RWE AG

Industry: Utilities
GICS Industry: Multi-Utilities
Country: Germany
ISIN: DE0007037129
Bloomberg Ticker: RWE GY Equity

Status: Not Prime
Rating: C+
Prime Threshold: B-

Company Profile
RWE AG is a Germany-based electricity and gas company. It diversifies its activities into seven divisions: Germany, which consists of the Power Generation and Sales and Distribution Networks business area; Netherlands/Belgium; Great Britain; The Central Eastern and South Eastern Europe; Renewables; Upstream Gas and Oil, and Trading/Gas Midstream. Under the Netherlands/Belgium division it reports on wholly owned Essent, which provides gas, electricity, heat and energy services. The United Kingdom division represents RWE npower; The Central Eastern and South Eastern Europe division covers its subsidiaries in Poland, Hungary, the Czech Republic, Turkey and Slovakia. The Renewables division comprises all of the activities of RWE Innogy, which specializes in electricity and heat generation from renewables. The Upstream Gas & Oil division produces gas and oil through RWE Dea. The Trading/Gas Midstream division encompasses energy trading, gas midstream activities, and sales to German clients.

Competitive Position

Industry Leaders
(in alphabetical order)
- Allianter NV (NL) B
- REN - Redes Energéticas Nacionais, SGPS, S.A. (PT) B+
- Terna Rete Elettrica Nazionale (IT) B+

Distribution of Ratings
(161 companies in the industry)
Not Prime Prime

Key Issues

Key Issue Performance
Climate protection, renewables and resource efficiency: Weak
Safe operation of plants and infrastructure: Weak
Reliable energy and water supply for the entire population: Weak
Business ethics: Weak
Worker safety and accident prevention: Weak

Strengths and Weaknesses
+ clear targets and incentives to reduce the energy consumption of customers
+ specific strategy and investments to promote renewable energies
+ major investments to ensure reliability of electricity networks and short average interruption of power supply per year per customer

- high carbon intensity of power generation
- low average thermal efficiency of fossil-fuelled power plants
- low share of renewable energies in electricity generation

Controversy Monitor

Company
Controversy Score: -14
Controversy Level: Significant

Industry
Maximum Controversy Score: -40
Controversy Risk: Severe
RWE AG

A. Social Rating  
40.0%  
C+

A.1. Staff and Suppliers  
12.0%  
C

- staff
- freedom of association
- work-life balance
- employment security
- health & safety
- equal opportunities
- training & education
- suppliers

A.2. Society and Product Responsibility  
20.0%  
B-

- society
- human rights
- community
- gov.relations/influence on publ.pol.
- stakeholder dialogue
- customer and product responsibility

A.3. Corporate Governance and Business Ethics  
8.0%  
B-

- corporate governance
- board independence
- shareholder democracy
- executive compensation
- shareholder structure
- business ethics

B. Environmental Rating  
60.0%  
C

B.1. Environmental Management  
12.0%  
B

- environmental policy
- environmental management system
- environmental performance indicators
- climate change strategy
- travel and transport

B.2. Products and Services  
42.0%  
C-

- strategy towards sustainable fuel mix
- environ. impacts of energy generation
- electricity transmission/distribution
- gas transmission/distribution
- water supply
- wastewater treatment
- waste services

B.3. Eco-efficiency  
6.0%  
C

- energy use
- water use
- GHG emissions
- SOx emissions
- NOx emissions
- dust emissions
- total waste
# RWE AG

## Controversial Activities

### Business Areas

<table>
<thead>
<tr>
<th>Business Area</th>
<th>Risk Industry</th>
<th>User/Producer</th>
<th>User/Retailer</th>
<th>No Info</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abortion</td>
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<td>Alcohol</td>
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<td>Biocides</td>
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<td>Chlororganic Mass Products</td>
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<td>Embryonic Research</td>
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<td>Furs</td>
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<td>GMOs</td>
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<td>Gambling</td>
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<td>Military</td>
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<tr>
<td><strong>Nuclear Power</strong></td>
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<tr>
<td>Pornography</td>
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<tr>
<td>Tobacco</td>
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**Note:** Nuclear Power in energy generation (accounted for 14.1% in 2013; estimated share of net sales including nuclear power purchases >10%).

