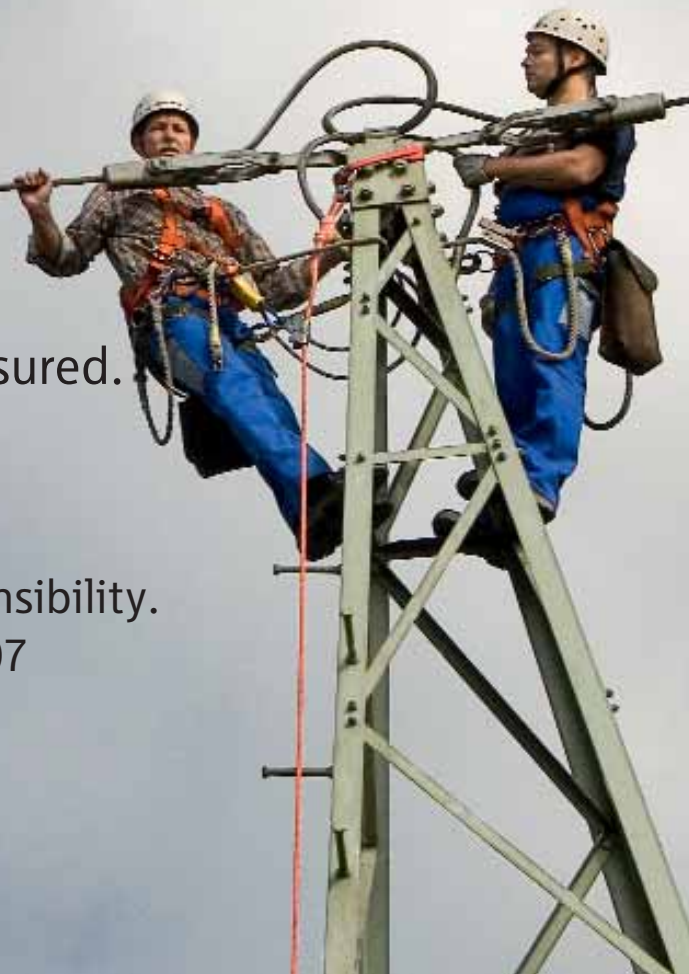


If not now, when.

Forward-looking actions –
the standard by which we are measured.



Our Responsibility.
Report 2007



About this report

Goal. This report is aimed at our employees, analysts and investors, customers and suppliers, policymakers, public administration and NGOs, as well as at the people in those regions in which we do business. It describes the most important social and environmental challenges facing our core business, the conflicts of interest to which these can give rise, and the strategy we have developed in response. The report sets out to explain what we do and why in a transparent and easily understandable way.

Procedure. To accomplish this as clearly and succinctly as possible, the report is divided into separate sections for the challenges facing us, which are presented in the Group portrait, our responses to these, which are explained in "Strategy and Management", the implementation of this strategy in our main business areas and our key figures and targets. The most important examples from each business area are described in detail on our web site.

This report builds on the Corporate Responsibility Report 2005, complements our Annual and Personnel Reports 2007, and at the same time serves as a progress report for the United Nations Global Compact. It was prepared in close cooperation with the RWE Corporate Responsibility Coordination Committee (see p. 14) and approved by the Board of RWE AG.

Internet. Complementing the printed report is the "Responsibility" section of our web site, which is regularly revised and updated, and provides a comprehensive overview of all our activities. The printed report contains links to provide access to the relevant information at www.rwe.com/responsibility; the web site itself, meanwhile, has a section called "Online Report Links" listing by number all the links mentioned in the report. A single click is therefore all that is needed to access more information.

Basic principles. This report grew out of our ongoing dialogue with our stakeholders. This dialogue takes the form of discussion forums, surveys and one-on-one discussions, as well as the responses we provide

to questionnaires sent to us by sustainability rating agencies. The feedback received through these channels has therefore been taken into account.

To help our readers compare our performance with that of other companies, the relevant data are provided in line with the current guidelines of the Global Reporting Initiative (GRI). We explain how we have implemented both these guidelines and the requirements of the GRI Sector Supplement Electric Utilities submitted in October 2007 on page 62. As we would like to intensify our dialogue with the financial markets, we have also taken account of the indicators of the Deutsche Vereinigung für Finanzanalyse und Assetmanagement (DVFA) presented at the end of 2007.

Data. The data provided in this report relate to all affiliated companies in the RWE Group, which means all those companies in which we held a stake of more than 50 percent during the period under review (see p. 77). Any deviations from this are clearly stated. The data for American Water are no longer included as this holding is now reported under our "Discontinued Operations" and our majority stake in it is to be sold in the course of 2008. All the financial information provided is quoted in euros, while foreign currencies have been converted at the average rates for 2007 (£ 1.00 = € 1.46). The period under review comprises fiscal 2006 and fiscal 2007.

Certificate of audit. This report was prepared according to the ten reporting criteria of the GRI. To ensure that these principles had been complied with, the report was then audited by the accountancy firm PricewaterhouseCoopers (PwC). The auditors' report can be found inside the back cover.

For reference. This report is published in German and English. The editorial deadline for publication was 29 February 2008. Our next "Corporate Responsibility Report" will be published in the spring of 2010, while an interim report will be published in the spring of 2009.





