aim of establishing an in-depth dialogue. This group-wide body advises the Executive Board on sustainability issues and is made up of eight independent experts representing perspectives from the world of research and civil society. The experts on the panel come from Germany, the United Kingdom, the Netherlands and Poland, and this means that they bring different regional perspectives to the discussion table. Following the constituent meeting held at the end of 2014, the Stakeholder Council will meet twice a year in the future and discuss the current challenges for the company.

Constructive exchange of ideas at different levels

The communication with our stakeholders gives us valuable ideas for the orientation of our corporate activities. There is frequently common ground between their aspirations and our objectives. This means that engagement of this nature can result in different forms of cooperation over the long term (p. 30). At the same time, this dialogue provides us with the opportunity to give them better communication on our company decisions and explain the underlying motivation.

The dialogue takes place in the framework of diverse formats and at different levels. Accordingly, we engage in discussions at local level with neighbouring residents and citizens' initiatives, for example about construction measures and approval proceedings. Our local residents frequently follow our projects and activities with a great deal of interest, perhaps because they may be looking for positive effects to give upside impact on the local economy. Alternatively, they may be anxious about negative effects on their own lives and the surrounding environment. We meet these expectations with an honest exchange of views and generate an atmosphere of lively openness for constructive proposals. At national level, we engage in discussions with our stakeholders about wide-ranging issues, such as sustainability in international supply relationships, a responsible approach to customers, the future of the energy market and our contribution to the energy transition and climate protection.



Stakeholder dialogue by regions

Our stakeholders and their perspectives are nuanced in tune with the diversity of the regions where we have operations. We have a range of different dialogue formats to conduct the dialogue and exchange of ideas with the stakeholder groups at our locations.

Germany

The targets, consequences and challenges of the energy transition continue to be the most important topics within the framework of communication with our stakeholders in Germany. A highly relevant issue is how RWE can make use of new business models and products to integrate the burgeoning proportion of renewable energies in the existing system. We are continually holding events on this subject and comparable issues, for example the RWE Talk held several times a year in Berlin. Managing directors and members of the Executive Board at RWE also participated in four events in 2014 and swapped information and ideas about the latest high-level discussions with politicians, representatives of other companies, journalists and representatives of unions and various special-interest groups. The most important topics include the break-up of the energy sector and the associated changes entailed for companies, the design of the electricity market in the future, as well as innovations in electricity generation and storage, and products for retail customers.

The RWE Energy Round Table (Energieroundtable) is another important format operating at national level. This format gives interested citizens the opportunity to find out about the latest topics in the energy industry and integrate their proposals or ideas into specific projects within the framework of the energy transition. In 2014, one Energy Round Table took place in Essen.

The Customer Council met twice during the course of 2014. The members mainly engaged in debate about future issues, such as decentralised energy supply, energy efficiency, as well as the digitisation of the energy industry.

The Neighbourhood Forum (Nachbarschaftsforum) in Niederaußen, which RWE set up in the Rhineland lignite mining area, continued on a successful trajectory. This forum offers neighbours, associations and other stakeholders the opportunity to engage in discussion with RWE about issues related to electricity generation and power stations. During the year under review, the issues under discussion focused on approval procedures and involvement of public relations in opencast mines in the Rhineland lignite mining area. In addition, conferences and forums for dialogue were also held on specialist topics such as the water industry, fine particulates, recultivation and impairment from mining activities.

[> Energy Round Table](#)

United Kingdom

In 2014, we also engaged in dialogue with various stakeholders, including representatives of environmental associations and consumer protection organisations. The focus of these discussions related to issues from the area for action Market/Customer, including the increase in customer satisfaction, combating fuel poverty and the inclusion of customers in brand management. Other key issues were climate protection, the future role for the use of coal in the United Kingdom and the development of offshore wind technology.

Netherlands

In 2014, the Netherlands saw communication with our stakeholders focusing on issues relating to the supply chain for coal and biomass. There was an exchange of views including representatives from gov-



ernment and civil society. The conversations on the coal supply chain were primarily about local mining conditions. They led to the voluntary self-commitment by the participating companies to increase transparency for the origin of the coal (p. 66). As a result of the debate on the procurement of biomass, new national sustainability criteria were introduced which focused on climate protection as a particularly important aspect.

Stakeholder dialogues at local level were shaped by questions relating to acceptance of new wind turbines for generating energy and discussions centred on progress with the new RWE hard-coal power station in Eemshaven and the associated nature conservation projects.

Central and Eastern Europe

We exchanged views with a variety of stakeholders in Hungary, including customers, union representatives, ministries and other political decision-makers, employees and community representatives. As a result of our cooperation with local universities, we are engaged in a constructive dialogue with students on topics relating to the energy industry and we are highlighting career perspectives for them in the sector. In 2014, we also continued the event series "Meet the Customer" by holding four events. At these meetings, we discuss current issues in the energy market with customers. In the Czech Republic, the main focus was on the security of gas supply, economic conditions in the energy industry and the challenges of more environmentally friendly mobility.

In Poland, we are engaging in intensive discussion about the future of the energy supply. This has primarily been carried out in the framework of the economic forum in Krynica and in the Polish Parliament. RWE was invited there to discuss the RWE Energy Market Study with the Members of Parliament. When intelligent electricity meters were being installed, we exchanged views and information with representatives of consumer associations.

[> RWE Energy Market Study](#)

Cooperation as a result of stakeholder dialogue

We also work closely together with the affected stakeholders in order to develop appropriate standards and assessment criteria, for example in the context of the Bettercoal Initiative and the Sustainable Biomass Partnership (p. 65 f.).

At the end of 2013, we entered into a cooperation with the International Union for Conservation of Nature (IUCN) aimed at protecting biological diversity. The objective of the cooperation is to join together and exert our influence more intensively on environmental systems and manage them better. We have joined forces to launch a common project for this in which we plan to investigate the effects of recultivation carried out at lignite opencast sites in the Rhineland lignite mining area. We are also developing a group-wide biodiversity guideline which will define our principles and objectives on this issue (p. 48).



MATERIALITY ANALYSIS

In 2014, we reconciled our Materiality Analysis for the first time with the requirements defined by the current reporting standard of the Global Reporting Initiative (GRI), GRI G4. Dialogue with our stakeholders forms an important foundation for the annual update of our Materiality Analysis. This dialogue allowed us to record the opinions and expectations of the community in relation RWE (p. 28). Initially, we use an established process to evaluate the relative importance of the areas for action from the perspective of our stakeholders and reconcile these results with our assessment of the opportunities available to the RWE Group for exerting an influence.

We obtained the internal assessments in a group-wide consultation process in which the board members of the Group companies responsible for CR were included for purposes of validation. The findings derived from this dialogue enable us to balance the relevance of sustainability issues and review the alignment of our CR Strategy. We evaluate the expectations of stakeholders on the basis of conversation records or public statements, as well as in communication with the specialist departments and the RWE companies in different countries. The stakeholder perspectives also provide us with impressions gained about the impact of our company's activities on the community. At the same time, we also include additional factors such as exposure of the company due to the sector, the profile and the strategic alignment.

The assessment forms the second pillar for the evaluation of sustainability issues. It is carried out on the basis of a comprehensive survey within the RWE Group. The departmental managers and board members from the various Group companies are included in the assessment alongside experts on a range of issues. We then select the GRI aspects relevant for RWE and allocate them to our CR areas for action (p. 4 ff.).

Presentation of the key issues

When the report changed over to GRI G4, we accordingly also adjusted the representation of our Materiality Analysis. As in earlier reports, the vertical axis measures the expectations of stakeholders. For the first time, the horizontal axis plots the impact of the RWE Group on the community. This mapping of the areas for action indicates that our most relevant areas for action are characterised by the high expectations of our stakeholders in combination with the high level of opportunities available to RWE to exert influence.

The matrix provided below sets out the assessed importance of our areas for action which were each evaluated with the categories "moderate", "high" and "very high" on a relative scale. They reflect the Group perspective, although the assessments of the issues may vary in the regions and the individual divisions of the Group. We attribute above-average importance for the sustainable alignment of

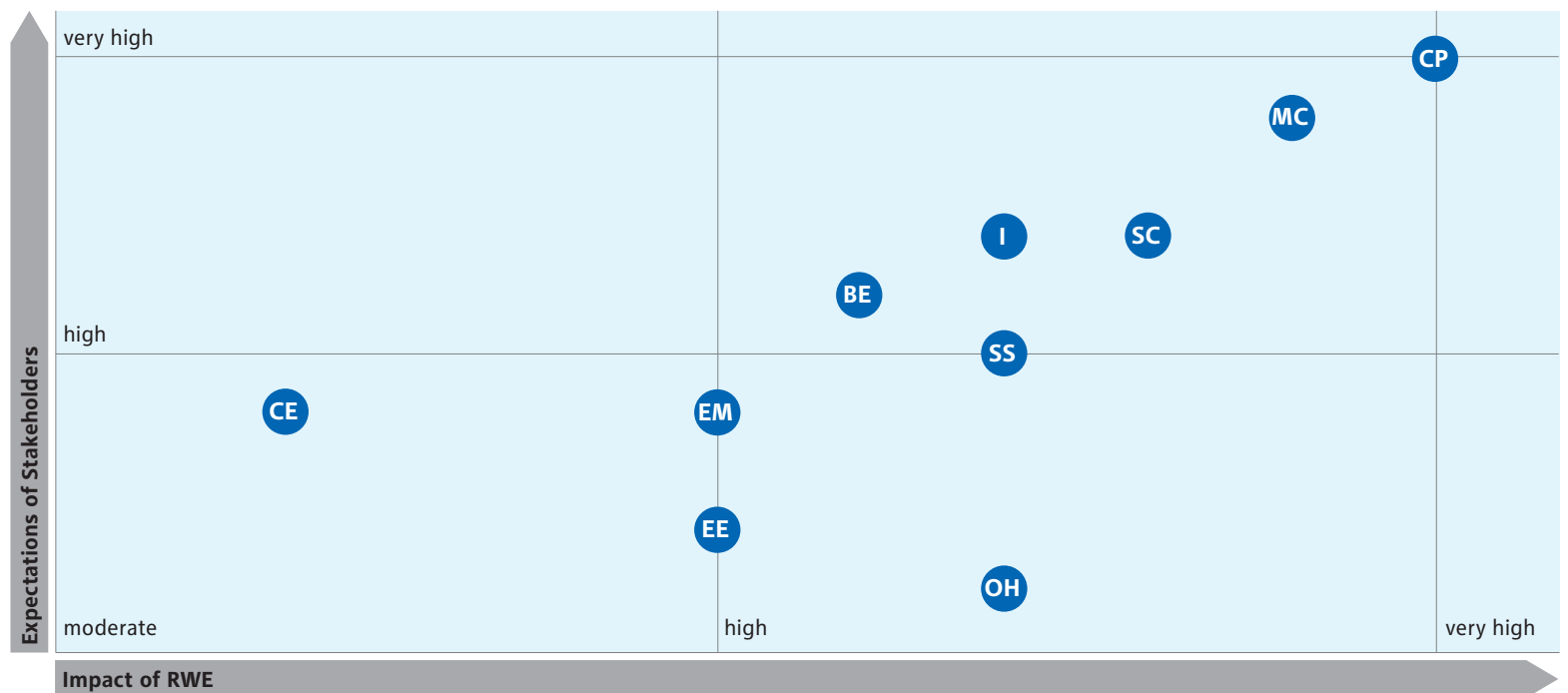


the RWE Group to all the issues plotted in the Materiality Matrix. The content of this report was defined on the basis of the results of the Materiality Analysis. The most important issues are Climate Protection, Market/Customer, and Supply Chain. We provide a more extensive presentation of these areas for action in this report (p. 38, 53 and 63).

Developments in the CR areas for action

Our ten CR areas for action are grouped thematically within the three issues of environment, social engagement and corporate governance. We are therefore focusing on the dimensions of the established ESG Model (Environment, Social, Governance). The latest political,

Materiality Analysis 2014



- CP Climate Protection
- EE Energy Efficiency
- BE Biodiversity/Environmental Protection
- CE Community Engagement
- MC Market/Customer
- EM Employees
- SC Supply Chain
- OH Occupational Safety/Healthcare Management
- SS Security of Supply
- I Innovation

economic and community developments are continuously presenting new challenges and focuses within the individual areas. We analyse these and adapt our areas for action as appropriate.

Environment dimension

The Environment dimension comprises the areas for action Climate Change, Energy Efficiency and Biodiversity/Environmental Protection. In 2014, restructuring of the energy system was discussed intensively throughout Europe and particularly in Germany. This also exerts an impact on the individual relevance of the associated areas for action of RWE. Climate Protection continues to remain the most important issue and governments throughout Europe are placing this at the top of the political agenda. As Europe's biggest single emitter of CO₂, RWE is confronted by major challenges in this area to make energy generation more climate friendly (p. 38). The topic of energy efficiency impacts on energy-saving packages in our own company and in the businesses of our customers (p. 43). We have allocated the latter to the area for action Market/Customer, since measures for energy savings at the end user are closely linked with new business models developing in the context of the energy transition. The high level of importance of the new lines of business also flows into the evaluation of the corresponding area for action.

RWE and our stakeholders continue to perceive relevant tasks in the area for action Biodiversity/Environmental Protection. The promotion of biodiversity is of central importance particularly in the management of opencast mining facilities and we are continually making efforts to bring about improvements (p. 46). This issue also presents us with challenges relating to the expansion of renewable energies, for example through offshore wind farms. We want to set up and operate these plants safely and under profitable conditions, while at

the same time avoiding negative impacts on ecosystems. Sustainable solutions in this area provide fundamental conditions for successful restructuring of the European energy system. That's why we already attributed major importance to the issue last year even though its relevance had slightly declined as far as our stakeholders were concerned.

Social dimension

The affordable supply of energy continues to be an important issue in public debate. This is mainly about the additional burdens brought about by public subsidies for renewable energies. From a social perspective, these should be distributed in a maximally fair and equitable way. It is equally important that we offer packages to our customers which are designed to save energy and provide them with advice about optimum use of their facilities in the areas of renewable energies and storage technologies. Our stakeholders attribute the greatest importance to the area for action Market/Customer – alongside Climate Protection and Supply Chain – for the sustainable development of RWE, particularly since they perceive a success factor here that will help the energy transition to succeed. Given that we have 23 million customers, we believe that we have major opportunities for impact in this area. We therefore want to make use of the access to our customers, in order to develop and disseminate smart products for saving energy and for integration of renewable energies (p. 53).

The increasing cost pressure associated with the energy transition continues to exert an impact on our human resource policy and presents us with major challenges in the area for action Employees (p. 59). We are compelled to adapt our human resource structure to the difficult framework conditions of the energy industry as it under-

goes change. This means that our employees and our management are confronted with major challenges. However, the opportunities for exerting influence in this area are only available within the company.

Community engagement continues to form the platform for acceptance of the company by society as a whole. Nevertheless, the expectations of our stakeholders have diminished marginally in relation to this area for action. We regard our own influence and our strategic opportunities as limited in this sphere (p. 49).

Governance dimension

The Governance dimension comprises the areas for action Occupational Safety/Healthcare Management, Security of Supply, Supply Chain and Innovation.

Our stakeholders set the bar very high and we indeed meet their aspirations on an international sector comparison in the area for action Occupational Safety/Healthcare Management. Here we have significant opportunities for exerting influence with our own employees and suppliers. However the impacts on workplace safety in the community at large are limited (p. 68).

In 2014, the area for action Security of Supply continued to be a top priority for our stakeholders in Germany. The public discussion surrounding this issue relates on the one hand to the robustness of electricity grids. The second issue involves adequate availability of power plant output to cover the demand at all times. As an energy supplier, we also have a great deal of influence on both factors (p. 72).

A sustainable structure for the supply chain continues to be important. Our stakeholders attribute major responsibility to us in this area and particularly in the supply chain for hard coal. We are working intensively together with other European suppliers within the Better-coal sector initiative in order to achieve an impact in this area (p. 63).












We continue to regard innovation as a key element and catalyst in order to provide the energy industry with a future-centric structure, meet customer wishes and expectations and drive forward the expansion of renewable energy sources (p. 76). The expectations of our stakeholders in regard to the power of innovation increased slightly by comparison with the previous year.












OVERVIEW OF OUR TEN AREAS FOR ACTION AND OUR CR OBJECTIVES



We have converted our CR Strategy into ten concrete areas for action – in an intensive dialogue with our stakeholders. We have defined concrete, quantifiable targets in each area for action and made them a constituent element in the compensation package for our Executive Board.



	Area for action	Target	KPI	Target value	Due	Measures	Status at the end of 2014	Target attainment
	Climate Protection	We are committed to significantly reducing the CO ₂ intensity of our generation portfolio.	CO ₂ emissions in metric tons (mt) per megawatt hour of electricity generated (mt CO ₂ /MWh)	0.62 mt CO ₂ /MWh	2020	Further expansion of renewable energies Replacement of old emission-intensive power plants by low-emission and highly efficient power plants	0.745 mt CO ₂ /MWh	
	Energy Efficiency	We are committed to increasing own energy efficiency.	Increase in energy efficiency in %	RWE power plants ¹ : 40.1 %	2017	Power plant new-build programme	Average efficiency of energy use 40.4 %	
	Biodiversity/Environment Protection	We are committed to operating our plants safely and in compliance with licensing regulations at all times. We are committed to 100 % implementation of our environmental management system to ensure that our plants and grids are operated in 100 % compliance with legal requirements at all times.	Compliance with licensing requirements in %	100 % compliance	2015	Monitoring and optimising management of our plants	No significant breaches of environmental protection laws and licensing regulations	
			Group-wide environmental management coverage in %	100 % coverage	2015	Establishment of environmental management systems in new companies and regular implementation of internal audits	99.5 % environmental management coverage	
	Community engagement	We are committed to strengthening our regional reputation by making efficient use of resources.	Reputation Index	Best reputation in our peer group of companies	2015	Continuation of our established engagement programmes (RWE Companius, RWE Foundation, education initiative – 3malE – Education with Energy)	Second place for reputation assessment in our peer group of energy suppliers	
	Market/Customer	We are committed to maintaining satisfied and hence loyal customers over the long term.	Customer Loyalty Index	Customer Loyalty Index of min. 75	2017	Maintenance of good service quality Expansion of energy-based services	Customer Loyalty Index of 76	

	Area for action	Target	KPI	Target value	Due	Measures	Status at the end of 2014	Target attainment
	Employees	We are committed to ongoing motivation of our managers and employees and to achieving a necessary reduction in the number of jobs through a responsible and ethical approach.	Demography Index	Demography Index of min. 84	2015/ 2017	Programmes for supporting HR reorganisation	Demography Index of 82.8	
			Motivation Index	Motivation Index of 72.2		Programmes for supporting cultural change	Motivation Index of 70.7	
	Supply Chain	We are committed to avoiding reputational risks by making the requirements of our Code of Conduct a constituent element of our contractual relationships.	Procurement processes provide coverage in all purchase areas in %	Minimum 98 % of the purchasing volume	2015	Incorporation of CR criteria in purchasing processes Continuation of stakeholder dialogue on procurement of coal and biomass Continuation of involvement in the sector initiatives Bettercoal and Sustainable Biomass Partnership	Supplier management coverage 99.6 %	
	Occupational Safety/ Healthcare Management	We are committed to ensuring that all our own and our subcontractors' employees return home just as healthy at the end of the day as they were when they arrived for work.	Number of accidents leading to the loss of at least one person day per million working hours ($LTIF^2 = X/1,000,000 \text{ h}$)	LTIF of max. 1.85 including subcontractors	2017	Ongoing implementation of "Sicher vorWEg" (the Energy to Lead Safely) with inclusion of subcontractors' employees in accident statistics	LTIF (own staff and subcontractors): 2.3	
	Security of Supply	We are committed to supplying our customers with the electricity they need at all times.	Average grid outage durations in min. per year and customer (System Average Interruption Duration Index, SAIDI)	SAIDI < 30 min./customer (only Germany)	2015	Around € 3.3 billion of capital expenditure planned for repair and expansion of our electricity and gas grids in the period 2015 to 2017	SAIDI (2013): 15.7 min./customer (only for Germany)	
	Innovation	We are committed to ensuring the availability of the best solutions for our purposes in our core processes through innovations.	Degree of coverage and communication of strategically relevant R&D issues in %	Minimum of 98 %	2015	Sample projects: Digitisation of the energy industry, intelligent networks, smart meters, Smart-Home, more flexible power plants	Processing and communication of strategically relevant R&D issues; degree of coverage 96.0 %	

1 Average efficiency of energy use

2 Lost Time Incident Frequency (number of accidents with at least one day of absence for every million hours worked)



CLIMATE PROTECTION

An important target of European energy policy and the individual national energy policies is to reduce the amount of greenhouse gas emissions. Our aim is to tackle this issue by further expanding renewable energies and to contribute to replacing older power plants generating high levels of emissions with new and highly efficient plants. The deployment of conventional power plants in this scenario at the community level will continue to be absolutely essential in order to guarantee the security of supply and to keep energy costs affordable for consumers.