### Business Practices

<table>
<thead>
<tr>
<th>Business Practice</th>
<th>Risk Industry</th>
<th>Violation Company Supplier</th>
<th>No</th>
<th>No Info</th>
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<tbody>
<tr>
<td>Animal Testing</td>
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<tr>
<td>Business Malpractice</td>
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<tr>
<td>Controversial Env. Practices</td>
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<tr>
<td>Violations of Human Rights</td>
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<td>Violations of Labour Rights</td>
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**Note:**
- Animal Testing: Investigations on embezzlement and corruption, Germany.
- Business Malpractice: Risk of major environmental impact through power generation.
- Controversial Env. Practices: High risk of accidents in company operations due to prevalent unsafe working conditions in the industry.
RWE AG

Additional Company Information

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues (EUR m)</th>
<th>Net. Income (EUR m)</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>50,771.00</td>
<td>1,402.00</td>
<td>70,208</td>
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<tr>
<td>2013</td>
<td>51,393.00</td>
<td>-2,653.00</td>
<td>66,341</td>
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<tr>
<td>2014</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
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</table>

Financial Year ends: 12/2013

Participation in Rating Process

The company actively participated in the rating process and provided additional information and comments on the rating.

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The oekom Controversy Monitor is a tool for assessing and managing reputational and financial risks associated with companies. Companies are rated on a twelve-point scale from A+ to D-:

- A+: the company shows excellent performance.
- A: the company shows good performance.
- B: the company shows average performance.
- C: the company shows below average performance.
- D+: the company shows poor performance.
- D-: the company shows poor performance.

In order to generate a comprehensive picture of each company, our analysts collect information relevant to the rating both from the company itself and from independent sources. During the rating process, considerable importance is attached to cooperating extensively with the company under evaluation. Companies are regularly given the opportunity to comment on the results and provide additional information.

An external rating committee assists the analysts at oekom research with the content-related design of industry-specific criteria and carries out a final plausibility check of the rating results at the end of the rating process.

Overview of selected strengths and weaknesses of a company with regard to relevant social and environmental criteria.

Rating. Prime companies rank among the leaders in that industry.

(Prime threshold) defined by oekom for a specific industry (absolute best-in-class approach) in the oekom Corporate Rating. Companies are categorised as Prime if they achieve/exceed the minimum sustainability performance requirements and the sector-specific minimum requirements for the oekom Prime Status (Prime threshold) are defined (absolute best-in-class approach).

Overview of the range of scores achieved in the industry (light blue) and display of the industry-specific Prime threshold (vertical dotted line). The industry-specific Prime threshold (vertical dotted line) is also shown.

Overview of the distribution of all company ratings of an industry from the oekom Universe (company portrayed in this report: light blue). The industry-specific Prime threshold (vertical dotted line) is also shown.

The social and environmental impacts of industries differ. Therefore, subject to its relevance, each industry analysed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the oekom Corporate Rating, i.e. the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the oekom Prime Status (Prime threshold) are defined (absolute best-in-class approach).

List (in alphabetical order) of the top three companies in an industry from the oekom Universe at the time of generation of this report.

Overview of the company's performance with regard to important social and environmental issues that are key to the industry, compared to the industry average.

Trend in the company's rating over time and comparison to the average rating in the industry.

Companies are rated on a twelve-point scale from A+ to D-:

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Overview of range of scores achieved in the industry (light blue) and display of industry-specific Prime threshold (vertical dotted line).

A selection of significant sources used for this report is illustrated on the last page. Data for the Bloomberg Ticker, Business Data, Company Name, Country, GICS Industry, ISIN and Sales by Segment was sourced from Bloomberg.

Companies are categorised as Prime if they achieve/exceed the minimum sustainability performance requirements (Prime threshold) defined by oekom for a specific industry (absolute best-in-class approach) in the oekom Corporate Rating. Prime companies rank among the leaders in that industry.

Overview of selected strengths and weaknesses of a company with regard to relevant social and environmental criteria. Please note that all data in this report relates to the point in time at which the report was generated.