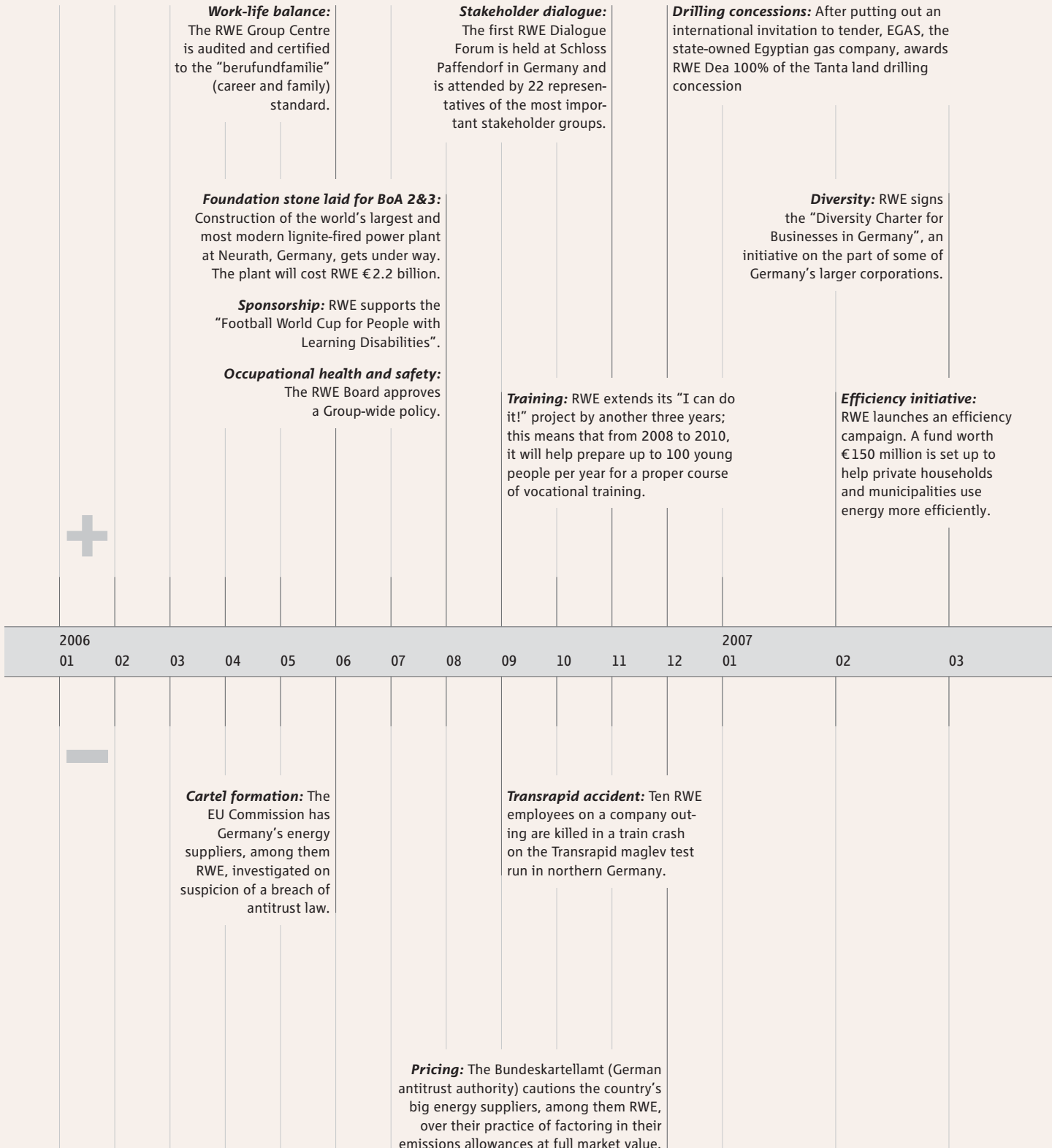
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Good news, and not so good news 2006/2007



New chair: RWE Trading and the University of Duisburg-Essen together found Europe's first Chair of Energy Trading.

Price guarantee: RWE launches a new "Treuestrom" tariff, offering its customers in Germany a three-year price guarantee.

New CEO: Dr Jürgen Großmann takes over from Harry Roels as CEO of RWE AG and forges ahead with a proposal for a Germany-wide energy pact.

Renewables: RWE founds RWE Innogy GmbH. Headed by Prof. Fritz Varenholt, this new subsidiary will have an annual budget of at least €1 billion on average to step up investments in renewables.

Occupational health and safety: The RWE Executive Board approves a comprehensive programme for the development of a culture of occupational health and safety awareness.

Pricing: In an out-of-court settlement of their dispute over the factoring in of emissions allowances provided free of charge, RWE and the Bundeskartellamt agree that for a period of four years, at least some of the power RWE generates will be auctioned off to its industrial customers.

Stakeholder dialogue: The second RWE Dialogue Forum is held at the headquarters of RWE Power in Cologne.

An outstanding report: The RWE Report 2005 comes second in the future/IÖW rankings of the sustainability reports of Germany's 150 largest corporations.