0.745
mt CO₂/MWh
emissions

Reduction
in the specific
CO₂ emissions to
0.62
mt CO₂/MWh by 2020

CO₂ reduction by
8.7
million mt
in 2014

Around
300
MW of wind power
came into operation
in 2014

More than €
6.3
billion of capital
expenditure on
renewable energies
over seven years

At the Nordsee Ost wind farm, the foundation of the transformer station is connected to the platform for the substation. It links the wind farm with the mainland along a high-voltage underwater cable.



Governments and society as a whole expect major energy utilities like RWE to make their contribution to climate protection and restructuring the European energy economy. We have therefore modernised large parts of our power plant portfolio. This new-build programme for power plants is now close to completion. At the same time, we are also continuing to expand renewable energies.

Challenge

According to the Intergovernmental Panel on Climate Change (IPCC), the advancing progress of climate change will exert a tangible impact on people and the environment. It will also entail high macro-economic costs throughout the world. The European Union therefore intends to significantly reduce its emission of greenhouse gases. In order to achieve climate targets for 2030, the EU wants to reduce the emission of CO₂ by 40% compared with the baseline year of 1990, the proportion of renewable energies needs to be increased to at

least 27% and the energy efficiency ought to go up by 27%. As a major energy utility and Europe's biggest single emitter of CO₂, RWE is in a position to make a significant contribution and support these targets.

Climate protection also plays an important role in the debate going on in the public domain. Our stakeholders, including environmental organisations, customers and government politicians, expect us to develop ambitious targets and a consistent approach directed towards reducing our greenhouse gas emissions. At the same time, we are expected to guarantee security of supply.

Motivation and targets

Climate protection is a top priority for us. We have therefore defined ambitious targets to inform our action. By 2020, we want to reduce our specific CO₂ emissions from the current level of 0.745 metric tons (mt) for each megawatt hour (MWh) generated to 0.62 mt/MWh. By reducing the CO₂ intensity of our power plant portfolio, we can also bring down the financial risks arising from high CO₂ prices. During the year under review, we succeeded in reducing our specific CO₂ emissions by around 1% to 0.745 mt/MWh. In absolute terms, we reduced our CO₂ emissions by around 5% from 163.9 to 155.2 million mt.

Monitoring and performance measurement

We use the CO₂ emissions for each megawatt hour of electricity generated as the KPI and indicator for measuring our target attainment. Advances and successes in target attainment form some of the indicators used to assess the long-term variable compensation for the Executive Board of RWE AG.

Specific and absolute CO₂ emissions

	Unit	2010	2011	2012	2013 ¹	2014
Specific CO ₂ emissions ²	mt/MWh	0.732	0.787	0.792	0.751	0.745
Scope 1 emissions ³	million mt	167.1	163.8	181.7	165.8	156.6
Scope 2 emissions ⁴	million mt	3.1	2.4	1.9	1.5	1.4
Scope 3 emissions ⁵	million mt	135.7	121.0	105.2	105.0	90.8

1 Adjustments of values for 2013 on account of first-time application of IFRS 11 (see Annual Report 2014, p. 41)

2 Calculated on the basis of electricity generated, without emissions from biogenic fuels

3 Scope 1 emissions: direct CO₂ emissions from in-house sources (gas transport, electricity generation)

4 Scope 2 emissions: indirect CO₂ emissions from transmission and distribution of electricity procured from third parties outside the Group

5 Scope 3 emissions: indirect CO₂ emissions which do not come under Scope 1 and Scope 2. They arise from the generation of electricity procured from third parties outside the Group, the transmission and distribution in electricity grids of third parties, the production and transmission of used fuels, and the consumption of gas that we have sold to customers

The financial risks arising within the framework of emission trading posed by our CO₂ emissions are reflected in our risk management. We reduce these risks by concluding appropriate hedging transactions. To this end, at the same time as we sell a specific amount of electricity in the futures market we procure the necessary fuel and buy the emission certificates required.

Renewal of our power plants

We will soon complete our projects currently under construction for modernising our power plant portfolio. This will mean that since 2006 we have replaced around 25 % of our capacities with advanced, highly efficient plants. We have spent a total of more than € 12 billion in the biggest programme of capital expenditure throughout the history of RWE. Apart from building new power stations, we have also modernised existing power plants. This has enabled us to improve efficiency in electricity generation, reduce the consumption of resources for each unit of energy generated and therefore also bring down the emission of greenhouse gases.

When we brought the lignite twin-unit optimised power units BoA 2&3 at the Neurath site on stream, we shut down 16 older and less efficient units with an output of 150 megawatts (MW) each by the end of 2012. By comparison with comparable old power plants, the BoA 2&3 units allow us to cut down CO₂ emissions by 6 million mt each year. One of the most advanced hard-coal power stations in the world with a total power output of 1,528 MW will also make a contribution to reducing CO₂ emissions. We are cooperating with local-authority partners to construct this plant at the Hamm site. In August 2014, we brought unit E of the power plant on stream.

We are also constructing a hard-coal power station with a comparable level of efficiency at the Eemshaven site in the Netherlands. The plant will have a capacity of 1,554 MW and will also be partly fuelled with biomass, if the technical and economic conditions permit this. The beginning of commercial operation is planned for May 2015.

Capital expenditure on renewable energies

The expansion of electricity generation from renewable energies will continue to remain a cornerstone of our strategy in future. However, limited financial resources mean that we have scaled back the pace of growth. Currently we have capacities amounting to 3,677 MW in operation and another 4,100 MW of renewable energies are under construction or at the planning stage. Between 2015 and 2017, RWE will invest around € 1 billion in the expansion of renewable energies. In future, we will have to implement the major projects increasingly with partners and shift our focus to the development, operation and marketing of onshore and offshore wind farms. We are disposing of shares in wind-power projects (e.g. Nordsee One, Nordsee 2 and 3) and wind farms (e.g. Gwynt y Môr). This will enable us to invest in major projects as well during times of scarce resources.

In Germany, RWE started up a number of wind farms including the "Düshorn Heath" wind farm in Walsrode, Lower Saxony during 2014. This wind farm has an installed output of 26 MW and can supply around 16,000 households with electricity and thereby avoid the emission of some 40,000 mt of CO₂ each year. The wind farm is part of the Green GECCO Initiative which involves RWE working together with 29 municipal utilities to drive forward the expansion of renewable energies. Our offshore wind farm "Nordsee Ost" is under construction. It is scheduled to come on stream at the latest from mid-

2015 and with an output of 295 MW should supply 300,000 households with electricity and consequently avoid the emission of 750,000 mt of CO₂ each year.

In September 2014, RWE started up operation of the “Goole Fields 1” onshore wind farm in the United Kingdom. This wind farm has 16 turbines, a total generating capacity of 32.8 MW and covers the electricity requirement of around 18,200 households. We are the biggest private investor involved in construction of the Gwynt y Môr wind farm located off the Welsh coast. This facility will become the second biggest offshore wind farm in the world with a capacity of 576 MW and is scheduled to come fully on stream at the latest by mid-2015.

We are also expanding our capacities for renewable energies in the Netherlands. In 2014, a start was made on construction of the “Zuidwester” wind farm with a planned total output of 90 MW. The start-up of the onshore wind farm is planned for 2017. As early as July 2013, the expansion of “Thornton Bank” from an initial 30 MW was completed. An output of 325 MW makes this the biggest offshore wind farm in the Belgian section of the North Sea. RWE is the biggest private investor in the wind farm with a shareholding of 26.7 %.

The biomass-fired heating station located in Markinch, Scotland, is also a new addition to our generating portfolio. It has a rated output of 46 MW of electricity and started up production in March 2014.

Important new conventional power plants since 2012

			Installed capacity in MW	Key capital expenditure in € billion	Proportion of RWE in %	Efficiency in %	Start of commercial operation
D	Neurath	Lignite	2,100	2.6	100	>43	2012
D	Hamm	Hard coal	1,528	2.4	77	46	Unit E (764 MW) 2014
GB	Pembroke	Gas	2,181	1.2	100	>58	2012
NL	Eemshaven	Hard coal and biomass	1,554	> 2	100	46	2015
NL	Moerdijk 2	Gas	426	0.4	100	>58	2012
NL	Claus C	Gas	1,304	1.1	100	>58	2012
TR	Denizli	Gas	787	0.5	70	57	2013

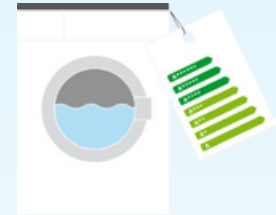
Hydropower is also an important component of the portfolio at RWE. In 2014, we brought on stream the “Maldie” pumped-storage power plant in Scotland. It has an output of 4 MW and supplies around 3,000 households with green electricity. The plant was partly constructed underground so that it blends in naturally with the environment. In 2014, we successfully completed a partial modernisation of our pumped-storage power plant at Dogarrog in Wales, which has

been in existence for more than 100 years. Another run-of-river power plant with an output of 3 MW on the Abhainn Chia-aig River in the Scottish highlands is currently under construction.

In Hungary, we have constructed a photovoltaic plant with an output of 15 MW above the slag deposit at the Mátra power station. This plant is the first major demonstration plant for photovoltaic technology to be built in Hungary. It therefore represents a milestone for the expansion of renewable energies in this country.

Conflict of objectives in climate protection

In the course of our Power Plant New-build Programme, we have invested in advanced and efficient coal-fired power stations as well as making a major capex commitment to gas-fired power stations – we are now confronted with a dilemma. Due to the low price of electricity, it is currently virtually impossible to operate gas-fired power stations with any commercial viability. Some plants have already been shut down after very few operating hours and others are under threat of closure. On the other hand, our stakeholders support the availability of gas-fired power stations because they are regarded as flexible and they are able to mitigate the fluctuating supply of electricity from renewable energies. Gas-fired power stations also have low specific CO₂ emissions and they are therefore classified as an important technology for empowering the energy transition.



ENERGY EFFICIENCY

A higher level of energy efficiency is essential for achieving the European climate protection targets. Our measures are enabling us to reduce the CO₂ emissions of our plants and improve the energy footprint of our facilities. In order to achieve this goal, we are also expanding our energy management system and offering our customers solutions for efficient energy use.

40.4 %

efficiency of energy use at our power plants in 2014

30 %

saving with the new lignite-fired power station compared with old plants

ISO 50001 certification for British and German power plants

29 %

improvement in energy efficiency with upgraded buildings

14 %

fuel saving with new vehicles

RWE employees can use electric vehicles for business trips in the Ruhr region.



Challenge

The European climate-protection targets can only be achieved with a higher level of energy efficiency. Electricity and heat producers are able to make particular contributions to this endeavour. We are reducing our CO₂ emissions per unit of electricity or heat generated by using more efficient power plants while at the same time bringing down our consumption of resources.

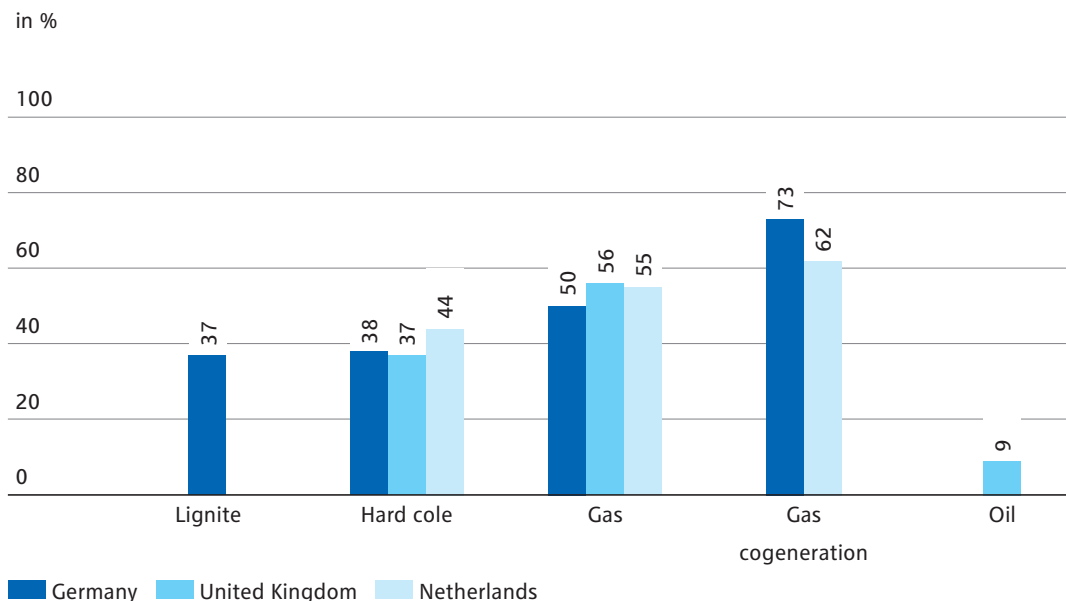
Motivation and targets

We want to increase energy efficiency for our own power plants and our company activities. We take account of business and environmental interests when we make efficiency improvements at our power plants. High levels of efficiency for energy use enable us to

reduce fuel costs and cut our CO₂ emissions for each unit of energy generated, enabling us to bring down expenditure on CO₂ certificates. We have defined our goal as increasing the average energy use of our power plant portfolio to at least 40.1 % by 2017.

At the same time, we are making efforts to reduce the amount of energy expended on our vehicle fleet, in our real estate portfolio and for other areas of the company, such as opencast lignite mines and other production plants. The potential opportunities for savings available to our customers are also an important issue for us. So that they can make the most of these options, we are offering consumers comprehensive energy service packages and consultation for improvement of their energy efficiency (p. 53).

Efficiency of energy use for our power plants by country and energy source



Monitoring and performance measurement

The average energy use of our power plants is the key performance indicator for calculating our energy efficiency. It shows how much primary energy we use per kilowatt hour (kWh) of electricity or amount of heat.

Advances in energy efficiency

We have mainly achieved a higher level of efficiency in our power plant portfolio by replacing old power plants with new ones which are in compliance with the most advanced technology available. This means, for example, that the efficiency of new lignite-fired power stations is 30 % more than the older power plants. By the end of 2012, we had taken out of the grid 16 lignite-fired power-plant units with an output of 150 MW with lower efficiency. Over recent years, we have also modernised our six 600 MW units.

In 2014, the first unit of a new hard-coal twin unit (total output: 1,528 MW) came on stream at the Westphalia power station with a generating output of 764 MW. At the same site, we also shut down less efficient power plants. In 2014, we succeeded in achieving an efficiency of energy use of 40.4 % (2013: 40.5 %)

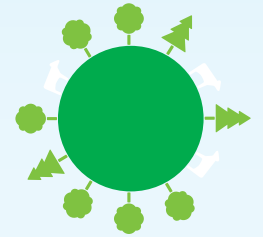
If the savings made in our real estate portfolio and vehicle fleet are set against the total footprint of our Group, they only make up a small proportion. Nevertheless, these efforts highlight the credibility of our action and also contribute to raising the awareness of our employees for environmental issues.

A continuous process of modernisation enabled us to increase energy efficiency in our real estate portfolio during the course of 2014 – by a total of 29 % for the refurbished buildings. Measures such as upgrading of roofs and modernising heating systems contrib-

uted to this. During the year under review, we also replaced 607 older vehicles in our fleet with 546 new vehicles. On average, the new vehicles will generate 14 % fewer CO₂ emissions per kilometre. Furthermore, we have included electric cars in our fleet and these vehicles are available to all employees in Essen, for example to make the journey to Dortmund.

Certified energy management system

RWE has established an Energy Management System in conformity with the ISO 50001 standard. This is intended to further enhance the efficiency of our German production plants. The system was initially set up in 2013 and certified in the sectors lignite-fired power stations, opencast mines and hard coal/gas. In 2014, we also expanded the external certification process for the sectors nuclear energy, hydropower and refinement. This means that our large German and British power plants are certified in conformity with ISO 50001.



BIODIVERSITY/ENVIRONMENTAL PROTECTION

Parts of our value chain are associated with significant impacts on the environment. RWE tries to avoid or reduce this effect as much as possible and has effective environmental management systems in place, reduces non-recyclable waste and is committed to the protection and reinstatement of ecosystems in order to reduce these impacts.



0

major environmental incidents

Expenditure on environmental protection amounting to €
2.4
billion

81 %
of all run-of-river power stations equipped with fish ladders

99.5 %
coverage by an environmental management system

Cooperation with environmental protection organisation IUCN

RWE is committed to protecting fish in the environment around its run-of-river power plants. Eels are particularly at risk in Europe and preserving eel stocks is a top priority here.