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Electricity prices: The public has reacted with strong criticism to the planned increase in electricity tariffs as advertised by German energy providers, which includes RWE.

Fatal accident: A 160-metre-high steel structure crashes to the ground at the construction site of the new lignite-fired power plant at Neurath in Germany, killing three people and seriously injuring five others.

Cartel formation: Germany's four big electricity suppliers Eon, EnBW, RWE and Vattenfall are accused of a breach of antitrust law, the investigation initiated by the EU Commission in May 2006 having apparently found evidence of price-fixing.

American Water: The IPO of American Water is postponed owing to the rather bleak outlook on the US capital market.

Ensdorf power plant: A plebiscite puts an end to the 1600 MW hard-coal power plant that RWE had planned for Ensdorf in Saarland, Germany.





0.3 Foreword

Dear Readers,

“Sustainability for us is far more than just a precondition for our own long-term success. As a Group with a long tradition and a major employer, we feel responsible for our environment as well”. This is how we worded our commitment to sustainability in the first RWE Environment Report 1998. Now, ten years on, a lot of things are already a matter of course at RWE, as exemplified by everyone in the Group.

We provide young people with traineeships far in excess of our own requirements. We protect the environment in areas of lignite mining, recultivate the landscape along our power grids, and have established an ambitious Group-wide environmental management system.

Today, however, we are obliged to admit that our efforts are not always noticed and are barely keeping pace with the growing demands made of us by society. Politicians’ and people’s confidence in large, seemingly anonymous corporations has declined – in Europe as a whole, and in Germany in particular. This loss of confidence has hit energy suppliers especially hard.

So what can we do, what must we do, to win greater acceptance for our business model? This is a question we have been pondering intensively, and our sixth sustainability report is part of our effort to find an answer to it. We are committed to open and transparent reporting, especially in areas in which RWE has been a target of criticism. Indeed, we cannot afford to do without it, as it is a precondition for both self-improvement and more focused action.

It is especially important to harmonise the principles of private enterprise with society’s expectations of us. What does this mean in practice?

1. Society expects us, as Europe’s largest single industrial emitter of carbon dioxide (CO₂), to make a major contribution to meeting the climate-protection targets that have been agreed at the political level.
2. Our customers expect us to provide a secure supply of electricity and gas at fair and transparent prices.

Our business is geared to long-term returns and therefore calls for the careful assessment of political and social developments. This pertains to opportunities as well as risks. If, in the long run, RWE is unable to strike a balance between these diverse interests, then we will ultimately be putting at risk the basis for sustainable economic success.

In the course of the past two years, therefore, we have reviewed the areas for action that we regard as especially important for responsible corporate policies. Protection of the environment is now our top priority. Our continued use of lignite and hard coal to generate power makes us especially vulnerable to criticism here. Coal, however, contributes greatly to providing a secure energy supply both for Europe as a whole and for Germany in particular; besides, the most recent, state-of-the-art plants already have a much lower CO₂ output than do older units.

Yet our substantial investments in pursuit of the agreed climate protection targets go beyond coal. Among them is the large-scale expansion of renewable

Dr Jürgen Großmann



energy sources. We intend our investments in this area between now and 2012 to average at least €1 billion a year. This is an ambitious target, but one that our RWE is confident of achieving.

What is all too often overlooked is that energy efficiency is also an important part of climate protection. RWE has launched an innovative programme that starting this summer will equip some 100,000 households in Mühlheim with smart meters. This new generation of meters provides information about domestic electricity consumption day and night, thus helping our customers to save electricity.

We also act responsibly towards our employees and the people living in all the regions in which we operate. True to the slogan "People make it possible", RWE promotes voluntary community involvement on the part of its employees, who after all are "our RWE's best ambassadors". This report explains the progress we have made in this area, too.

Our commitment to transparency also includes the intensive dialogue we are engaged in with our stakeholders. Our online publication of power generation data and detailed information on the breakdown of our domestic and commercial customers' electricity and fuel bills are part of our drive to promote transparency in the marketplace.

Thanks to these initiatives, we are now on the right track, as is evident from the success of our 2005 report, which took second place in a ranking of sustainability reports of Germany's 150 largest corporations. The year 2007 saw us once again included in the Dow Jones Sustainability Index. RWE has been included in

this sustainability index – the world's most important – ever since its inception. Such a positive response to our efforts is an incentive to do even better.

By 2015 at the very latest, RWE will rank among the drivers of sustainable development in all of its European core markets. We can count on the proven dedication of our employees to achieve this.

Questions and comments both on this report and on our strategy are always welcome, even those – or rather especially those – that are of a critical nature.