Challenge

We mainly use natural resources as fuels for the generation of electricity and heat. The operation of opencast mines, power plants and distribution grids partly results in inevitable impacts on natural ecosystems. Furthermore, pollutants are also released by electricity and heat production at our power plants which can lead to negative impacts on humans and the natural environment.

Motivation and targets

We aim to avoid or at least minimise our impacts on ecosystems. Where this is not possible we deploy appropriate nature conservation measures to mitigate any unavoidable or irreversible negative consequences. This means that we create ecosystems with at least the same functional capability as before the intervention.

We have to ensure that we retain our operating licences if we are to secure the future of our business. We have defined our aspiration as a commitment to absolute compliance with all licensing regulations in the construction and operation of our plants and facilities, and group-wide coverage of RWE's activities by our environmental management system. Furthermore, we are also committed to playing a proactive role in eliminating or reducing environmental impacts. At the same time, we are continuously in dialogue with our stakeholders, in order to obtain acceptance for our actions (p. 28).

Monitoring and performance measurement

We analyse and evaluate environmental issues continuously in order to assess their relevance for the RWE Group and we engage with the implementation of measures for achieving this objective that extend beyond the statutory requirements for the protection and reinstatement of healthy, fully functional ecosystems. A key performance indicator in the area of environmental protection is compliance with the

licensing regulations for the installation and operation of our plants and facilities. We regularly check compliance of such systems. The percentage coverage by our environmental management system is a further key performance indicator.

Group-wide environmental management system

All RWE companies have an obligation under our Group guidelines to set up a dedicated environmental management system in conformity with the ISO 14001 international standard. Compliance with this standard is ensured by annual audits. In 2014, the focuses of investigation were on checks to establish the operational organisation of responsibilities relating to environmental protection in accordance with statutory regulations. During the course of 2014, group-wide expenditure on environmental protection amounted to € 2.4 billion.

During the year under review, there were no major incidents at the plants of the RWE Group that resulted in significant impacts relevant to the environment. Compliance with all licensing regulations was consistently ensured. In 2014, 14 notifiable events at notification level 0 were registered for our nuclear power stations. There were 16 notifiable events in 2013. Our fossil-fired power stations were operated in 2014 without any major disturbances.

Pollutant emissions and waste

The modernisation of our power plant portfolio and technical separation processes help us to reduce the emission of pollutants released during the production of electricity and heat at our power plants. This approach has enabled us to reduce the specific emissions of the airborne pollutants NO_x and SO₂ by more than 10 % to 0.60 g/kWh and 0.33 g/kWh respectively.

Our waste management is based on the principle of “avoid, recovery, disposal”. We are therefore continually reducing the amount of waste which cannot be recycled for further downstream application. All residual waste is disposed of in compliance with statutory regulations. We dispose of radioactive waste under the supervision of the responsible government authorities.

Protecting ecosystems and maintaining biodiversity

When we supply our thermal power plants with cooling water, we ensure that our use of water exerts minimum impact on natural resources. This includes the protection of aquatic habitats and other ecosystems against adverse effects. We prevent environmental impacts by recycling water, more intensive use of pumped water from opencast mines and using collected rainwater, as well as recovering and re-using process water from operations. Internal wastewater treatment and continuous monitoring of the process ensures that potential contamination is eliminated. We avoid negative impacts on human health and on nature by providing verifiable compliance with the statutory threshold values.

If natural habitats are destroyed by our activities, we protect the diversity of species by strategic measures and support the reinstatement of substitute habitats or the repopulation of existing habitats. Examples of these measures include fish ladders at run-of-river power stations, the use of technical measures to protect marine species at offshore wind farms and measures to protect birds at overhead transmission lines. In 2014, RWE for example, worked together with state of North Rhine-Westphalia to establish a pilot facility for fish conservation at the Unkelmühle hydropower plant. The project allows migrating fish to get round the turbines of the power plant when migrating upstream and returning downstream without being injured. Ecological and technical monitoring was carried out over a period of five years and it investigated the effectiveness of the measures and their compatibility with economic generation of renewable energy.

In 2013, we launched a cooperation with the International Union for Conservation of Nature (IUCN). In 2014 independent experts carried out a pilot project to investigate the impact of our measures for restoration of opencast mining areas on biodiversity in the Rhineland lignite area and to identify potential improvements. In 2015, we are also developing a Biodiversity Guideline for the Group. This guideline establishes how RWE intends to protect and promote biodiversity stewardship as the company carries out its business activities.

Development of specific pollutant emissions

	Unit	2010	2011	2012	2013	2014
Specific NO _x emissions	g/kWh	0.58	0.60	0.69	0.68	0.60
Specific SO ₂ emissions	g/kWh	0.29	0.31	0.40	0.37	0.33
Specific particulate emissions	g/kWh	0.019	0.021	0.025	0.022	0.020



COMMUNITY ENGAGEMENT

Our role is to be the credible partner at our locations and within society. We are therefore committed to taking action in many different ways for the benefit of the community. This ranges from providing support for vulnerable households in fuel poverty, through our in-house education initiatives on the topics of energy and technology, to promotion of volunteering engagement by our employees.

Second highest reputation among peer companies in the sector in 2014

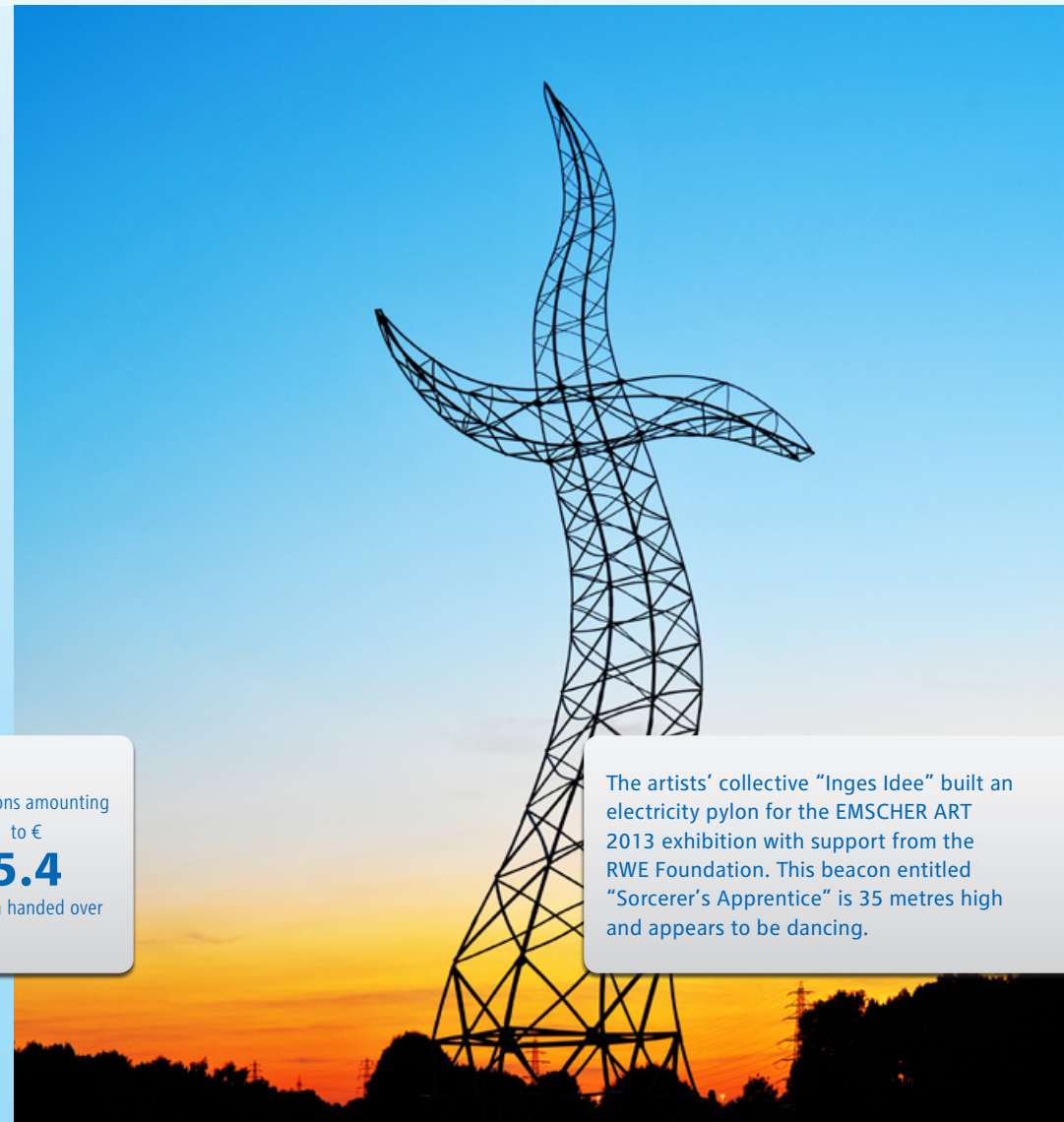
The RWE Foundation for Energy and the Community promotes projects with funds of around €
1 mio.

Teaching about energy in 183 schools and 410 classes with
9,000 school children

24 % of employees volunteer with RWE Companies

Donations amounting to €
5.4 million handed over

The artists' collective "Inges Idee" built an electricity pylon for the EMSCHER ART 2013 exhibition with support from the RWE Foundation. This beacon entitled "Sorcerer's Apprentice" is 35 metres high and appears to be dancing.

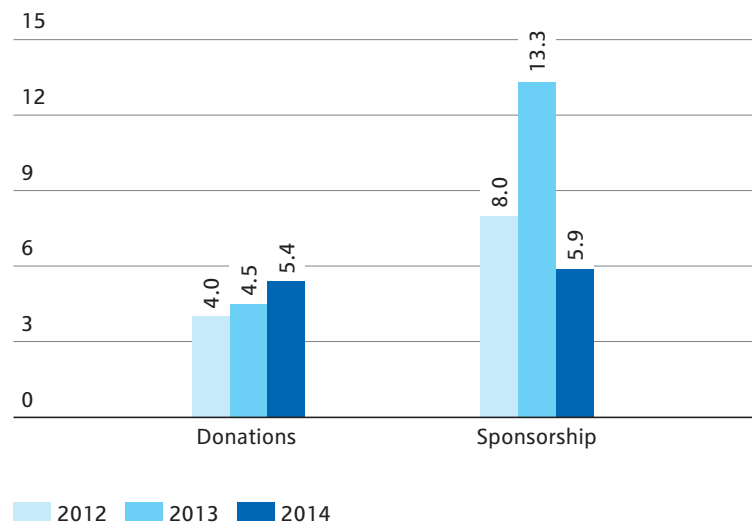


Challenge

We carry out key functions for energy supply and the employment market with our products and services, our investments and also as an employer. Our mission is to ensure a secure supply of electricity and gas at all times. Part of that mission is also to provide jobs. The activities we pursue are dependent on trust and acceptance at international, national, regional and local level, particularly in the districts surrounding our sites. RWE aims to create trust and seeks dialogue with groups which are impacted by the activities of our company or groups whose activities influence the business activities of the company. We want to know about their positions and respond to their concerns in an appropriate way.

Donations and sponsorship

in € million



Motivation and targets

The challenges of the energy transition can only be solved at the level of society as a whole. We want to be a credible partner and enhance trust in our company within our regional and local environment, as well as within society overall. That's why we promote social developments through initiatives in social, environmental and cultural spheres, with volunteering engagement by RWE employees and through financial support. We want to continue improving our appeal and create a profile that is distinct from our competitors.

Monitoring and performance measurement

We want to use the resources available effectively and in conformity with our compliance objectives. Our group-wide valid guideline entitled "Donations and Sponsorship" defines the rules for resource allocation. Our "compliance IT tool" is used to record all donations and sponsorship measures in compliance with this guideline and to track all processes.

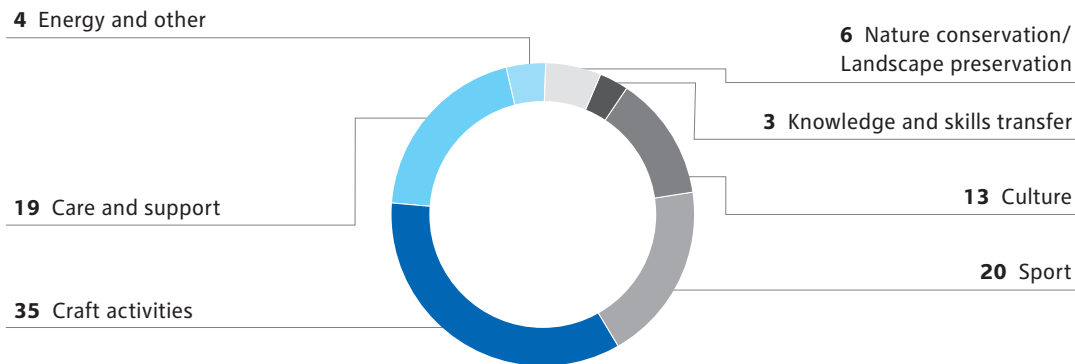
A standardised annual survey is used to measure the results of our engagement in order to determine the Reputation Index. We apply the results to check the effectiveness of our measures and to assess our performance by comparison with our competitors. In 2014, we were ranked in second place among our peer companies. Our objective is to be in pole position.

Combatting fuel poverty

We help to ameliorate fuel poverty in the countries where we are operating – particularly where the government and civil society do not provide enough support. Fuel poverty is defined as households which have to spend more than 10% of their net income on energy needs. There are various differences here between needs and offerings in the individual countries. In the United Kingdom, we support

vulnerable people in the “Health Through Warmth” programme. We step in and provide assistance if they are suffering from bronchial illnesses of a chronic nature and need help with financing and installation of heating and insulation in their homes, which they would not otherwise be able to afford. We offer them financial support in providing heat insulation for their homes and advice on energy efficiency. In Hungary, we supply coal briquettes at reduced prices and provide vulnerable customers with pre-paid electricity meters so that they have the capability to control their own costs. In the Czech Republic and Germany, we give customers help in paying their energy bills. This is achieved by offering instalment payments and advice on energy.

Distribution of projects for RWE Companius according to thematic topic in 2014
in %



Corporate volunteering

We promote volunteering commitment by our employees under the umbrella of the group-wide Corporate Volunteering Programme known as RWE Companius. New formats continually expand the opportunities available to get involved in community work. The RWE Companius Expertise Exchange is used to give access to members of our workforce with many years of career and life experience. They then act in various capacities such as taking on a role as coaches. In cooperation with the Caritas Association for the Diocese of Essen, we qualify, train and make arrangements for employees to act as support mentors for older people and individuals. We offer our employees the opportunity of developing their skills through the packages offered by RWE Companius. A good opportunity for this was afforded by an Engagement Trip in 2014 where RWE employees spent two weeks working on social projects in Brazil.

[► Engagement trip to Brazil](#)

In 2014, a total of more than 2,100 employees dedicated their time to providing assistance on 1,265 projects. The amount contributed to these projects totalled € 1.9 million during the period under review.

RWE Training initiative 3maE – Education with Energy

“Education with Energy” is the slogan we are using to generate enthusiasm among young people for energy and technological issues. We discuss the energy supply of the future with them under this focus. “3MaE – Education with Energy” bundles the education packages of all RWE companies in Germany. This initiative is intended to help young people research, discover and experience energy. During the year under review, we significantly expanded these packages for children, teenagers, students and teachers. School competitions, trips, preparation of teaching materials and packages in social media

are some of the activities making a contribution to communicating knowledge about topics related to energy in an informative approach. In 2014, 315 experiment kits were loaned to 70 schools and 82 RWE employees were sent as energy ambassadors to schools.

RWE Foundation for Energy and Society

Since July 2014, the RWE Foundation has been developing new approaches. As the “RWE Foundation for Energy and Community” it has defined its profile even more clearly to place a holistic understanding of energy more than ever at the focal point of its activities. The foundation will promote projects in the newly defined areas for action of Education, Innovation and Acceptance. It will also drive for-

ward the transformation process of energy systems in Germany and Europe. The RWE Foundation has significantly expanded its financial scope because it will be operating as a non-perpetual trust in future. In addition to income, the foundation assets of € 60 million will now also be used to fund projects. For example, in 2014 the RWE Foundation worked together with the Schwarzkopf Foundation “Young Europe” to establish the project “Power Shifts – Reflecting Europe’s Energy”. Over the next three years, 300 students from across Europe will be working to develop new energy policy initiatives and they will be submitting the results to the European Commissioner for Energy and Climate Protection. In 2014, the RWE Foundation for Energy and Community sponsored projects with around € 1 million.

Distribution of value added in 2014

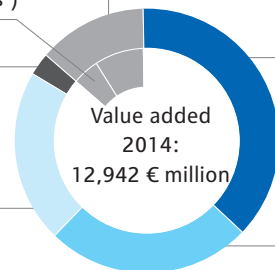
in %

13.2 Net income

(36.1 This includes:
Dividend payment to RWE shareholders¹)

2.6 To minority interests

21.4 To lenders



37.5 To employees (wages, salaries, social security contributions)

25.3 To the government (taxes and deductions)

¹ Dividend proposal for the business year 2014 of RWE AG, subject to a resolution being passed by the Annual General Meeting on 23 April 2015



MARKET/CUSTOMER

European energy markets are undergoing change – and the market environment of major energy utilities like RWE is changing as well. New providers on the market are increasing competition for customers. At the same time, local supply concepts and renewable energies are continuing to gain ground. An increasing number of energy purchasers are themselves becoming producers of electricity. The market for electric cars powered by green electricity is growing.

INTELLIGENTE ENERGIE IST, WENN DER ALTE LICHTSCHALTER AUSGEDIENT HAT.

Customer Loyalty Index
in Germany up by
3 points to
76

More than
23
million customers

Customer Satisfaction
in the Netherlands at
83 %

More than
9,800
energy consultation
sessions mediated in
Germany in 2014

Market leadership for
electromobility in
Hungary

We are expanding our area of activity and strengthening our sales position with innovative products and services such as intelligent home control RWE SmartHome.



As an integrated systems provider, we want to support our base of more than 23 million customers with future-proof products and services. We are developing new business lines to achieve this objective, such as intelligent storage technologies, and solutions for saving energy or for the management of photovoltaic systems and wind turbines operated by our customers. At the same time, we are also expanding the array of advice we offer.

Challenge

Apart from energy utilities, an increasing number of citizens, mid-sized companies and cooperative ventures, and ordinary citizens are also generating electricity and feeding it into the public grid. Our aim is to retain existing customers and acquire new ones in this dynamic and competitive environment. In addition to fair prices for electricity, gas and heat, this also demands intelligent solutions for efficient and sustainable energy management. If we are to offer new products and services which will benefit the energy world of tomorrow, we need to be able to understand the modified requirements and needs of our customers even better.

Motivation and targets

Our objective is to be a credible and empowering partner for our customers in the transition taking place in the European energy system. Our commitment to be a credible partner means that we will supply retail customers, industry, commercial customers and local authorities with electricity, gas and heat, as well as offering products, energy advice and energy services which will create benefits for them and at the same time drive forward the energy transition. Being an empowering partner means that we will consistently align our efforts on the changed needs of our customers and position ourselves as a provider of solutions. We want our customers to remain

loyal, to be interested in new products and to recommend our company to other people. By 2017, we want to maintain a score of at least 75 index points for customer loyalty.

Monitoring and performance measurement

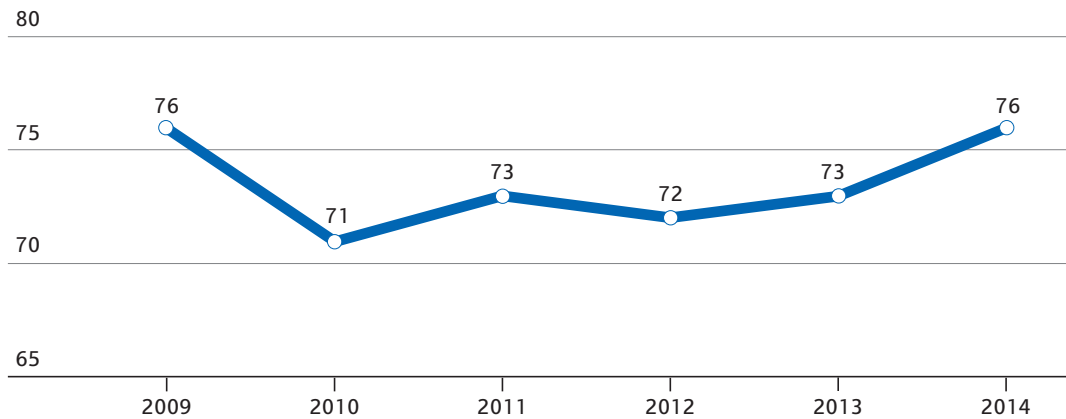
The Customer Loyalty Index provides our method of measuring success in issues relating to customer satisfaction and trust. Since 2009, we have been determining this rating uniformly for all retail businesses in Germany and we have also been using the rating in a similar form for other countries. This indicator is based on surveys conducted among our residential and commercial customers. Loyalty is rated low for scores of 70 or less, moderate for scores of 70 to 79 and high for scores above 80. During the year under review, we achieved a Customer Loyalty Index of 76 in Germany and in the previous year the value was 73. We want to retain at least a score of 75 in the coming years up until 2017.

International customer loyalty and satisfaction

The loyalty of our customers has undergone the biggest increase in the Czech Republic and Belgium. The reduction in energy prices was the key factor for this increase in loyalty. We also succeeded in posting a positive development for the Index in Hungary. At 76 %, customer loyalty remained relatively high in the Netherlands even though we experienced a slight reduction compared with 2013. Our customer switching rates in Poland increased slightly due to stronger competition. The score for our Customer Loyalty Index has also improved slightly in the United Kingdom.

Apart from customer loyalty, we also determine customer satisfaction at our regional companies and in other RWE markets. We use telephone interviews to carry out surveys with them and we review all relevant contacts with our customers. In 2014, the Customer Satis-

Customer Loyalty Index¹



¹ Based on residential electricity customers in Germany

Customer satisfaction of the RWE Deutschland Group was 77 on a scale of 1 to 100. In the Czech Republic and Hungary, the satisfaction of customers increased essentially owing to the lower energy prices prevailing and improvements in customer service made during the period under review. This also resulted in a decline in the number of complaints in the Czech Republic. Surveys in the Netherlands show that customer satisfaction there has remained high and unchanged at 83 % compared with the previous year, while the satisfaction rating fell back slightly in the United Kingdom. Less than half of our customers in the UK are now satisfied with RWE. We believe that this reduction is mainly due to the price increases in autumn. The surveys carried out in Poland also reveal a deterioration in satisfaction values compared with the previous year. Nevertheless, we achieved a score of 73.5 there and this indicates that we have achieved a satisfactory result, similar to the outcome in Belgium.

Comprehensive energy advice

An important objective of the energy transition is to strengthen climate protection but this can only be achieved by making more efficient use of energy. This applies to the production of electricity and heat (p. 43) and equally to behaviour in relation to the use of energy. Our engineers and our retail experts are working together to develop solutions along these lines. They help our customers to identify potential savings and make the most of them. Initiatives include energy concepts, provision of advice on reducing electricity use and building analyses.

Customer-centric information provided on our Internet pages complements our offerings on energy advice. Anybody interested can find out about issues such as building insulation, promotion measures for energy-based refurbishment and particularly efficient household appliances. In 2014, we received 650,000 visitors to the RWE energy advice portal > www.energiwelt.de. We have used our network of professional energy advisers to provide 9,800 energy advice sessions for residential customers in Germany. Our advisers have also been dealing with hundreds of thousands of questions at local level in more than 150 energy shops and service outlets across Germany. In 2014, we logged more than 800,000 customer enquiries.

In 2014, we continued the cooperation with our local-authority partners in, Arnsberg, Dorsten, Ense, Essen, Rheinbach and Wesel (Germany). Over the past two years, more than 85,000 thermal images were collected by aircraft in these regions. They show the insulation properties of building roofs and are made available to any residential homeowners with an interest in energy issues. On the basis of this information and the initial advice offered by RWE they can take a decision on whether energy refurbishment makes sense for them and decide what form it should take.



Transparent energy costs

We offer our commercial customers energy controlling. This allows them to strategically increase their energy efficiency. The process involves recording the relevant data relating to the consumption of electricity, heat energy and water and subsequent evaluation of the findings. Monthly reports enable us to show the potential savings and give concrete recommendations for action. One example of energy controlling is the SmartCompany concept which allows us to support small and mid-sized companies in adopting an energy-saving approach to handling energy. This method generates savings of up to 20%. Retail consumers can use intelligent electricity meters known as smart meters to continuously check their energy consumption and reduce the amount of energy they use.

Intelligent energy products

The opportunities and the demands of our customers when dealing with energy in their own household are changing with the energy transition. RWE SmartHome offers them our solution for automated management of heating, lighting and other electrical appliances. Users can use their mobile phone to switch heating and household appliances on and off. Individual household appliances can be automatically activated as soon as surplus energy from the customer's own photovoltaic system is available. The wireless-based home control is protected against unauthorised access by consistent encryption and a high level of data protection. The Association of Electrical Engineering (VDE) saluted the strict precautions in place for RWE home control by awarding the Quality Seal for Information Security in 2014. RWE SmartHome also permits decentralised energy applications to be controlled, for example the electricity storage facilities

Outstanding service

The concerns and feedback of our customers are a top priority for us. An array of surveys and awards demonstrates that we are on the right track here.

Apart from the customer satisfaction analysis for retail customers, we carried out a major customer needs analysis for business and commercial customers in 2014. The knowledge gained has been used in the interests of customers to further develop the product and service portfolio, customer aspirations and marketing activities.

A market survey implemented by consulting firm imug Beratungsgesellschaft mbH demonstrated that RWE-Vertrieb AG was ranked in first place for service quality in 2014. A total of 21 companies were assessed in the energy sector. RWE-Vertrieb AG achieved a score of 82 points and was the only company to gain a higher rating than 80 points.

The EVU Web Study 2014 ranked RWE-Vertrieb with first place in the electricity category and second place in gas. 130 criteria were used as the basis for evaluating the online portals, upstream business processes and customer management of 70 electricity and 37 gas suppliers. Improvements made by retail business RWE-Vertrieb to Customer Self Service were given a particularly positive reception. In the Netherlands, the RWE Essent brand was ranked best energy company in the WUA! Top 100 Web Sites for the fifth time in succession.

supplied by RWE or photovoltaic systems. This enables our customers to store solar energy and cover up to 70 % of their own needs. The RWE easyOptimize energy control system offers our retail and commercial customers the opportunity to align the energy generation in the combined heat and power plants (CHP plants) they operate themselves with consumption and by this means cut costs and save energy. We also join up with partners to offer products like building insulation, other insulating materials and highly efficient boilers, and we also take care of installation.

Individual energy services

RWE offers planning, finance, construction and operation of advanced CHP plants to energy consumers with high requirements for heat and electricity planning in order to facilitate an effective increase in energy efficiency and a reduction in energy costs. For

example, we construct a modern, highly efficient cogeneration power plant at the customer's site which operates with a particularly high efficiency of fuel use from 80 % to 90 % and saves up to 40 % of the primary energy by comparison with old plants. We also offer two business models to accommodate this scenario. The leasing model involves us in planning, financing and constructing the cogeneration plant and then leasing the plant to the customer. Under the classic contracting model, we build the plant, carry out maintenance, repair and operation of the plant and also supply electricity and heat.

We support operators of plants for electricity generation using renewable energies with the cost-optimised feed-in of the electricity they generate to the public grid. Networking many local plants within a virtual power station enables RWE to ensure optimum marketing for the electricity. Our virtual power station also facilitates optimum marketing for the electricity. It covers a broad spectrum ranging from small photovoltaic and CHP micro plants to larger plant portfolios.

Green tariffs

Our subsidiary company eprimo supplies electricity generated entirely from hydropower. During the year under review, we sold 3,762 GWh of "Groene Stroom" in the Netherlands. The number of customers purchasing this product increased by 12,5%. "Groene Stroom" is electricity generated from renewable energies which are made up of 40 % from biomass, up to 40 % from wind

energy, and up to 20 % from hydropower. We offer our customers in Poland the tariff "ECO Prestige". This gives them the opportunity to decide for themselves and purchase a proportion of their electricity from renewable sources. During the year under review, this approach enabled us to sell 400 GWh of electricity generated from different types of renewable energy. ELMŰ is a retail business operated by RWE East and it has been offering residential and commercial customers in Hungary electricity generated from renewable energies for a number of years now.

Offerings for electromobility

Our intelligent charging systems enable companies generating electricity themselves to optimise charging of electric vehicles in their company fleets. At the same time, we continue to support the establishment of the charging infrastructure in Europe. RWE has joined forces with partners from the energy industry such as municipality-owned utilities to operate more than 2,350 charging points in Germany and more than 3,800 stations in Europe. "RWE Power" is a tariff we offer throughout Germany for electricity to charge electric vehicles generated entirely from renewable sources. In Hungary, we are the market leader for electromobility. We cooperate with 43 partners, including industrial companies, players in the energy industry and research institutes to promote the project e-mobility Green eMotion. Our main target is also to create the enablers for a cross-border charging infrastructure in Hungary.

INTERVIEW

Supporting customers in the transition of energy systems



As European energy systems change, the needs and requirements of customers are also in transition. How is RWE positioning itself in this transformed market environment? Our Editorial Team asked Dr Arndt Neuhaus, Chief Executive Officer of RWE Deutschland AG, about these issues and other questions.

An increasing number of customers are themselves becoming energy generators. What are the implications for you?

Arndt Neuhaus: Local energy generation and the rising number of generating consumers (prosumers) are key developments in the energy transition. This situation is yielding both technical challenges and retail challenges. Firstly, the large number of photovoltaic and wind power plants have to be integrated technically in the distribution grid. This needs to be carried out in such a way that grid stability is safeguarded at all times in spite of the fluctuating and bidirectional feed-in through renewable plants. Secondly, we have to align our lines of business on new markets and retail channels. The trend towards digitisation throughout the energy industry creates new customer requirements. The upcoming generation thinks in terms of the categories renewable, efficient and electric. We are meeting these new customer aspirations with innovative products and services, for example energy management packages with decentralised energy generators.

The concept of “smart” is often applied to new products and services. What can RWE offer here in its product range?

Arndt Neuhaus: Once again, there is a technical aspect and a sales side here. When it comes to grids, we are upgrading our distribution grids to create modern, intelligent grids, so-called “Smart Grids”, and we are providing an increasing number of local authorities with powerful broadband grids. We offer residential and corporate customers a simple, safe and cost-effective facility automation system with RWE SmartHome. For example, this system allows users to control heating or light sources with their smart phone while they are on the move.

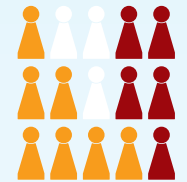
Dr Neuhaus, you regularly assess the loyalty and the satisfaction of customers. What is the position on this issue at the moment?

Arndt Neuhaus: We are delighted that our customers acknowledge our very good service quality and appreciate our reliability and strong performance. We offer our customers individually tailored supplementary offerings with professional consultation packages and long-term products (for example a 3-year fixed price).

Do you have any green tariffs in your portfolio?

Arndt Neuhaus: RWE offers all customer groups – from retail to business customers – green electricity products. This enables us to meet the needs of our customers in the development of new products. We have concluded an eco-friendly green electricity contract with up to 30 % of all customers through our energy discounter “eprimo”. Almost every other new customer selects a green electricity contract.

The interview was conducted by
Klaus-Peter Kreß,
RWE Corporate Responsibility



EMPLOYEES

Our approach to human resources involves creating a responsible roadmap for structuring the organisational realignment of the company required to meet the challenges of changing market conditions. We are working in close communication with our employees on developing a common understanding to match the cultural change that has been introduced. Flexibility and diversity are key elements for creating an employment environment which will enable us to remain an attractive employer.



Since 2007, RWE has been participating in the company initiative "Charter of Diversity" for acknowledging, prioritising and providing diversity in our corporate culture.

Motivation Index at
70.7
points

Demography Index at
82.8
points

More than
2,300
apprenticeship places
at 50 sites

"New Way of Working"
rolled out across the
Group

14.3 %
proportion of women
in management
positions¹

¹ Comprises the top four management levels



Challenge

The RWE Group is confronted by the biggest challenges in the history of the company. This is also exerting an impact on our human resource policy. Restructuring operations and organizational realignments are unavoidable in the context of this environment. Last year, the number of employees in our workforce came down from 64,896 to 59,784 (expressed in full-time jobs or full-time equivalents, FTE). Such a turnaround entails a redistribution of functions within the company and also means that some jobs inevitably have to go.

Motivation and targets

We are organising necessary restructuring measures, reallocation of human resources and a reduction in the overall number of jobs in conjunction with a social compensation scheme, while taking account of our ethical responsibilities. The process involves ongoing conversations with employee representatives in the Group and with union representatives. In order to remain competitive and attractive, we want to modify our work culture while maintaining the engagement and motivation of our employees even though the framework conditions have become tougher.

Monitoring and performance measurement

We have defined the Motivation Index as a benchmark to measure the engagement and motivation of our employees. This is recorded in a staff survey carried out across the entire Group. The index is integrated as a performance indicator in the calculation of the variable compensation paid to the Executive Board of RWE AG. The Demography Index serves as a second indicator in the area for action Employees. This indicator provides a method of assessing the age structure of the employees in the company during times of demographic change. The Demography Index was 82.8 points in 2014. As the value approaches 100, the age structure within the Group becomes

more balanced. During the year under review 2014, the Motivation Index had a value of 70.7 points. We therefore did not reach our target score of 71.6 points.

Strategic realignment of human resources

RWE developed a new management model as part of a strategic realignment of human resources in 2013. This model incorporates strong overarching management by the Group and lays down clearly defined management guidelines. Internal human resource processes were bundled and centralised transnationally within the RWE Group. The future personnel organisation in the RWE companies will be reduced. This will enable us to focus better on our core competencies. We have also developed a new Group HR strategy alongside this. It supports the future vision of the RWE Group and takes account of its specific requirements in close integration with the core business.

Group-wide job market

The newly created group-wide SWITCH Job Platform has enabled us to further harmonise the existing personnel tools and complement them with additional services. The platform is an initial step in helping us to improve transparency over all the deployment options within the Group. This not only includes short-term and long-term posts but also relates to short-term project assignments. Our employees can use the available information to submit even more targeted applications on their own initiative. Furthermore, they are able to take advantage of personal advice and support for their career change. An internal temporary employment pool serves to cover short-term requirements in the specialist departments. This enables employees to gain further skills and experience for new posts and reduces external costs. By making use of the Job Platform, RWE is following the goal of optimally using different experiences and exper-

tise within the Group. This approach is intended to enable SWITCH to help specifically in providing the best support for long-term restructuring of personnel within the Group.

Cultural change in the company

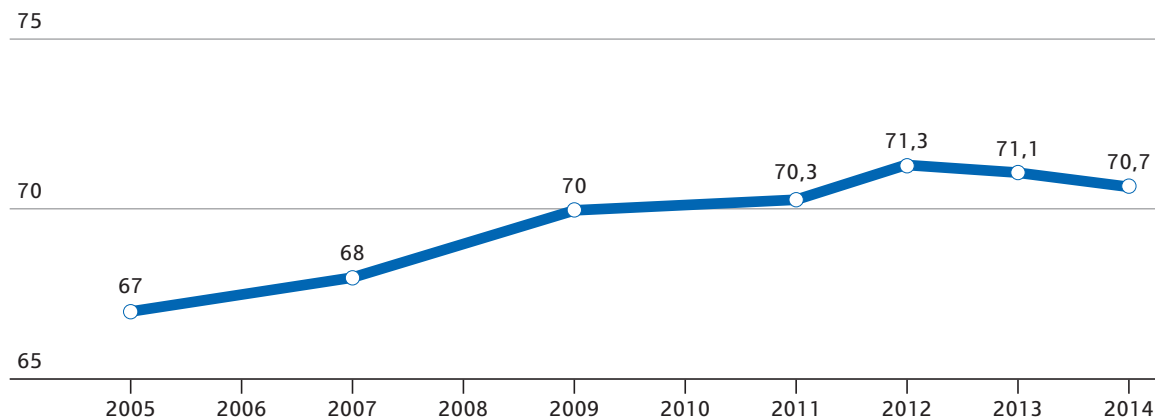
Our objective is to counteract the growing business pressure being exerted on the RWE Group and the changes occurring in the energy market by bringing about a change in culture at our company. An array of different programmes has been launched in order to make this a reality.

“We are RWE” communicates a common understanding to all our employees about the structural changes taking place in the RWE Group. Starting at the level of the Executive Board of RWE AG, the planned changes will be communicated to our employees by RWE’s

managers. This will enable us to reach all employees and encourage them to play a role in structuring the changes that are necessary within the company.

Our programme entitled “New Way of Working” (NWOW) has been designed to establish new mindsets and new ways of working within the Group. We are defining new standards for our working practices, promoting the skills of our employees and developing a common working culture in the three areas of leadership and alignment, universal process management, and operational excellence. We are also analysing functions, processes and methods of working in different areas of the Group and initiating any changes required, for example by improving internal cooperation, implementing a more robust feedback culture and raising management awareness through cultural sensitisation. We are aiming to use these measures and additional action to increase the Organisational Health Index (OHI), employee satisfaction, customer satisfaction and the financial result. The OHI is used to assess the effectiveness of our management team.

Development of the Motivation index¹



¹ Changing rhythm: Companies have been determining the Motivation Index since 2011 every three years. Group values as moving averages.