Essen, March 2008



Dr Jürgen Großmann
President and CEO



Alwin Fitting
Labour Director and Board member responsible for CR


verantwortung
@rwe.com



Alwin Fitting

> 0.4 Portrait

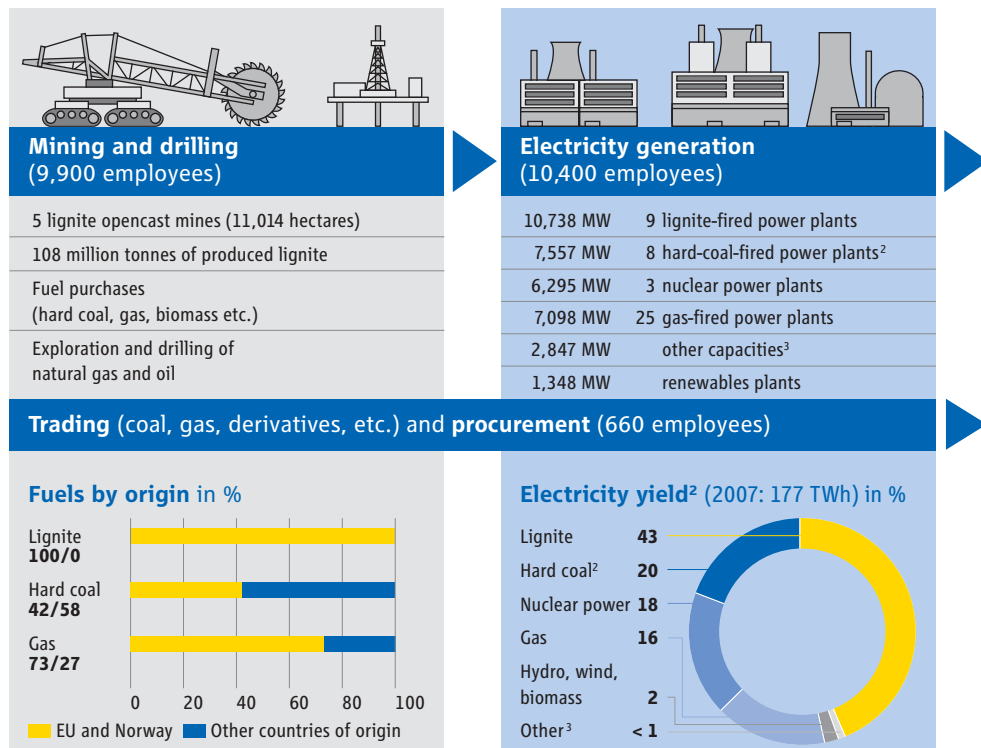
RWE AG has its origins in the “Rheinisch-Westfälische Elektrizitätswerk Aktiengesellschaft”, founded in 1898. Now one of the world’s leading energy suppliers, the Group is headquartered in Essen, Germany. RWE has chosen to focus on the electricity and gas business and most of its markets are in Germany, the UK and Central and Eastern Europe. In fiscal 2007, RWE employed 63,439 people in its core business and generated Group sales of 42.5 billion. It intends to part with its stake in the US water business in the near future.

Among our many strengths is the fact that we are active all along the value chain, from fuel-source exploration to power generation, transport, distribution and sales, and have a diversified generation portfolio. One of the mainstays of this portfolio is lignite, which we ourselves mine in three opencast mines in the Rhineland and in Hungary. We also engage in oil and gas exploration and drilling in Germany, Norway, the UK and in North Africa.

The RWE Group is structured so that the specific responsibilities are allocated as follows:

- RWE AG, Essen: Group Centre, Group management
- RWE Power AG, Essen/Cologne: coal mining and refinement and fossil-fuel/nuclear power plant operation
- RWE Dea AG, Hamburg: oil and gas exploration and drilling
- RWE Innogy GmbH, Essen: promotion and development of renewables
- RWE Energy AG, Dortmund: sales, transport and distribution of electricity, gas, and water supply and sanitation services in continental Europe
- RWE Npower plc, Swindon (UK): generation and sales of electricity and gas in the UK
- RWE Trading GmbH¹, Essen: trading in energy products and energy derivatives
- RWE Gas Midstream GmbH¹, Essen: business in the non-regulated midstream sector
- RWE Systems AG, Dortmund: corporate procurement, IT, facility management and HR services

RWE value chain



On the Internet

- 01 Information on RWE: Facts & Figures (PDF)
- 02 Ratings and rankings

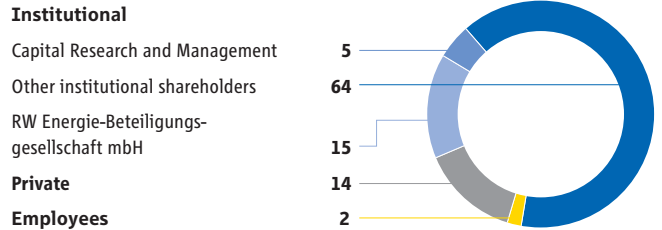
¹ On 1 April 2008 RWE Trading and RWE Gas Midstream will be merged into RWE Supply & Trading.
² Without contracted power plants
³ Pump water-, oil-fired-, waste-fuelled power plants

RWE is listed in the Deutsche Aktienindex (DAX30) and is committed to transparent and responsible corporate governance as laid down in the Deutsche Corporate Governance Code (www.corporate-governance-code.de). In sustainable investment ratings of utility companies, it regularly ranks in the middle to high range and has been listed in the Dow Jones Sustainability Index (World and Stoxx) without interruption since 1999. Throughout 2007, the analysts of West LB consistently awarded RWE a rating of A+ for its sustainability performance. [02]

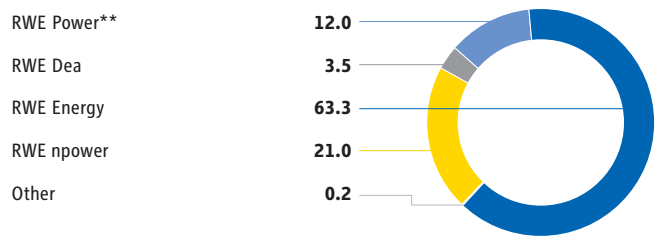
What we do

RWE's core business is electricity and gas. There are a number of parallel processes that support our value chain (see diagram). One of these is our extensive trading in fuels and electricity, which besides securing the supplies we ourselves need, also enables us to act as an independent trader. In addition, we procure goods and services for every stage in the value chain, in most cases through corporate procurement.