Attractive as an employer

We will only be able to continue mastering the future challenges presented in the energy business by having professional and dedicated employees and managers. This is why the issues of promoting and recruiting the next generation of staff and emerging leaders continue to be a top priority at RWE. Our objective is to attract and recruit talented young people to work at RWE. A number of tools are deployed to make contact with them including our Online Career Portal and our Applicant Academy where we advise graduates, school students and people with career experience, and help them make a start on the career ladder in the world of work or change jobs. Training opportunities are extremely important in this context. We provide around 2,300 young people with a high-quality apprenticeship

training in 30 different training vocations in industrial, technical and commercial fields. We also offer twin-track degree courses which can be undertaken by incorporating practical and training modules within the course structure. We continue to carry out training beyond our own specific needs and thereby give a large number of young people an opportunity in the job market.

The initiative “I can do this” (“Ich pack’ das”) supports teenagers and young adults who have not yet been able to gain an apprenticeship place although they have successfully completed education at school. Since the programme was launched, nearly 1,000 participants have benefited from the one-year entry-level foundation qualification. More than 80 % have gone on to obtain an apprenticeship place.

Diversity and opportunity

We regard diversity as an enrichment – it supports the cultural change in the RWE Group and improves our routine work every day. We therefore promote the careers of women, the integration of people with disabilities, intercultural exchange within the Group and getting the work-life balance right between career and family.

In 2011, we also defined the goal of increasing the percentage of women in senior management positions to 22 % by 2018. At the end of 2014, the proportion of women in management positions across

the Group was 14.3 % (2013: 13.9%). On account of the new statutory framework of regulations from the first half of 2015, all our affected German subsidiary companies will also have defined binding targets for the percentage of women in supervisory boards and management bodies by mid-2015. We have been preparing RWE for this scenario over a considerable period of time. RWE has a large number of subsidiary companies and investments. Here we have more than 700 mandates on supervisory boards. During the course of the past year, we increased by more than 25 % the presence of women responsible for these positions held by RWE.

Three women are currently members of the 20-strong Supervisory Board of RWE, of which two are employee representatives. No woman was represented on the Executive Board of RWE during the year under review.

The initiative “Inclusive Culture Focus Group” was established to promote diversity among the people in our Group, including those working in the subsidiary companies. Men and women in the Group from different origins, religion and sexual orientation, people with and without disabilities discussed which measures can be used to further reinforce the group-wide integrative corporate culture.

SUPPLY CHAIN



As globalisation of markets continues apace, national borders also lose their relevance for trade in energy sources. However, internationally binding standards for environmental protection, human rights and occupational safety have hardly been established. Companies like RWE are therefore being challenged by their stakeholders to exert influence on their suppliers through their procurement policy.



RWE sources more than half of its hard coal requirement from supply countries located outside the European Union. The coal is loaded onto bulk carriers for the journey by sea.

€ 7.3

billion for standard goods, services and power-station components

99.6 %

of the purchasing volume is subject to sustainability requirements

99.4 %

of the imported wood pellets are certified

Combustion fuels

procured for

€ 9.9

billion

First Bettercoal audit carried out in Colombia



Challenge

RWE purchases a large proportion of its fuels in global wholesale markets. This also applies to many goods and services. Our stakeholders expect us to purchase these products from companies which observe compliance with human rights, offer workers reasonable working conditions and operate effective environmental protection.

Motivation and targets

We want to go beyond the statutory requirements and work together with our suppliers to comply with and promote international environmental and social standards for procurement. We therefore take account of information about how our suppliers ensure compliance with sustainability requirements in our purchasing decision. These requirements are defined on the basis of the ten principles of the UN Global Compact, our Code of Conduct and other detailed guidelines.

We have defined our target as ensuring that our suppliers understand and take account of the relevant international environmental and social standards, and other detailed requirements as necessary.

Monitoring and performance measurement

We use the proportion of the purchase volume subject to the requirements of our Code of Conduct as a constituent element of the contractual relationship in the form of the KPI and indicator for target attainment in the area for action of Supply Chain. This should apply to at least 98 % of our purchasing volume. The degree of coverage was 99.6 % in the year under review.

Sourcing energy commodities and trading

The procurement of hard coal, biomass and natural gas, as well as trading in fuels are key elements of our value added (p. 4). Trading is mainly carried out through international, virtual wholesale markets. Raw materials are traded there as standardised products with defined quality attributes. Trading is carried out along a standardised process with the involvement of a large number of market players. The raw materials may change ownership several times in the virtual market after they have first been offered for sale by the producers and before we take physical ownership. Generally, it is only possible for us to identify the immediate upstream owner, but the precise geographical origin of the raw material is not known. When combustion fuels are procured on a wholesale market, RWE is therefore not in a direct supplier relationship with the producer. This means it is virtually impossible to exert any influence on the production conditions.

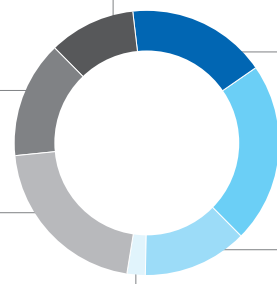
Hard coal by supply countries 2014

in %

10.6 USA

14.0 United Kingdom

21.1 Colombia



17.2 Germany

22.1 South Africa

13.0 Russia

2.0 Other

Review of trading partners

We review all potential trading partners for energy commodities before we enter into any business relationships. Alongside financial aspects, we also take account of the aspects enshrined in our Code of Conduct and the ten principles of the UN Global Compact. Our Counterparty Risk Assessment (CPRA) provides helpful assistance in carrying out this review. We undertake a standardised, multistage process to check international databases and information systems to see whether any misconduct is known. Since 2014, we have been taking account of the information garnered in the Bettercoal initiative. The review of business partners is repeated at least once a year. If the results indicate potential risks, the analysis is expanded to encompass a maximum of four checks a year. We discuss any breaches of our Code of Conduct with the business partner involved and aim to develop a solution, but we also reserve the right to exclude such a business partner from concluding any contracts in the future. The number of our accredited trading partners fluctuates and is generally between 1,000 and 2,000. The purchasing volume procured through wholesale markets amounted to around € 10 billion in 2014.

Requirements for procurement of hard coal

When Germany ceases to produce any hard coal, the country will be completely dependent on the import of this fuel after 2018. In 2014, we imported around 57% of our hard coal from countries which are not members of the OECD. We expect the production conditions there also to comply with international environmental and social standards. We are extremely assiduous in tracking reports about resettlements, interventions in the natural environment, working conditions and standards relating to occupational safety. Our goal is

to ensure sourcing of hard coal in the necessary amounts and to the required quality while at the same time monitoring environmental and social standards in our supply chain.

Acting alone as a single company, RWE can only exert a limited influence on the overall situation. In 2012, the Group purchased 13.7 million mt of hard coal and this only amounted to 6.5% of the total amount of the coal imported into the EU. Cooperating with other energy companies is absolutely essential in order to be in a position to exert more pressure and achieve sustainable production conditions.

Initiative for a sustainable supply chain

In 2012, we joined forces with other large purchasers of hard coal to launch the Bettercoal initiative. By the end of 2014, eleven of the biggest European energy companies were already members of Bettercoal.

A Code of Practice for coal mining was developed within the forum of an international consultation process which took place with involvement of the most important hard-coal supplier countries of Colombia, Russia, Indonesia and South Africa. The code formulates concrete requirements for social and environmental conduct by the mine operators and forms the platform for audits at the international production sites. After the first trial runs had been carried out for the generated audit protocols and the self-assessment questionnaires, in 2014 Bettercoal started to invite producers of hard coal from across the world to participate in the assessments.

The first inspection of a coal mine by independent auditors was carried out in Colombia in 2014. The results revealed no significant breaches of the requirements defined in the Bettercoal Code but indicated some weaknesses. An improvement process with clear targets and deadlines was agreed with the audited producer. Bettercoal will track progress and review this as necessary by implementing a further independent audit. Bettercoal uses a central database to provide its member companies with the results of the audits and the self-assessments of the mines. This information is used by RWE in its Counterparty Risk Assessment.

At the end of 2014, the Dutch energy utilities, including our subsidiary company Essent, and the Dutch government signed a self-commitment declaration for more transparency in the procurement of hard coal. They regard the Bettercoal initiative as a good way of bringing about improvements in the production of hard coal across the world.

[> Bettercoal](#)

Requirements for the procurement of biomass

Since we use biomass for electricity and heat generation, this enables us to reduce our CO₂ emissions. However, we have to ensure that production is carried out in conformity with environmental and socially ethical conditions. Biomass is mainly purchased for Dutch power plants and we use the Green Gold Label (GGL) for purposes of certification. The label guarantees compliance with sustainability aspects along the entire supply chain. In 2014, we procured around 1.2 million mt of biomass for our own use and for use by third parties with most of it coming in the form of wood pellets. 99.4% of the fuel supplied was certified in conformity with the GGL or another equivalent label.

In the context of our membership of the Sustainable Biomass Partnership initiative, we are developing standards and processes for international wholesale trading in wood biomass. Following an official comment and test phase, the first version of the standard will be published in 2015.

[> Sustainable Biomass Partnership](#)

Sourcing goods, services and plants

The purchase of goods, services and plant components for the operation, maintenance and new-build of our plants is subject to a uniform Group reference standard. By contrast with fuel procurement, there are direct business relations with suppliers and service providers. Our Code of Conduct is included as an addendum to each contract we sign and it forms a constituent element of the contract. This enables us to communicate a clearly defined specification of our expectations for suppliers and service providers.

We use a self-assessment to survey potential suppliers in an initial appraisal seeking information on the issues of environmental protection and occupational safety, and compliance. During the year under review, 26 suppliers were reviewed on the issue of environmental protection and 2,049 on occupational safety. Every month, all suppliers are reviewed for conformity with potential compliance risks. This review involves reconciliations with the black list maintained by the World Bank and with sanctions lists drawn up by the EU. If problems occur during the course of a business relationship, we address the matter with our suppliers and work together with them to achieve improvements jointly. Around 12,500 suppliers are registered in our supplier portfolio, 350 of them are of particular strategic importance. We are in regular, close contact with these specific suppliers. The purchase volume for goods, services and for plant components was € 7.3 billion in 2014.



INTERVIEW

Advocating more transparency and sustainability in the supply chain



Hard-coal mining throughout the world shows room for improvement concerning people and the environment. Why do buyers of coal make a commitment to this objective? Our Editorial Team put some questions to Marga Edens, responsible at RWE AG for international corporate responsibility and Chair of the Board of Directors at Bettercoal, and to Dr Martin Christie, Managing Director of Bettercoal.

In media reports energy utilities are held responsible for infringements of human rights and environmental pollution. What is your view?

Martin Christie: Bettercoal brings coal buyers and suppliers together; the risks that buyers see in their supply chain are the same risks that suppliers have to manage at their operational sites. By working in a collaborative approach through Bettercoal, members are able to engage the supply side in a more constructive and efficient way than working individually. The picture is complicated by the fact that it's a commodity market; so the origin of the coal is not always known. We are working to address this with the coal trading community to see how Bettercoal can extend its impact.

Marga Edens: Of course, we recognise that ethical, social and environmental performance at some mines should improve. Members are aware of this and so need to have the objective data that Bettercoal provides to make informed coal purchasing decisions.

Your members use about 40 % of the volume of hard coal consumed in Europe. Is Bettercoal already in a position to make an impact?

Martin Christie: Yes, we have a robust 'Code of Practice' and assessment toolkit and are engaging coal suppliers in the assessment program. Our first site assessment completed in Colombia is already bringing change on the ground. And as more and more buyers are joining forces, we will be able to use that leverage to move things forward. Bettercoal is open for all industries using hard coal – for example cement producers and steel manufacturers.

Marga Edens: All this is documented in the Bettercoal database to create more transparency for members and inform their buying decisions. The willingness of mine operators to accept audits and disclose information in self-assessments is therefore a key factor for the success of the initiative.

What is the next step at Bettercoal?

Martin Christie: More assessments. Through this process we not only provide members with data to inform their purchasing decisions but also challenge suppliers to make improvements. We also need to raise our profile and become part of the public debate. We still have a lot to do.

Marga Edens: And in general, the producing countries themselves need to provide support in order to strengthen the impact. This means commitment from government and society at large.

The interview was conducted by
Dr Marita Hilgenstock,
RWE Corporate Responsibility



OCCUPATIONAL SAFETY/ HEALTHCARE MANAGEMENT



The health, work ability and safety of our employees and the employees of partner companies have top priority at RWE. This objective involves us in continuously improving our occupational safety management in cooperation with our partner companies, as well as carrying out measures for healthcare promotion.



Our target is

0

accidents

Current LTIF is

2.3

Reduction of the
accident rate by an
average of

15 %

each year during the
past nine years

Around

19,000

responses to the
Work Ability Index
(WAI) in Germany

Group-wide health
ratio at

95.4 %

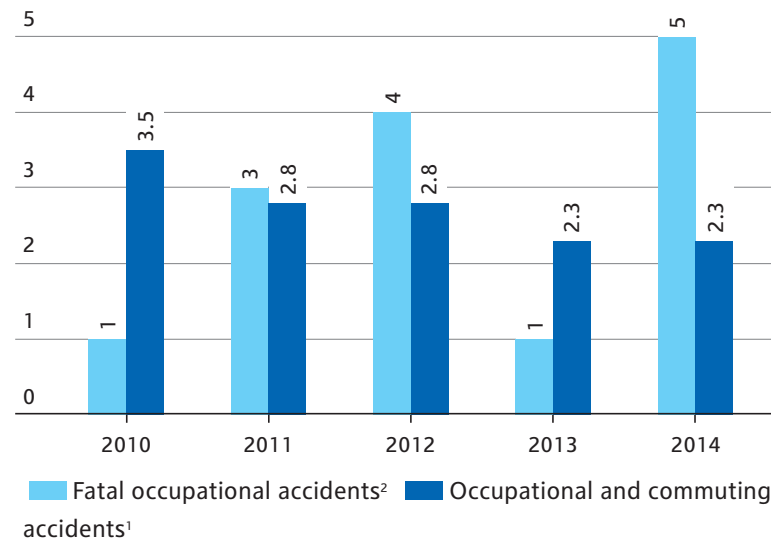
Occupational safety is extremely important at the RWE Group. When we are maintaining distribution grids, the safety of our employees and the people working for our subcontractors is a top priority for us.



Challenge

Our employees and the employees of our partner companies (sub-contractors) often work at workplaces with special requirements for occupational health and safety. This applies in particular to activities in the area of opencast mining, power-plant construction sites, transmission lines or wind turbines. As an employer, we take our responsibility very seriously and minimise the risks of accidents and health hazards.

Lost Time Incident Frequency (LTI_F)¹



¹ incl. employees of subcontractors

² Lost Time Incident Frequency (number of accidents with at least one day of absence from work for each million hours worked); occupational accidents from 2012

Motivation and targets

We want our workforce and the employees of our partners to return home every day as healthy as when they came to work first thing in the morning. We are continuing to expand our occupational safety management and establish an appropriate health and safety culture within the company. Our objective is to promote the health of our workforce, as well as avoiding all accidents and work-related health hazards.

Monitoring and performance management

The key performance indicator we use for occupational safety is the number of accidents with the loss of at least one day of work for every one million hours worked (lost time incident frequency, LTI_F). In the reporting year 2014, we succeeded in maintaining the number of occupational accidents at a uniform good level and achieved an LTI_F of 2.3.

We very much regret to have to report that five fatal accidents occurred in 2014, with four of these accidents involving employees of contractors. The causes of these accidents are being investigated by international accident analysis teams. On the basis of the results of these analyses obtained by our specialist experts, we are taking action together with our subcontractors to adopt suitable measures to prevent accidents of this nature in the future. We measure the progress in healthcare management on the basis of annual indicators such as the health ratio or the Work Ability Index (WAI). In 2014, the health ratio in the RWE Group amounted to 95.4 %.

Anchoring at management level

Our managers bear responsibility for implementation of our standards. We therefore discussed health protection and occupational safety with the 300 most senior managers of the Group at the Executive Meeting in 2014 and identified opportunities for improvement.

The newly launched project “Health and Safety Culture Development” is a prime example for closer networking of health and occupational safety. Managers and employees join together in implementing preventive measures within this framework. The project focuses on three aspects: trustworthy and respectful behaviour by managers as an enabler for target-led communication, raising the awareness of our employees to promote a self-critical analysis of their health and safety conduct, and adoption of internal and external ideas for improvement of health and occupational safety.

Excellent occupational safety

Work on offshore wind farms takes place a considerable distance from the mainland and this places special demands on occupational safety and the management of emergencies. In 2014, RWE was awarded the Renewable Energy Health and Safety Award for its emergency plan at the offshore wind farm Gwynt y Môr. This award is made annually by RenewableUK and The Crown Estate. The objective of the emergency plan is to achieve the same emergency provision at sea as on the mainland by using emergency teams. The emergency teams are responsible for an area of 80 km². 9,000 workers have been working on the wind farm with more than 500,000 offshore transfers without any significant incidents to date.

Another example of successful measures in the area of occupational safety is the “Safe Shift Start” implemented with RWE East at the Mátra power station. Before the start of each shift, employees and

managers have an update on potential hazards involved in the work. This enables us to strengthen the awareness of hazards in routine operations every day.

Occupational safety with partner companies

Occupational Safety Partner Management (OSPM) is directed towards long-term improvement of occupational safety at subcontractors. During the year under review, we expanded safety management by the concept of “Safety Teams”. This envisages representatives of RWE and the implementing partner company (subcontractor) communicating about concrete occupational safety measures before the planned measures commence. After pilot projects have been successfully completed at our subsidiary company Süwag, Safety Teams are then deployed throughout the Group. Action guidelines provide managers and employees with instructions for training and implementation of Safety Teams.

RWE also offers managers of subcontractors the opportunity to take part in workshops, for example on the issue of “behaviour-oriented inspections”. These workshops give them insights into how they can sensitise employees to the issues of risk assessment and risk reduction when they are at work. Measures for enhanced occupational safety are communicated in the workshops and the importance of successful management and personal commitment are highlighted.

Expansion of Operational Healthcare Management (OHM)

In 2014, we complemented our OHM Principles Programme “Sustainably Positive Influence of the Health Ratios” and adopted the health ratio as a uniform KPI in the goal agreement for managers at RWE Generation SE. We succeeded in maintaining the health ratio for 2014 at a constant level compared with the previous year and we therefore achieved our objective for the year under review.

We carried out a prevention campaign within the framework of OHM during 2014 for early detection of diabetes. This campaign was implemented at 21 sites of RWE Deutschland AG and RWE Vertrieb AG. Information events held by the RWE health scheme (BKK RWE) on screening and early detection of testicular cancer also took place under the motto "You can do it – man!" ("Pack's an, Mann!") at five RWE sites. More than 200 employees took part in the campaign.