RWE AG shareholders in percent (31 December 2007)



External revenue by business area 2007 in percent (€42.507 billion*)



* including RWE Systems, Group Centre, consolidated
 ** including RWE Trading

Transmission
(1,190 employees)

13,912 kilometre high-voltage transmission lines (220/380 kV)

Brauweiler Control Centre

26,060 kilometre gas pipelines

3,913 million standard cubic metre gas storage tanks

Distribution
(21,200 employees)

381,005 kilometre medium- and low-voltage transmission lines (10–110 kV)

134,240 substations and transformers

90,345 kilometre gas distribution pipelines (a-b bar)

Sales and use
(13,900 employees)

Electricity
14.5 million domestic and commercial customers
167,800 industrial customers

Gas
6.3 million domestic and commercial customers
34,800 industrial customers

Transmission grid by operator in %

Operator	Percentage
RWE	32
E.ON	30
EnBW	10
Vattenfall	27

Supply to customers in TWh

Customer Type	Percentage
Domestic and commercial customers	60
Industrial customers	98
Redistributors	79
Electricity trading	69

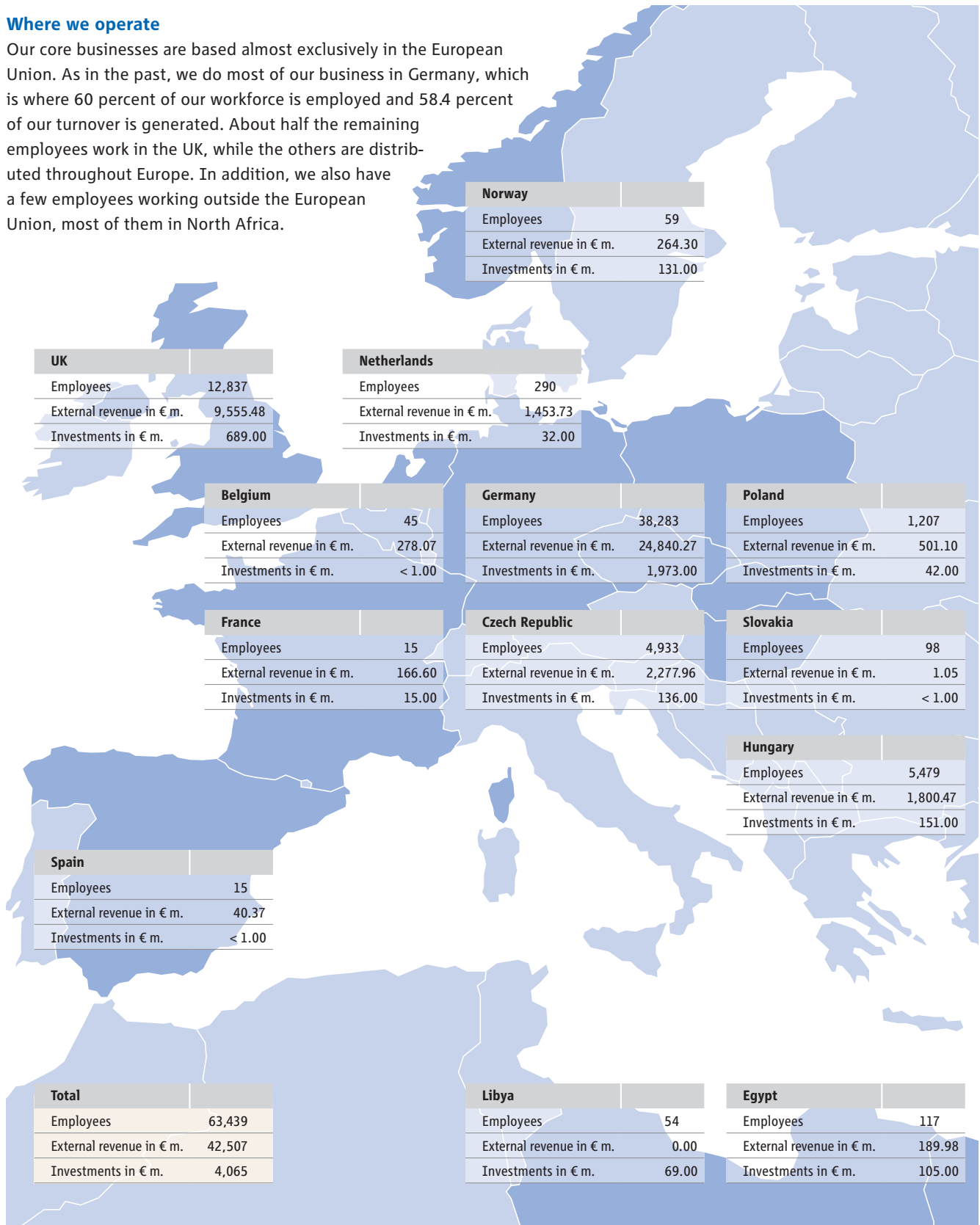
Distribution of electricity customers in %