All the managers working in the RWE companies in Germany have had access to the interactive guidelines "Managing with Healthcare" ("Gesundheitsgerecht führen") since 2014. This platform has provided a sound basis for discussing health issues with employees and for highlighting healthcare packages and measures on promoting good health.

Our employees in Hungary have access to a range of different healthcare packages. We are using workshops and training sessions on stress and risk management, programmes for a healthy lifestyle and health days to promote behaviour based on health awareness. The inclusion of managers, training of health promoters and the introduction of a points scoring system are contributing to the success of the programme.

Stress management in focus

A key element of healthcare management is the communication of a reasonable approach to stress. Apart from stresses in the world of work, private situations can also result in additional psychological stresses. The "Social Services" department has been specifically established for this purpose and it supports employees on matters such as caring for relatives or childcare issues. This is our way of ensuring that situations putting excessive stress on employees are avoided before they even come into being.

We use a number of measures to record employees' performance and ability to carry out their work including the Work Ability Index (WAI). This is based on subjective assessments by the employees in our workforce and records the extent to which they are in a position to carry out their work satisfactorily at the present time and in the future. By the end of 2014, 70% of the employees in our German companies had access to the WAI (2013: 70%). At the end of 2014, a total of around 19,000 questionnaires had been completed.



SECURITY OF SUPPLY

The uninterrupted and affordable supply of electricity and gas to our customers is the key mission of RWE. We therefore procure the necessary raw materials for producing energy, construct and operate power plants and deploy innovative solutions for the modernisation and maintenance of our distribution grids so that we are in a position to fulfil our commitments.



15.7
minutes/customer
annual non-availability
of the distribution grid
in 2013

One of the biggest
operators of distribution
grids in Germany with
330,000
km (electricity and gas)

Gas distribution grid of
48,000
km in Germany and
64,000 km in the Czech
Republic

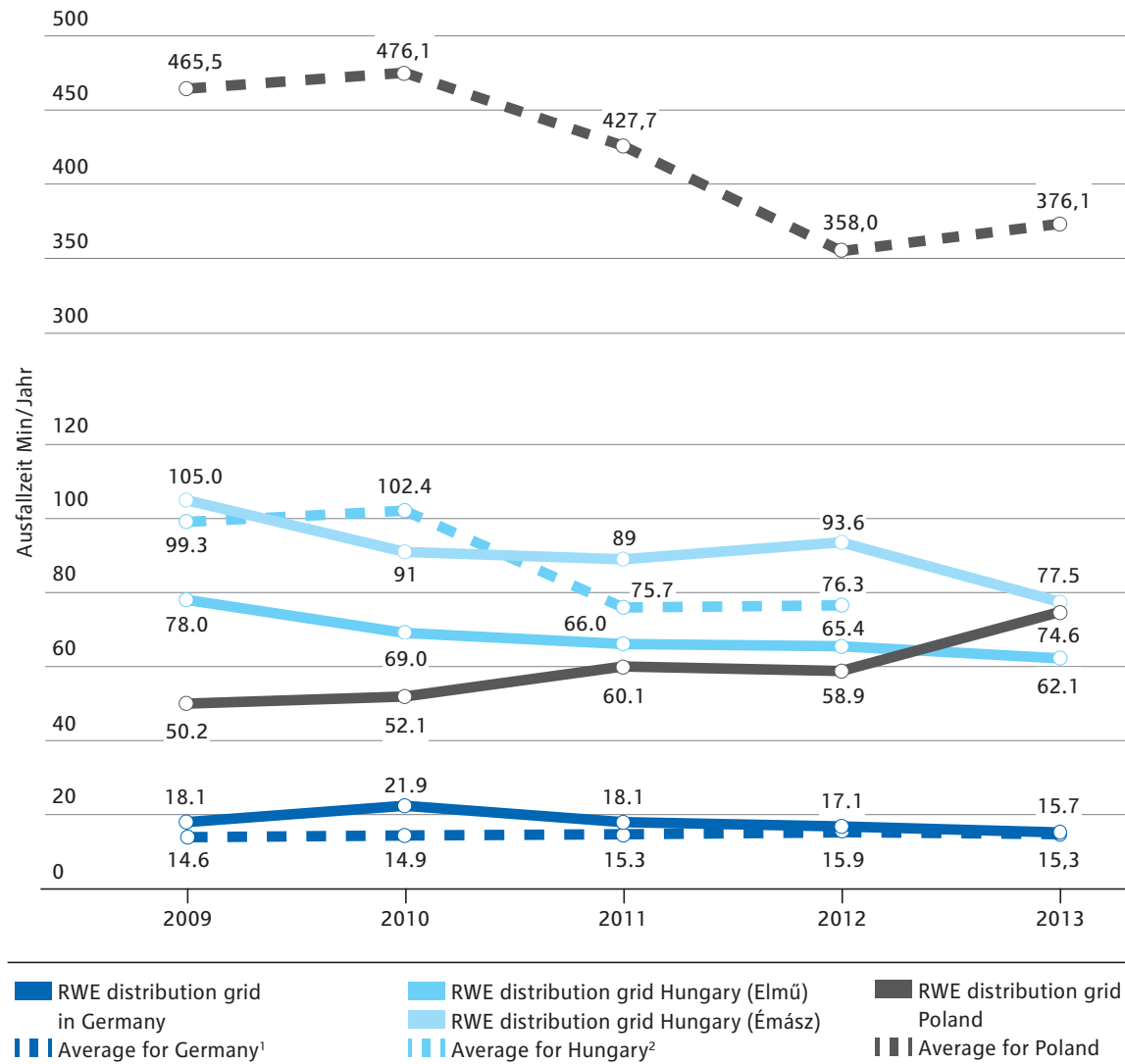
570
test households in the
“Smart Operator”
project

Non-availability of the
gas grid at less than
1
minute in 2013

AmpaCity is a pioneering project for the energy transition and it has also engendered considerable interest among international energy experts.



Comparison of grid outages in minutes per year and customer



¹ Source: German Federal Network Agency (2013)

² Source: Council of European Energy Regulators (2014)

Challenge

The changes in Europe's energy economy entail significant engineering challenges – for reliable generation and for safe transmission and distribution of electricity and gas. The expansion and integration of renewable energies and local generating units present challenging demands for the performance of distribution grids and conventional power plants without which a stable supply cannot be guaranteed.

Motivation and targets

As an energy utility, our objective is to guarantee safe and affordable supply of electricity and gas for our customers continuously and at all times. We have therefore defined a target of restricting power outages in Germany to a maximum of 30 minutes per customer each year. Dependable availability of our power plants and secure supply with fuels for combustion are equally important factors. We want to guarantee a secure supply for generation and distribution of electricity and gas in a changing energy environment which encompasses factors like the ongoing expansion of renewable energies.

Monitoring and performance assessment

As the key performance indicator in the area of security of supply, we use the number of minutes of power outages that occur per customer and year (System Average Interruption Duration Index, SAIDI). In 2013*, we succeeded in continuing to provide a largely uninterrupted supply of electricity and gas for our customers. Non-availability for the electricity distribution grid in Germany amounted to an average of 15.7 minutes for each customer (2012: 17.1 minutes) in 2013. The average non-availability for the gas supply resulting from faults in Germany was less than 0.46 minutes per customer and year in 2013 (2012: 0.8 minutes). The energy sources necessary for secure operation of our power plants were available throughout 2014.

* The data for the year 2014 were not available when this report went to press.

Loss-free electricity transmission in conurbations

The “AmpaCity” project is subsidised with funding of € 5.9 million by the Federal Ministry for Economic Affairs and Energy. It involved us in laying a high-temperature superconductor cable (HTS) around one kilometre long in our distribution grid located in Essen. This HST cable allows five times more electricity to be transmitted at temperatures of around -200°C and at the same voltage as conventional underground cables. The technology is therefore particularly appropriate for space-saving and efficient distribution of electricity in densely populated urban cityscapes. Since the beginning of 2014, we have been testing the application of the technology in daily operation. Up to now, we have used the system to transmit electrical energy sufficient to meet the requirements for around 10,000 households with virtually no losses and without any significant technical problems.

Research cooperation for intelligent distribution grids

In association with European operators of distribution grids, we established the “Grid4EU” research project. The cooperation is intended to facilitate knowledge exchange on experiences with intelligent grid technology. RWE is currently carrying out a review within this framework to establish how electricity distribution grids can be adapted to the fluctuating feed-in from locally-based renewable energy sources without incurring the need for cost-intensive expansion or modification. The project entails fitting existing distribution substations and switchgear cabinets with intelligent and interlinked modules in the municipality of Reken, Münsterland. These units monitor the voltage in the grid and transmit the energy input to consum-

ers in the region to match the demand. The objective is to adapt the distribution grid so that it can respond autonomously to any changes and provide fully automated regulation for the flow of electricity.

Broadband provision for rural regions

Alongside the expansion and operation of intelligent electricity distribution grids, since 2009 RWE has been supporting local authorities in Germany with assistance in planning and setting up advanced data networks. Comprehensive local analyses on the ground have encouraged us to cooperate with partner companies in developing and setting up a modern glass-fibre infrastructure. Citizens and businesses in the region gain access to fast Internet with transmission speeds of up to 50 megabit per second.

Carbon-neutral operation of gas grids

We are expanding our expertise in safe, reliable and efficient transmission and distribution of natural gas with strategic research projects. In 2014, the Smart Regulation Station project provided evidence in the Czech Republic that renewable energies can be used for carbon-neutral operation of gas regulation stations independently of the central electricity supply. The combined deployment of solar modules, wind turbines and battery storage systems which are installed directly at the gas regulation stations supply the energy required for regulating the pressure in the pipelines. After the successful test phase, Smart Regulation Stations are also scheduled for installation in other grids.

Aerial inspection

Continuous checks are used to monitor reliable operation of our plants, cabling and transmission lines. We use a Hexacopter for this work – this is a small, unmanned drone equipped with camera systems which is controlled from the ground. This system is used to inspect electricity pylons, transmission lines, wind turbines and photovoltaic systems without the need for high-cost, close-up inspections. This technology helps us to improve the identification of

sources of fault and to plan corrective maintenance measures in advance. The deployment of a Hexacopter reduces the risks to our employees and provides a cost-effective, low-noise and low-emission alternative to conventional checks. In 2014, deployment of the airborne drones was awarded the “German Prize for Ideas” (“Deutscher Ideen Preis”) by the German Business Management Institute. We use the technology for maintenance work on our own installations and offer this service to other companies.



INNOVATION

We contribute to climate-friendly, efficient and intelligent energy supply with innovative technologies, products and services. We develop and optimise our solutions for the energy system of the future in around 200 projects along the entire value chain and in cooperation with partners.

200

R&D projects along the entire value chain

10

test households in the "Smart E" project

96 %

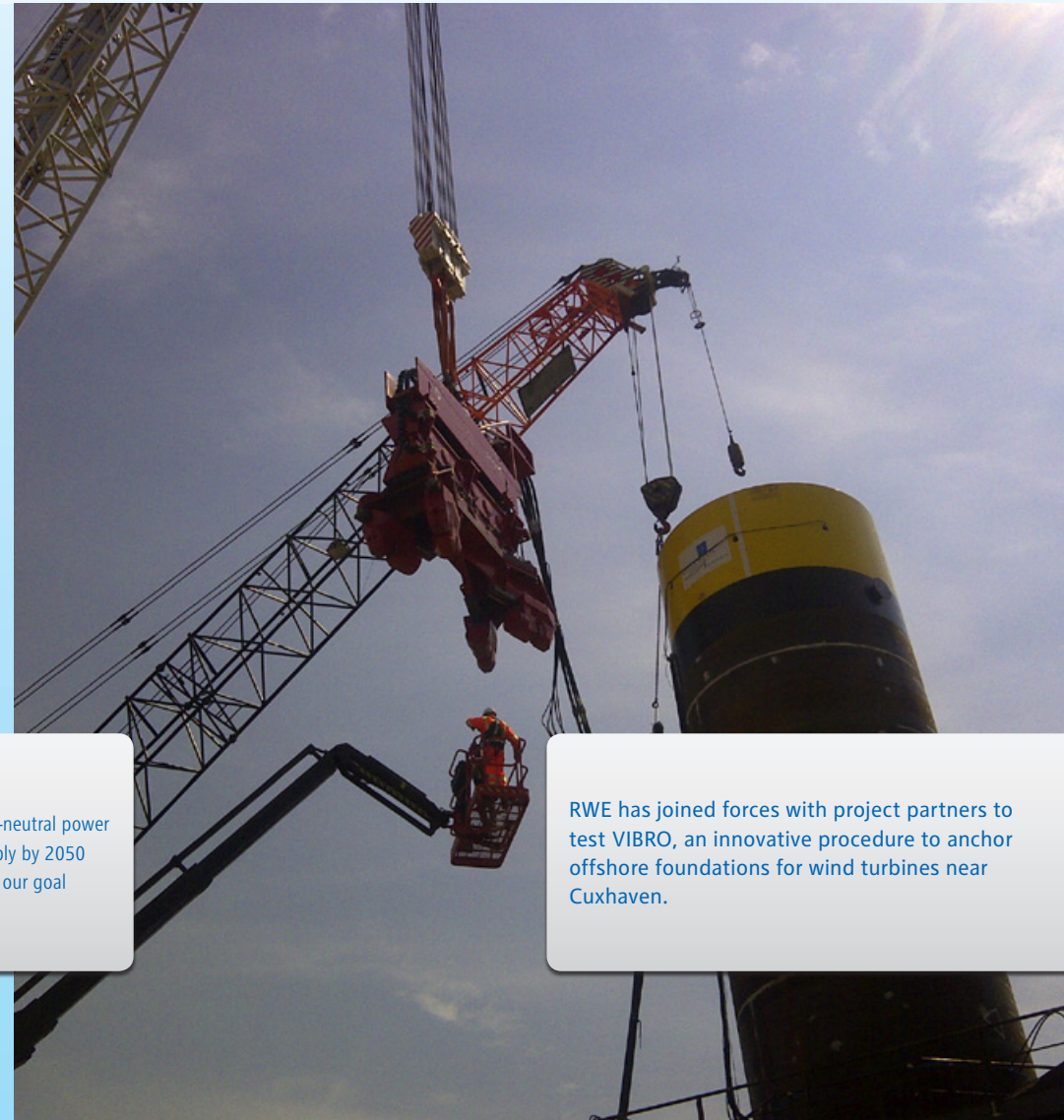
coverage of strategically relevant R&D issues

Reduction of the energy supplied in the Future House by

99 %

Carbon-neutral power supply by 2050 is our goal

RWE has joined forces with project partners to test VIBRO, an innovative procedure to anchor offshore foundations for wind turbines near Cuxhaven.



Challenge

The energy supply of the future must become more climate-friendly, more efficient and more intelligent. Innovative technologies, products and systems at all stages of the energy value chain are essential for achieving this objective. The stages range from extraction of raw materials, through electricity generation, trading, distribution and storage of energy, to the use of energy. The development and application of innovative technologies here are empowering for achievement of this target and for the future success of the RWE Group.

Motivation and objectives

Our objective is to play a role in structuring the energy transition so as to create a carbon-neutral electricity supply, while at the same time being in a position to make provision for future energy needs with a high quality of supply over the long term. Continuous development of innovations will enable us to ensure that we always have the best possible solutions to meet the challenges and objectives in our core processes and core business lines. This will also empower us to offer our customers the products and services they request. If we are to achieve this mission, we need to optimise existing technologies, processes and products, and develop new ones.

Monitoring and performance measurement

Our central department of research and development (R&D) enables us to control all the research and development activities in the Group. All relevant RWE companies therefore operate with uniform processes, for example in R&D planning and reporting. We use the extent of coverage in relation to strategically relevant R&D issues in percent as the KPI and indicator for target attainment. It was 96 % during the year under review.

Affordable and environmentally compatible installation of wind turbines

As a member of the initiative “Offshore Wind Accelerator”, RWE has joined forces with other European energy utilities to test a new installation procedure for anchoring offshore wind turbines. This involves using vibrations to fix the foundations in the ground. A pilot project is involved in carrying out onshore testing to establish whether towers installed using this method are equally well anchored as pile-driven towers. This installation method can be used to significantly reduce the costs of building an offshore wind farm. It also brings down a large proportion of the underwater noise which can exert a negative impact on dolphins and whales.

> [Research and development projects](#)

Electromobility tested in practical application

Alongside the establishment of a charging infrastructure, we are also committed to networking current everyday technologies in the area of electromobility. Our aim is to use the “Smart E” project to promote electromobility as an integral element for the energy structure of the future and develop and test appropriate business models and processes. Since 2014, we have progressed this objective by providing ten test households located in Mülheim an der Ruhr with electric cars and an efficiency package as part of a field test. This overall approach allows users to generate, store and themselves use their own electricity. One of the examples of how householders can use their own electricity is to charge up their own electric vehicle. The field test is scheduled to run for around 18 months and during this period we will be testing and working out new tariff models and concepts to establish how decentralised generating systems, electricity storage facilities and house automation can be optimally harmonised



with each other. “SmartE” is being promoted by the Federal Ministry for Environment, Nature Conservation, Building and Nuclear Safety. “ie3 – Institute for Energy Systems, Energy Efficiency and Energy Industry” at Dortmund Technical University is supporting the academic dimension of the project. Partners from the world of business include the companies Energiebau Solarsystem GmbH und Hoppecke Batterien GmbH & Co.



[> RWE eMobility](#)

The RWE Future House

We have modified a single-family home in Bottrop constructed in the 1960s to create a Plus Energy House as part of the “InnovationCity Ruhr” project. Energy efficiency refurbishment and the use of smart technology for generating electricity, as well as for managing heating and energy supply such as ‘RWE SmartHome’ energy controls used for household appliances could reduce the energy used by 99%. The Future House provides impressive testimony to the specific building measures and technical equipment that could lead to even older buildings in the property stock generating more energy than they actually consume. We are also testing the practical feasibility of these technical solutions in the Future House over a longer time-frame.



[> RWE Zukunftshaus](#)

Flexible power plants

Our conventional power plants are also being confronted by new challenges. They need to be in a position to compensate flexibly for fluctuations in feed-in from renewable energies. These plants have to be in a position to adjust their output quickly and sometimes in large increments. The problem is that most fossil-fired power stations originally tended to be designed for constant energy production. How-

ever, today innovative technologies can assist in enabling the volume of electricity produced to be more favourably adjusted to meet the requirement.

The use of new materials and advanced control technology in our condensation power plants can increase the speed at which they are able to adjust their output. This has led us to develop a number of measures including the testing of innovative materials within the scope of the “COMTES+” initiative at Mannheim’s large-scale power station under conditions of dynamic stress.