Country	Percentage
Germany	49
UK	30
Netherlands	1
Hungary	14
Poland	6

0.4 Portrait

Where we operate

Our core businesses are based almost exclusively in the European Union. As in the past, we do most of our business in Germany, which is where 60 percent of our workforce is employed and 58.4 percent of our turnover is generated. About half the remaining employees work in the UK, while the others are distributed throughout Europe. In addition, we also have a few employees working outside the European Union, most of them in North Africa.



Our challenges

Public debate last year highlighted the key challenges now facing our value chain, among the most important of which are climate protection and competitive conduct. We are aware that to be successful in the long term, we have to tackle the risks and opportunities now facing not just our company, but society as a whole.

1. Energy generation – our core concern. As RWE is Europe's largest emitter of CO₂, society quite rightly expects us to develop a strategy for minimising climate change that is both intelligent and responsible. In our eyes, therefore, helping Europe to achieve its climate protection targets will be the primary challenge facing us in the years to come. Clearly what is needed here are not just innovative **technologies**, such as CO₂-reduced power plants and CO₂ scrubbing, but also a variety of measures aimed at promoting **energy efficiency** both in our own plants and among our customers. Yet at the same time, we also want to continue providing great **security of supply**. After all, a stable and long-term energy supply is essential to economic stability and critical to both private households and our industrial customers. Recent criticisms levelled both at the continued use of coal-fired power plants, the power generated by which is both economic and reliable, and at nuclear power, which does not produce CO₂ emissions, have exposed a conflict of interest which we must now resolve.

> Chapter "Energy and Climate"

2. Competitive conduct. After security of supply, the two main demands which today's market makes of energy suppliers are transparent **pricing** and low energy costs. The public outcry in Germany following our decision to raise our prices shows just how important this issue is to customers and to society at large. Among the other requirements made of us by the marketplace are fair and transparent business practices. These are enshrined in our Code of Conduct, compliance with whose principles is subject to regular monitoring. The "Efficiency Drive" we launched in spring 2007 contains a range of measures and **technologies** designed to improve

our customers' **energy efficiency** and **security of supply**, while at the same time providing them with an affordable power source.

> Chapter "Marketplace"

3. Employees as our most important potential. In Germany especially, **demographic change** poses a major challenge for RWE. With comparatively few younger people joining us, the average age of our workforce is rising steadily. By 2018 at the latest, when those who are now 55 retire, we could well find ourselves facing a genuine shortfall and with it a knowledge gap; we can prepare for this only by strategic recruiting and promoting an intensive pooling of experience between young and old. Keeping an ever older workforce as fit as possible also calls for new **occupational health management** concepts. To optimise occupational safety, we recently launched a programme that covers our subcontractors' employees as well. Our efforts to improve our employees' work-life balance are also to be stepped up in order to attract and retain a more diverse workforce.

> Chapter "Workplace"

4. Winning the trust of society. Our core business has a far-reaching impact on both society and the environment. We are aware of the special nature of our **community engagement** and therefore want to make a contribution wherever our core business is concerned. Our community involvement activities 2005 focused on the following three areas: youth, education and future. To enhance our reputation and promote acceptance of our activities in the regions in which we operate, we are engaged in an intensive and ongoing dialogue with our stakeholders both at the strategic level and at the operational level in connection with specific infrastructure projects. The high standards to which we have committed ourselves in our Code of Conduct are an indication of just how seriously we take society's expectations of us. This also means factoring **environmental factors** and fair working conditions into our procurement activities all along the **supply chain** and making our own lobbying activities transparent.

> Chapter "Community"

>





The road into the future

On 28 January 2008, Klaus Milke of Germanwatch and RWE AG's Alwin Fitting met for a discussion in RWE's Essen headquarters. Their topics: Stakeholder dialogue and how to best approach the company's future.

> 1.0 Strategy and Management

As early as November 2006, at the first RWE Dialogue Forum, RWE Board member Alwin Fitting, Klaus Milke of Germanwatch and several other important stakeholder representatives discussed how best to approach the future. They met for another extensive talk on 28 January 2008.

Fitting: The Dialogue Forums we conducted in November 2006 and 2007 for us were a chance to share some ideas and to hear the advice of other interested parties – not just on the subject of climate protection, but on where the RWE Group is going.

Milke: That was certainly a good place for the talks to start. But the words now have to be followed by deeds. Which means that the dialogue must remain a boardroom concern, but at the same time cascade down through the entire company. RWE must ask itself where its social responsibility impinges directly on its core business? The global climate and energy questions are obviously key issues here.

Fitting: We can develop as a business enterprise only if society, too, is willing to accept certain changes. This holds true for oil, coal, nuclear power – for energy in general. Our three principles – security of supply, environmental responsibility and profitability – must be upheld.

Milke: The trouble is that as Europe's largest emitter of CO₂, RWE is not climate-compatible. The ball is definitely in RWE's court – although it obviously has to work with policymakers, and not against them. Which is why nuclear power is not an option either.

Fitting: Unfortunately, it seems that no matter which topic we raise, we always come up against politically motivated barriers. Meanwhile, popular support for the use of coal is on the wane. True, without coal, our CO₂ emissions would of course be much lower, but then we would have to beef up our use of nuclear power or gas.

Milke: Germany has committed itself to the Two-Degree Limit and hence to the EU's 2007 climate protection targets, one of which is to reduce CO₂ emissions by 40 percent compared with 1990 by the year 2020. RWE's current business model will be in serious jeopardy if you fail to take timely action



Klaus Milke, since 2005 Chairman of the Board of the North-South Initiative Germanwatch e.V., first founded in 1991.

Alwin Fitting has been Labour Director of RWE AG since 2005 and as such is the Board member responsible for CR.



On the Internet
03 Interview in full



towards achieving this target. What this means in practice is taking energy efficiency more seriously, promoting gas-based cogeneration and not building any new coal-fired power plants unless they have a carbon capture and storage (CCS) capability. And this CCS technology will have to be properly tested to ensure that it is workable in countries like China and India, too. What also needs to happen is for money to be poured into renewable energy sources – which is something you have at least begun.

Fitting: The climate-friendly 450 MW coal-fired power plant we currently have in planning will prove that CCS works, or so we hope. But if this plant is to go on the grid by 2014, then we need to have planning permission for it by 2009 at the latest. Yet we must be careful not to jeopardise popular support for this project, either.

Milke: What we want, though, is a moratorium; in other words, we want to prevent any more coal-fired power plants from being built unless they are equipped with CCS. And we have yet to hear where RWE stands on this. Of course you have to be able to plan your investments in the long term. The post-Bali process is actually supposed to ensure that this is possible; and the climate-protection conference coming up in Copenhagen in December 2009 will have the same aims – one of them being to agree the rules governing the period after 2013. What is bound to transpire from all this is that being a pioneer and pathbreaker pays off.

Fitting: But even here, we need to be more specific: We still have neither the CCS technology we need, nor a green light from the authorities. Nor can it possibly be in your interests to have us suspend all investments until 2015. All that we can do at present is build our plants in such a way that they can be retrofitted with CCS technology. And even if we invest heavily in renewables, there are still countless obstacles that have to be overcome.

Milke: Well you can certainly count on our support when it comes to removing the obstacles in the way of renewables. And the CCS challenge is an issue we should concern ourselves with in future talks. There are lots of problems still to be resolved with CCS, but coal has no future without it. So let's keep talking about this – and not just at national, but at international level, too.

Fitting: Gladly! I, too, would like to keep talking both to you and to the other stakeholders about the research projects we should be focusing on with a view to securing our long-term future up to 2050. [03]



> 1.1 CR strategy and stakeholder dialogue

The core aim of our CR strategy is to reconcile the needs of the market with those of society. It therefore focuses on the key challenges now facing the RWE Group. When reviewing and updating our strategy, we naturally took account of our employees' expertise, as well as our stakeholders' expectations.

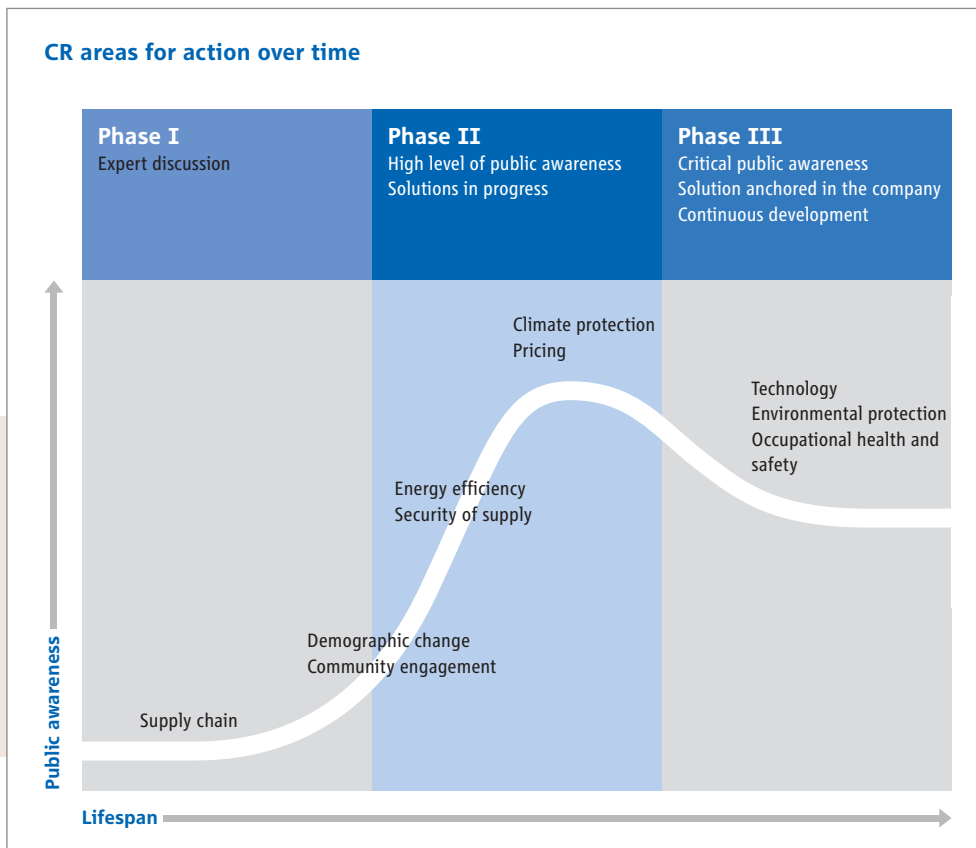
The key areas for action which shaped our CR strategy in the past were first defined in 2003. While some of these have become increasingly important both to us and to our stakeholders over the years, others have basically been addressed, even if new challenges are arising to take their place. In view of this dynamic development, we decided in 2006 to review and update the areas for action of our CR strategy to ensure that they remain relevant and material to our business.