Another initiative relates to intermediate storage of energy. RWE supports research and development into this technology through the project “TcET” (Thermochemical Energy storage for Thermal power plants). We have joined forces with a number of joint-venture partners in a consortium led by Munich Technical University (TU München) to investigate whether the minimum output of a power plant can be reduced as a temporary measure by using an energy storage facility. Lower outputs enable power plants to remain on the grid for longer and they have to be shut down and started up less frequently. This then avoids the costly, time-intensive and material-degrading process. A system of this type allows conventional power plants to continue guaranteeing safe and economic energy supply at any time as baseload power plants.

Efficient technology for lignite-fired power stations

Innovative plant technology is enabling us to increase the efficiency of our lignite-fired power stations and reduce the impacts on the environment. At the Coal Innovation Centre located at our Niederaußem site, we set up a prototype plant for pre-drying lignite (WTA) in 2009. This process uses fluidised-bed drying technology with internal waste-heat utilisation for processing the lignite. Making use of

pre-dried lignite allows us to increase the efficiency of lignite-fired power stations and reduce their emissions. The innovative flue-gas desulphurisation plant (FGD plant) also scrubs the emissions generated by our lignite-fired power stations and removes air pollutants from the flue gases. REAplus is a powerful technology we have been developing with plant engineering group ANDRITZ Energy & Environment in a joint venture running since 2008. It brings about significant reductions in the energy required for carrying out flue-gas desulphurisation. We have now deployed "REAplus" under commercial conditions at our Niederaußem site for the first time.



[> RWE Coal Innovation Centre](#)

Future ideas in the "Innovation Hub"

Alongside the technological focus of innovation activities in the area of R&D, we want to work more intensively on innovative business models for the future. In view of the rapid and fundamental changes

taking place in the energy sector, we want to gain a better understanding for transforming the needs of our customers and develop innovative solutions. An Innovation Team known as the "Innovation Hub" has been created to achieve this objective. The team currently has eleven employees and external experts. The participants work in multidisciplinary international teams to develop and test new business ideas in the areas of energy efficiency and renewable energies. We have identified some promising approaches suitable for commercial use in a number of areas including digitisation, new forms of energy management and the use of data within the company. When implementing new ideas, we give the team of the "Innovation Hub" maximally generous scope for entrepreneurial initiative.

ABOUT THIS REPORT



Report Profile

This report entitled “Our Responsibility. Report 2014” is aimed at analysts and investors, non-governmental organisations (NGOs), our workforce, customers and suppliers, policymakers, government agencies and the people living in the regions where we do business. It describes the most important social, environmental and economic challenges facing our core business, the conflicting aims that can arise, and the Corporate Responsibility (CR) strategy we have developed in response.

The report is published in pdf format. This report was audited throughout by the accountancy firm Pricewaterhouse Coopers (PwC) in conformity with ISAE 3000 (p. 82). The subject of the report essentially focused on the criteria “Inclusion of stakeholders”, “Sustainability context”, “Materiality” and “Completeness” of the GRI G4. The CR Report includes an overview of all the important indicators (p. 90). We provide detailed indicators for the years 2006 to 2014 interactively with the indicator tool as an Excel download.

Approach

We developed our CR Strategy on the basis of the challenges posed by our business and taking account of the general conditions and challenges prevailing in individual regions. The report is introduced with a portrait of the RWE Group and a detailed description of the greatest challenges along our value chain and the challenges in the regions where we are operating. The structure of the report is based on the Ten Areas for Action of the CR Strategy. We use a Materiality Analysis to assess the relevance of individual Areas for Action in order to evaluate the opportunities of the RWE Group for exerting influence and gauge the expectations of stakeholders for our company. The report also serves as our progress report for the Global Compact of the United Nations (p. 88).

Basic principles

The report is based on our CR Strategy and was developed out of findings from our ongoing dialogue with stakeholders. The relevant data are presented in line with the latest guidelines of the Global Reporting Initiative (GRI) to allow our readers to compare our perfor-

mance with that of other companies. We explain how we have implemented these guidelines and the requirements of G4 Sector Disclosures Electric Utilities in the GRI Index (p. 85). The report was drawn up in compliance with the GRI Guideline G4 in the “Core Option”.

Data

The period under review is fiscal 2014, which began on 1 January and ended on 31 December. The data provided in this report relate to all affiliated companies of the RWE Group which are included in the consolidated financial statements. Any deviations from this are clearly stated. The financial data were taken from the RWE Annual Report 2014. We present financial data denominated in the relevant national currency and have converted these based on the average annual values for 2014 (1 US dollar = € 0.76, 1 UK pound sterling = € 1.25, 100 Czech crowns = € 3.63, 100 Hungarian forints = € 0.32, 1 Polish zloty = € 0.24).

For reference

The report is published in German and English. The Executive Board of RWE AG has approved the report for publication. The editorial deadline was on 9 March 2015. This report continues our policy of annual reporting. The next report will be published in the spring of 2016. The term “employee” refers to male and female employees.

[> Archive CR Reports](#)

Forward-looking statements

This report contains forward-looking statements regarding the future development of the RWE Group and its companies as well as economic and political developments. These statements are assessments that we have made based on information available at the time this report was drawn up. In the event that the underlying assumptions do not materialise or additional risks arise, actual performance may deviate from the performance expected at present. We are therefore unable to assume any responsibility whatsoever for the accuracy of these statements.



Independent Assurance Report

To RWE AG, Essen

We have been engaged to perform a limited assurance engagement on the description of the necessary materiality analysis for a sustainability report, selected issues of the Corporate Responsibility Report 2014, as well as additional information in the "Key Data Tool" of RWE AG, Essen, (hereinafter: the Company), for the business year from 1 January to 31 December 2014.* The sustainability information, which were selected by the Company and reviewed by us, are marked with a check mark (☑) in the CR-Report and with a button ("Reviewed") in the Key Data Tool.

Management's Responsibility

Company's Board of Managing Directors is responsible for the proper preparation of the report in accordance with the criteria stated in the Sustainability Reporting Guidelines Vol. 4 of the Global Reporting Initiative (GRI).

This responsibility includes the selection and application of appropriate methods to prepare the report and the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the report.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA-Codex), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion based on our work performed as to whether anything has come to our attention that causes us to believe that:

- the description of the materiality analysis marked with the check mark (☑) that is necessary for a sustainability report to determine its content and the boundaries of its aspects is not in accordance with the criteria „Stakeholder Inclusiveness“, „Sustainability Context“, „Materiality“ and „Completeness“ of the GRI's Sustainability Reporting Guidelines Vol. 4 and that they were not used during the report's preparation,
- the management approaches marked with the check mark (☑) in the CR-Report are not in accordance with the requirements of the standard disclosures G4-DMA of the Sustainability Reporting Guidelines Vol. 4 and
- the quantitative information marked with the check mark (☑) in the Company's CR-Report for the business year 2014 and in the additional Key Data Tool marked with the button „Reviewed“, are in material aspects not in accordance with the criteria „Completeness“, „Comparability“, „Accuracy“, „Clarity“, „Timeliness“ and „Reliability“ of the GRI's Sustainability Reporting Guidelines Vol. 4.

* Our engagement applies to the German CR Reports as a PDF-document on the internet and the Key-Data-Tool, which describe the sustainability performance of the Company. This text is a translation of the Independent Assurance Report issued in German language – the German text is authoritative. The CR-Report 2014 is published on www.rwe.com.

It was not part of our engagement to review any links to external sources of documentation as well as prospective statements and statements from external experts for the statements above.

We also have been engaged to make recommendations for the further development of sustainability management and sustainability reporting based on the results of our assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000. This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement, under consideration of materiality, in order to provide our conclusion with limited assurance.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement.

The procedures selected depend on the practitioner's judgment.

Within the scope of our work we performed amongst others the following procedures concerning the materiality analysis, management approaches and key data – marked with a check mark (☑) in the CR-Report and with a "Reviewed"-button in the Key Data Tool:

- Inquiries of personnel responsible for the preparation of the report regarding the process to prepare the reporting of sustainability information and the underlying internal control system;

- Understanding the Company regarding to its sustainability organizational structure, stakeholder dialogue and development process of the sustainability program;
- Recording of the systems and processes for collection, analysis, validation and aggregation of sustainability data and their documentation on a sample basis;
- Performance of site visits as part of the inspection of processes for collecting, analyzing and aggregating selected data at:
 - Didcot B Power Station, npower, Oxford (United Kingdom),
 - Power plant Neurath, RWE Power, Grevenbroich (Germany),
 - Power plant Frimmersdorf, RWE Power, Grevenbroich (Germany);
- Analytical procedures on relevant data;
- Comparison of corresponding data in the Company's Annual Report 2014;
- Gaining further evidence for selected data of the report through inspection of internal documents, contracts and invoices/reports from external service providers.

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that

- the description of the materiality analysis marked with the check mark (☑), that is necessary for a sustainability report to determine its content and the boundaries of its aspects, is not in accordance with the criteria „Stakeholder Inclusiveness“, „Sustainability Context“, „Materiality“ and „Completeness“ of the GRI's Sustainability Reporting Guidelines Vol. 4 and that they were not used during the report's preparation,

- the management approaches marked with the check mark (☑) in the CR-Report are not in accordance with the requirements of the standard disclosures G4-DMA of the Sustainability Reporting Guidelines Vol. 4 and
- the quantitative information marked with the check mark (☑) in the Company's CR-Report for the business year 2014 and in the additional Key Data Tool marked with the Button „Reviewed“, are in material aspects not in accordance with the criteria „Completeness“, „Comparability“, „Accuracy“, „Clarity“, „Timeliness“ and „Reliability“ of the GRI's Sustainability Reporting Guidelines Vol. 4.

Emphasis of Matter – Recommendations

Without qualifying our conclusion above, we make the following recommendations for the further development of the Company's sustainability management and sustainability reporting:

- Enhancement of the representation of economical, ecological and social impacts of the Company as well as its influence on stakeholder decisions within the framework of the materiality analysis according to the GRI G4 requirements;
- Inclusion of the GRI sector-specific guidance in the representation of the management approaches;
- Establishment of a process to update continuously all handbooks and process descriptions, that are relevant for any CR-data.

Berlin, March 25th, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Michael Werner

ppa. Juliane v. Clausbruch

Index According to (Global Reporting Initiative) – Summary

“Our responsibility. Report 2014” was prepared in compliance with the requirements of the Global Reporting Initiative (GRI) taking account of the option “In accordance” core. The G4 Guidelines valid since May 2013 have been applied. The “G4 Sector Disclosure” for Electric Utilities was also applied.

	Page	External verification
General Standard Disclosures		
Strategy and Analysis		
G4-1 Statement from the most senior decision-maker	1f.	<input type="checkbox"/>
Organisational Profile		
G4-3 Name of the organisation	RWE Group	<input checked="" type="checkbox"/>
G4-4 Primary brands, products, and services	3	<input type="checkbox"/>
G4-5 Location of the organisation’s headquarters	Essen, Germany	<input checked="" type="checkbox"/>
G4-6 Countries with significant operations	12	<input type="checkbox"/>
G4-7 Nature of ownership and legal form	RWE AG; AR 12f.	<input type="checkbox"/>
G4-8 Markets served	12; Key Data Tool	<input type="checkbox"/>
G4-9 Scale of the organisation	3, 12; Key Data Tool; AR 48f., 120	<input type="checkbox"/>
G4-10 Employees by employment type, gender and region	Key Data Tool; Online Index; AR 59, 114	<input type="checkbox"/>
G4-11 Percentage of employees covered by collective bargaining agreements	99,8%; Online Index	<input type="checkbox"/>
G4-12 Description of the supply chain	64, 66	<input checked="" type="checkbox"/>
G4-13 Significant changes during the reporting period	AR 8f., 35-39	<input type="checkbox"/>
G4-14 Implementation of the precautionary principle	25, 46, 69; AR 75-78	<input type="checkbox"/>
G4-15 External initiatives that the organisation endorses	24, 30, 64-66	<input checked="" type="checkbox"/>
G4-16 Significant memberships in industry and business associations	65f.; Online Index	<input type="checkbox"/>
EU1 Installed capacity	3, 12f., 15, 17, 19, 21; Key Data Tool; Online Index	<input type="checkbox"/>
EU2 Net energy output broken down by primary energy source	7; Key Data Tool; AR 42f.	<input type="checkbox"/>
EU3 Residential, industrial and commercial customer accounts	3, 9, 12; Key Data Tool; AR 46-48	<input type="checkbox"/>
EU4 Length of transmission and distribution lines	8, 13, 19; Online Index	<input type="checkbox"/>
EU5 Allocation of CO ₂ emissions allowances	Key Data Tool; AR 44f.	<input checked="" type="checkbox"/>

	Page	External verification
Identified Material Aspects and Boundaries		
G4-17 Entities included in the consolidated financial statements	81; AR 184-210	<input type="checkbox"/>
G4-18 Process for defining the report content	4, 31-34, 80	<input checked="" type="checkbox"/>
G4-19 Material Aspects identified	5-10, 31-34	<input checked="" type="checkbox"/>
G4-20 Aspect Boundaries within the organisation	5-10, 31-34	<input checked="" type="checkbox"/>
G4-21 Aspect Boundaries outside the organization	5-10, 31-34	<input checked="" type="checkbox"/>
G4-22 Restatements of information provided in previous reports	91f.	<input checked="" type="checkbox"/>
G4-23 Significant changes in the Scope and Aspect Boundaries	4, 91f.	<input type="checkbox"/>
Stakeholder Engagement		
G4-24 Stakeholder groups engaged	28	<input checked="" type="checkbox"/>
G4-25 Identification and selection of stakeholders	28, 31; Online Index	<input checked="" type="checkbox"/>
G4-26 Approach to stakeholder engagement and frequency	28-31	<input checked="" type="checkbox"/>
G4-27 Key topics and concerns raised through stakeholder engagement and response	24, 28	<input checked="" type="checkbox"/>
Report Profile		
G4-28 Reporting period	81	<input checked="" type="checkbox"/>
G4-29 Date of most recent previous report	April 2014	<input checked="" type="checkbox"/>
G4-30 Reporting cycle	annually	<input checked="" type="checkbox"/>
G4-31 Contact point for questions regarding the report	93	<input type="checkbox"/>
G4-32 GRI Content Index chosen for the “In accordance” option	81, 85-91	<input type="checkbox"/>
G4-33 External verification of the report	80, 82-84	<input checked="" type="checkbox"/>
Governance		
G4-34 Governance structure, incl. committees of the highest governance body	23; AR 92-94	<input type="checkbox"/>
Ethics and Integrity		
G4-56 Values, principles, standards and norms of behaviour	25, 64	<input type="checkbox"/>

1 Pages 5-10 excluded

	Page	External verification
Specific Standard Disclosures		
Economic		
Aspect: Economic Performance – Management Approach	11	<input type="checkbox"/>
G4-EC1 Direct economic value created and distributed	50, 52; Key Data Tool	<input checked="" type="checkbox"/>
G4-EC2 Financial implications and other risks and opportunities due to climate change	39f.; Key Data Tool; Online Index; AR 16, 18, 20, 22, 26, 30-33, 83	<input checked="" type="checkbox"/>
G4-EC3 Coverage of benefit plan obligations	Key Data Tool; AR 156-161	<input checked="" type="checkbox"/>
G4-EC4 Financial assistance received from governments	Online Index; AR 12f.	<input type="checkbox"/>
Aspect: Indirect Economic Impacts – Management Approach	36, 49f.; Online Index	<input type="checkbox"/>
G4-EC7 Infrastructure investments and services provided	49-52	<input checked="" type="checkbox"/>
G4-EC8 Indirect economic impacts	49-51	<input checked="" type="checkbox"/>
Aspect: Procurement Practices – Management Approach	37, 63f.	<input checked="" type="checkbox"/>
G4-EC9 Proportion of spending on local suppliers*	Online Index	<input type="checkbox"/>
Aspect: Availability and Reliability – Management Approach	72-74	<input checked="" type="checkbox"/>
EU10 Planned capacity against projected electricity demand*	13f., 17f., 40f.	<input type="checkbox"/>
Aspect: Demand-Side Management – Management Approach	53f.	<input checked="" type="checkbox"/>
Aspect: Research and Development – Management Approach	76f.; AR 71-74	<input checked="" type="checkbox"/>
Aspect: Plant Decommissioning – Management Approach	AR 156, 162	<input checked="" type="checkbox"/>
Aspect: System Efficiency of the power plant portfolio and distribution – Management Approach	36, 43f., 74	<input checked="" type="checkbox"/>
EU11 Average generation efficiency	44f.	<input checked="" type="checkbox"/>
EU12 Transmission and distribution losses	Online Index	<input type="checkbox"/>
Environmental		
Aspect: Energy – Management Approach	36, 43f.	<input checked="" type="checkbox"/>
G4-EN3 Energy consumption within the organisation	393.4 TWh = 1,416.3 PJ; Key Data Tool	<input checked="" type="checkbox"/>
Aspect: Water – Management Approach	36, 46-48	<input checked="" type="checkbox"/>
G4-EN8 Total water withdrawal by source	Key Data Tool; Online Index	<input type="checkbox"/>
Aspect: Biodiversity – Management Approach	36, 46-48	<input checked="" type="checkbox"/>
G4-EN11 Operational sites in protected areas	Online Index	<input checked="" type="checkbox"/>
G4-EN12 Impacts on protected areas or areas of high biodiversity value	46-48	<input checked="" type="checkbox"/>
EU13 Biodiversity of offset habitats	48; Online Index	<input type="checkbox"/>

	Page	External verification
Aspect: Emissions – Management Approach	36, 38f., 46f.	<input checked="" type="checkbox"/>
G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1)	39; Key Data Tool; Online Index	<input type="checkbox"/>
G4-EN16 Energy indirect greenhouse gas (GHG) emissions (Scope 2)	39; Key Data Tool	<input checked="" type="checkbox"/>
G4-EN17 Other indirect greenhouse gas (GHG) emissions (Scope 3)	39; Key Data Tool	<input checked="" type="checkbox"/>
G4-EN18 Greenhouse gas (GHG) emissions intensity	39; Key Data Tool	<input checked="" type="checkbox"/>
G4-EN19 Reduction of greenhouse gas (GHG) emissions	39	<input checked="" type="checkbox"/>
G4-EN20 Emissions of ozone-depleting substances (ODS)	Online Index	<input type="checkbox"/>
G4-EN21 NO _x , SO _x and other significant air emissions	48; Key Data Tool; Online Index	<input checked="" type="checkbox"/>
Aspect: Effluents and Waste – Management Approach	36, 46-48	<input checked="" type="checkbox"/>
G4-EN22 Total water discharge by quality and destination	Key Data Tool; Online Index	<input checked="" type="checkbox"/>
G4-EN23 Total weight of waste by type and disposal method	Key Data Tool; Online Index	<input checked="" type="checkbox"/>
G4-EN24 Total number and volume of significant spills	None; Online Index	<input checked="" type="checkbox"/>
Aspect: Products and Services – Management Approach	36, 38f.	<input checked="" type="checkbox"/>
G4-EN27 Mitigation of environmental impacts of products and services	38f., 43-45, 47f.	<input checked="" type="checkbox"/>
Aspect: Compliance – Management Approach	36, 46f.	<input checked="" type="checkbox"/>
G4-EN29 Fines and sanctions for non-compliance with environmental regulations	None; Online Index	<input type="checkbox"/>
Aspect: Overall – Management Approach	36, 46f.	<input checked="" type="checkbox"/>
G4-EN31 Environmental protection expenditures and investments	Key Data Tool	<input checked="" type="checkbox"/>
Aspect: Supplier Environmental Assessment – Management Approach	37, 63-66	<input checked="" type="checkbox"/>
G4-EN32 Percentage of new suppliers that were screened using environmental criteria	65f.	<input checked="" type="checkbox"/>
G4-EN33 Significant environmental impacts in the supply chain*	65f.	<input checked="" type="checkbox"/>
Aspect: Environmental Grievance Mechanisms – Management Approach	25	<input type="checkbox"/>
G4-EN34 Formal grievances about environmental impacts**		
Labour Practices and Decent Work		
Aspect: Employment – Management Approach	37, 59f.	<input checked="" type="checkbox"/>
G4-LA1 New employee hires and employee turnover*	Key Data Tool; AR 114	<input checked="" type="checkbox"/>
EU15 Percentage of employees eligible to retire in the next 5 and 10 years	Key Data Tool	<input checked="" type="checkbox"/>
EU17 Days worked by contractor and subcontractor employees	Online Index	<input type="checkbox"/>
EU18 Health and safety training of contractor and subcontractor employees	70; Online Index	<input type="checkbox"/>
Aspect: Labour/Management Relations – Management Approach	37, 59f.	<input checked="" type="checkbox"/>
G4-LA4 Minimum notice period(s) regarding operational changes	60; Online Index	<input checked="" type="checkbox"/>

	Page	External verification
Aspect: Occupational Health and Safety – Management Approach	37, 68f.	■
G4-LA6 Injuries, occupational diseases, lost days, and work-related fatalities*	69; Key Data Tool	■
G4-LA7 Workers with high incidence or risk of diseases	69	■
Aspect: Training and Education – Management Approach	60f.; Online Index	□
G4-LA10 Programmes that support the continued employability of employees	60f.; Online Index	□
Aspect: Diversity and Equal Opportunity – Management Approach	59f. 62	■
G4-LA12 Composition of governance bodies and breakdown of employees by indicators of diversity*	62; Key Data Tool; AR 6f., 212-215	■
Aspect: Equal Remuneration for Women and Men – Management Approach	Online Index	□
G4-LA13 Ratio of basic salary and remuneration of women to men	Online Index	□
Aspect: Supplier Assessment for Labour Practices – Management Approach	37, 63-66	■
G4-LA14 Percentage of new suppliers that were screened using labour practices criteria	65f.	■
G4-LA15 Significant impacts for labour practices in the supply chain*	65f.	■
Aspect: Labour Practices Grievance Mechanisms – Management Approach	25	□
G4-LA16 Formal grievances about labour practices**		
Human Rights		
Aspect: Supplier Human Rights Assessment – Management Approach	37, 63-66	■
G4-HR10 Percentage of new suppliers that were screened using human rights criteria	65f.	■
G4-HR11 Significant human rights impacts in the supply chain*	65f.	■
Aspect: Human Rights Grievance Mechanisms – Management Approach	25	□
G4-HR12 Formal grievances about human rights impacts**		
Society		
Aspect: Local Communities – Management Approach	29f., 37, 49f.	■
G4-SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programs	28, 49f.; Online Index	■
G4-SO2 Operations with actual and potential negative impacts on local communities	27, 46; Online Index	□

AR = Annual Report 2014

Online Index = detailed GRI Index

* = Status: partially reported

** = not reported

External review carried out (p. 82-84; AR p. 216f.):

■ Yes □ Non

	Page	External verification
EU22 Number of people displaced and compensation	approx. 375; Online Index	□
Aspect: Disaster/Emergency Planning and Response – Management Approach	27	□
Aspect: Anti-corruption – Management Approach	25f.	□
G4-SO3 Percentage of operations assessed for risks related to corruption and risks identified*	26; Online Index	□
G4-SO4 Communication and training on anti-corruption*	25	□
Aspect: Public Policy – Management Approach	20, 26-30	□
G4-SO6 Total value of political contributions	Online Index	□
Aspect: Anti-competitive behaviour – Management Approach	25	□
G4-SO7 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	AR 83, 175	■
Aspect: Compliance – Management Approach	25f.	□
G4-SO8 Fines and sanctions for non-compliance with laws and regulations	None; Online Index	□
Aspect: Supplier Assessment for Impacts on Society – Management Approach	37, 63-66	■
G4-SO9 Percentage of new suppliers that were screened using criteria for impacts on society	65f.	■
G4-SO10 Negative impacts on society in the supply chain and actions taken*	65f.	■
Aspect: Grievance Mechanisms for Impacts on Society – Management Approach	25	□
G4-SO11 Number of formal grievances about impacts on society**		
Product Responsibility		
Aspect: Product and Service Labelling – Management Approach	36, 53f., 56	■
G4-PR3 Principles/procedures for product and service information and labelling	Online Index	□
G4-PR5 Results of surveys measuring customer satisfaction	54, 56	■
Aspect: Customer Privacy – Management Approach	26, 56	□
G4-PR8 Substantiated complaints regarding breaches of customer privacy**		
Aspect: Access – Management Approach	72-74	■
EU28 Power outage frequency	Online Index	■
EU29 Average power outage duration	73f.	■

A > [detailed GRI Index](#) including additional information and explanations in case of only partial reporting or no reporting is available on the Internet. The accuracy and alignment of this detailed index has been verified by the GRI Content Index Service.



UN Global Compact Progress Report 2014

RWE supports the United Nations Global Compact and wants to make a contribution with the worldwide implementation of its ten principles. These have been adopted word for word in the RWE Code of Conduct. The following chart identifies the guide-

lines, programmes and management systems which we have also introduced with our sphere of influence. The table also highlights the measures that have been taken during the period under review and the specific results obtained.

Principle	Systems	Measures	Results
Principle 1: Support of human rights	Social Charter and minimum standards for restructuring operations carried out for the European companies in the RWE Group, covering 99.8% of the workforce ILO core standards are defined for the Social Charter Suppliermanagement (p. 63 ff.)	Restructuring with social compensation by working together with employee representatives and unions (p. 60 f.) Assessment and audit of suppliers (p. 65 f.) Co-founder of Bettercoal, auditing of coal mines, application of information for "Counterparty Risk Assessment" (p. 65 f.)	Compliance with principles 1 – 5 assured through national legislation in Europe, cooperation with the unions, and RWE's own principles which apply to all employees of the company Pay and social benefits above the national average
Principle 2: Elimination of human rights violations			
Principle 3: Ensuring freedom of association			
Principle 4: Abolition of all forms of forced labour			
Principle 5: Abolition of child labour			
Principle 6: Elimination of discrimination	Diversity management (p. 62) Group-wide women's network	Promotion programme in cooperation with the "Association for Women on Supervisory Boards" (FIDAR – Frauen in die Aufsichtsräte) Establishment of the "Inclusive Culture Focus Group" (p. 62)	Percentage of women in management positions increased to 14.3% (p. 62) Percentage of people with severe disabilities increased to 6.4% in Germany
Principle 7: Precautionary environmental protection	Environmental management (p. 46 ff.) Strategy for reducing the CO ₂ emission factor (p. 38 ff.) Financial risks of CO ₂ emissions are presented in risk management	Climate protection, energy efficiency and biodiversity/environmental protection as part of the CR Programme (p. 35 ff.) Cooperation with IUCN (p. 48) Development of a group-wide Biodiversity Guideline (p. 48) Revision of legally sound, operational organisation for environmental protection responsibilities (p. 47)	Reduction in water consumption by 10% Reduction in specific emissions of the air pollutants NO _x and SO ₂ by more than 10% (p. 47 f.)

Principle	Systems	Measures	Results
Principle 8: Initiatives to promote greater environmental responsibility		<p>Consultancy and services for intelligent use of energy with residential and business customers (p. 55 ff.)</p> <p>Initiative for energy education "3maE – Bildung mit Energie" or "3maE – Education with Energy" (p. 51 f.)</p>	<p>Comprehensive energy consultation for more than 800,000 customers (p. 55)</p> <p>Offerings for controlling energy (p. 56)</p> <p>Energy education packages for children and teenagers (p. 51 f.)</p>
Principle 9: Development and diffusion of environmental friendly technologies	<p>Strategy to reduce the CO₂ emission factor (p. 38 ff.), financial risks of CO₂ emissions are presented in risk management</p> <p>Innovation management (p. 53 ff., 76 ff.)</p>	<p>Research in intelligent energy management (p. 77 f.)</p> <p>Expansion of renewables-based energies (p. 40 ff.)</p> <p>Pilot project on networking existing technologies for electromobility (p. 77 f.)</p>	<p>Modernisation of the power plant portfolio (p. 40)</p> <p>Start-up of plants in the area of renewable energies, around 300 MW of wind power (p. 40 ff.)</p> <p>Range of intelligent energy products, such as RWE Smart-Home or RWE easyOptimize (p. 56.)</p> <p>Provision of charging infrastructure for electromobility with more than 3,800 charging stations in Europe (p. 57)</p>
Principle 10: Anti-corruption measures	<p>RWE Code of Conduct and Group guidelines for prevention of corruption and organisational regulations (p. 25 ff.)</p>	<p>Drawing up detailed corruption risk scenarios (p. 25 ff.)</p> <p>Training of the workforce with an Intranet-based training programme and on-site training (p. 25)</p> <p>Review of the Compliance Management System (CMS) for anti-corruption commissioned in accordance with the German Institute of Auditors (IDW) Audit Standard 980 successfully completed (p. 26)</p>	<p>Compliance training sessions for around 4,200 employees in Germany and around 1,000 employees in other regions where RWE operates, in on-site events (p. 25)</p>

KEY FIGURES AT A GLANCE

1 Partly adjusted values for 2013 on account of discontinued operations (RWE DEA) and due to first-time application of IFRS 11 (see Annual Report, p. 41)

2 Countries rated lower than 60 on a scale of 0 to 100 in the Corruption Perceptions Index 2014 by the anti-corruption organisation Transparency International, with 100 corresponding to the lowest risk of corruption

3 Difference between water withdrawals for power plants and returns to rivers and other surface waters; excluding power plants with seawater cooling

4 Scope 1: direct CO₂ emissions from in-house sources (gas transmission, electricity generation)

5 Scope 2: indirect CO₂ emissions from the transmission and distribution of electricity purchased from third parties

6 Scope 3: indirect CO₂ emissions that do not fall under Scope 1 and Scope 2, produced through the generation of electricity procured from third parties, the transmission and distribution of electricity in third-party grids, the production and transmission of used fuel, as well as the consumption of gas sold to customers

7 Converted to full-time employees

8 Lost Time Incident Frequency (number of accidents leading to the loss of at least one person day per million working hours); occupational accidents from 2012 onwards including employees of contractors

9 Including employees of third-party companies

Field	Performance indicator		2014	2013 ¹	2012	2011	2010
Economy	External electricity sales volume	billion kWh	258.3	270.9	277.8	294.6	311.2
	External gas sales volume	billion kWh	281.3	320.7	306.8	322.2	395.4
	Electricity customers	million	16.0	16.1	16.4	16.6	16.2
	Gas customers	million	7.2	7.4	7.7	7.8	7.9
	External revenue	€ million	48,468	52,425	53,227	51,686	53,320
	Share of the revenue of the RWE Group earned in countries with a high or very high risk of corruption ²	%	10.0	13.0	13.7	12.4	12.0
	Net income	€ million	1,704	-2,757	1,306	1,806	3,308
	Value added	€ million	-277	811	1,589	1,286	2,876
	Capital expenditure	€ million	3,440	3,978	5,544	7,072	6,643
	Environment	Power plant capacity	MW	49,064	49,310	51,977	49,238
RWE power plant portfolio							
NO _x emissions		g/kWh	0.60	0.68	0.69	0.60	0.58
SO ₂ emissions		g/kWh	0.33	0.37	0.4	0.31	0.29
Particulate emissions		g/kWh	0.020	0.022	0.025	0.021	0.019
Primary energy consumption		billion kWh	393.4	409.6	435.7	390.6	403.0
Water consumption ³		m ³ / MWh	1.46	1.45	1.56	1.62	1.41
Total power plant portfolio							
Specific CO ₂ emissions		mt/ MWh	0.745	0.751	0.792	0.787	0.732
Scope 1 CO ₂ emissions ⁴		million mt	156.6	165.8	181.7	163.8	167.1
Scope 2 CO ₂ emissions ⁵	million mt	1.4	1.5	1.9	2.4	3.1	
Scope 3 CO ₂ emissions ⁶	million mt	90.8	105.0	105.2	121.0	135.7	
Share of the Group's electricity generation accounted for by renewables	%	4.8	6.4	5.5	4.3	4.0	
Society	Employees ⁷		59,784	64,896	70,208	72,068	70,856
	Share of women in the company	%	26.6	27.7	27.5	27.1	26.2
	Share of women in executive positions	%	14.3	13.9	12.3	11.3	10.8
	Fluctuation rate	%	14.2	11.5	10.8	10.1	8.3
	Health ratio	%	95.4	95.4	95.5	95.8	95.6
	Lost-time incident frequency	LTI _F ⁸	2.3	2.3	2.8	2.8	3.5
Fatal work-related accidents ⁹		5	1	4	3	1	

Explanations of the Indicators

The following table provides explanations of our indicators. These are sorted according to the sequence in the indicator tool.

Indicator category	Explanations
Electricity generation	<p>Including electricity procured from power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In the business year 2014, this amounted to 15.9 billion kWh in the Conventional Electricity Generation Division, of which 12.9 billion kWh was generated by hard-coal power plants and 0.7 billion kWh in the Renewable Energies Division.</p> <p>Partly adjusted values for 2013 on account of discontinued operations (RWE DEA) and due to first-time application of IFRS 11 (see Annual Report, p. 41)</p>
Power plant capacity	<p>Including capacities of power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. On 31 December 2014, this electricity generating capacity amounted to 4,351 MW, of which 2,151 MW were based on hard coal.</p> <p>Partly adjusted values for 2013 on account of discontinued operations (RWE DEA) and due to first-time application of IFRS 11 (see Annual Report, p. 41)</p>
CO ₂ emissions	<p>Including power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In the year under review, these plants produced 14.8 million mt of CO₂.</p> <p>Calculated on the basis of electricity production, not including emissions from biogenic fuels.</p> <p>Scope 1: direct CO₂ emissions from in-house sources (gas transmission, electricity generation) Scope 2: indirect CO₂ emissions from the transmission and distribution of electricity purchased from third parties Scope 3: indirect CO₂ emissions that do not fall under Scope 1 and Scope 2, produced through the generation of electricity procured from third parties, the transmission and distribution of electricity in third-party grids, the production and transmission of used fuel, as well as the consumption of gas sold to customers</p> <p>Partly adjusted values for 2013 on account of discontinued operations (RWE DEA) and due to first-time application of IFRS 11 (see Annual Report, p. 41)</p>
Pollutant emissions	Not including gas-fired plants for blast furnaces (Related to the area of electricity generation from natural gas)
Fuels	<p>Fiscal 2007, adjusted since "Our Responsibility. Report 2007"</p> <p>Fossil fuels used, without biomass (Related to primary energy consumption)</p>
Waste	Owing to a change in the rules, the use of ash to refill disused opencast mines has no longer counted as recycling since 2010.
Water	Difference between water withdrawals for power plants and returns to rivers and other surface waters; excluding power plants with seawater cooling
Reportable nuclear incidents at our nuclear power stations (INES)	INES: International Nuclear Event Sca
Workforce	<p>FTE = Full-Time Equivalent: converted to full-time positions</p> <p>2009 excluding Essent</p> <p>Partly adjusted values for 2013 on account of discontinued operations (RWE DEA) and due to first-time application of IFRS 11 (see Annual Report, p. 41)</p>

Indicator category	Explanations
Occupational Health and Safety	Lost Time Incident Frequency (number of accidents leading to the loss of at least one person day per million working hours); occupational accidents from 2012 onwards including employees of contractors
Staff costs	Partly adjusted values for 2013 on account of discontinued operations (RWE DEA) and due to first-time application of IFRS 11 (see Annual Report, p. 41)
Customers	Not including minority stakes
External electricity and gas sales volume	2011 including gas trading Including small volumes subsumed under "Other, consolidation" Including small volumes in the Conventional Power Generation Division Partly adjusted values for 2013 on account of discontinued operations (RWE DEA) and due to first-time application of IFRS 11 (see Annual Report, p. 41)
Financial indicators	RWE Innogy was established in February 2008 Countries rated with a score of at least 60 points on a scale of 0 to 100 in the Corruption Perceptions Index 2014 by the anti-corruption organisation Transparency International, with 100 corresponding to the lowest risk of corruption. Since 2008, EBITDA has also included operating income from investments. Partly adjusted values for 2013 on account of discontinued operations (RWE DEA) and due to first-time application of IFRS 11 (see Annual Report, p. 41)
Value Management	Partly adjusted values for 2013 on account of discontinued operations (RWE DEA) and due to first-time application of IFRS 11 (see Annual Report, p. 41)
Chash flow/capital expenditure/depreciation and amortisation	Partly adjusted values for 2013 on account of discontinued operations (RWE DEA) and due to first-time application of IFRS 11 (see Annual Report, p. 41)
Asset/capital structure	Partly adjusted values for 2013 on account of discontinued operations (RWE DEA) and due to first-time application of IFRS 11 (see Annual Report, p. 41)
Dividend/Dividend payment	Dividend proposal for the fiscal year 2014 of RWE AG, subject to approval by the Annual General Meeting on 23 April 2015
Value added	2007 adjusted in accordance with the Annual Report 2008, 2006 excluding discontinued operations (American Water); partly adjusted values for 2013 on account of discontinued operations (RWE DEA) and due to first-time application of IFRS 11, see Annual Report, p. 41 (Related to total value added, to the employees, to creditors, to minority interests, net income) Only the taxes actually paid are included, not tax expenditure, 2007 adjusted in accordance with the Annual Report 2008, 2006 excluding discontinued operations (American Water); partly adjusted values for 2013 on account of discontinued operations (RWE DEA) and due to first-time application of IFRS 11, see Annual Report, p. 41 (Related to value added to the government) 2008 adjusted in accordance with the Annual Report 2009, 2007 adjusted in accordance with the Annual Report 2008, 2006 excluding discontinued operations (American Water), 2014 proposed dividend (Related to the percentage of net income to shareholders)

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