Development of our areas for action

When reviewing the areas for action of our CR strategy, we were guided by the question: Which issues are crucial to RWE now, and are likely to be so in the future? What counts for most here is how our actions are rated by society, which after all has a formative influence on the conditions under which we operate.

To ensure that we identified the relevant issues, we drew extensively on the expertise and experience of our own employees. In the course of more than 60 interviews, representatives of all our divisions explained what they perceived to be the key challenges for RWE, and how they themselves rate these challenges. The interviews demonstrated that our employees are indeed aware of the need for sustainable action and that they are already exploring the possibilities for this even outside their own areas of responsibility.

The next step was to systematically record and evaluate the results of these interviews. In January 2007, therefore, we held an internal workshop with key employees at which we discussed both our future areas for action and their recommendations. We had already discussed various future scenarios and their influence on RWE at our workshop with Forum for the



All CR issues are subject to their own individual life cycle. While some are only just emerging, others have been addressed through regulation and are firmly anchored in the business. We are nevertheless aware that society's expectations may still change, even here.

Future in November 2006 [04]. At the first RWE Dialogue Forum held in that same month, we discussed all the core CR issues with representatives of our external stakeholders. From this multi-pronged approach, we were able to identify ten key areas for action, and to define the specific challenges which must be addressed. These now form the core of our CR strategy.

The Executive Board of RWE AG approved these areas for action and their detailed definition in May 2007. Our next step was to specify the goals to be achieved in each case and the indicators that we would use to measure their achievement. This process also revealed a number of opportunities for RWE.

Our CR strategy

By 2015, we want to have become a driver of sustainable development through our performance in the ten areas for action we have defined. Our CR programme on page 16/17 describes how we intend to deliver these objectives. The key data by which our performance can be measured are listed in the Facts and figures section (see p. 62).

CR strategy and stakeholder dialogue

Development of
our areas for
action

Our CR strategy

The areas for action of our CR strategy

Area for action	The challenge	The objectives
Climate protection	As Europe's largest CO ₂ emitter, RWE has a duty to be at the forefront of efforts to protect the climate.	We will exploit to the full every economically feasible opportunity of reducing greenhouse gas emissions within our sphere of influence.
Energy efficiency	Reducing energy use contributes to both climate protection and security of supply, as well as cutting costs.	We will promote the efficient use of energy both among our customers and within the Group itself.
Security of supply	It is the responsibility of RWE to provide its industrial, commercial and domestic customers with the energy they need, when and where they need it.	We will ensure both access to primary fuels from diverse sources and an uninterrupted supply of energy for the long-term future.
Pricing	Public debate about energy prices is impacting the political framework governing our markets.	We will demonstrate that we have established a fair and transparent pricing structure and will enable our customers to exert more influence over their energy consumption rates and energy costs.
Community engagement	The RWE Group is subject to public criticism, which is increasingly having an influence on our customers' decisions, the regulatory environment and official licensing procedures.	We will build on those regional-level relations and activities that are of local benefit and so reinforce the credibility of our values.
Demographic change	The ageing and shrinking of the European population is reflected in the RWE workforce as well.	We will support the health and well-being of our employees, help them to remain productive and recruit a more diverse workforce.
Supply chain	RWE is responsible for ensuring its partners' compliance with certain minimum social and environmental standards.	We will ensure that all our suppliers and service providers work according to internationally recognised standards.
Technology	For RWE, technological innovations are crucial to greater climate protection, security of supply and profitability.	We will endeavour to play the role of technology leader both in our core businesses and in other energy-related fields.
Occupational health and safety	For RWE, maintaining the health and safety of its employees is an indispensable aspect of responsible corporate governance.	We will support the health and safety of both our own and our subcontractors' employees.
Environmental protection	As a business that has a major impact on the environment, RWE can ensure its long-term operations only by engaging in proactive environmental protection.	We will minimise the environmental impact of our operations and will continue to play a pioneering role in nature and landscape conservation.

1.1 CR strategy and stakeholder dialogue

Dialogue with our stakeholders

When defining our key areas for action, we also took account of our external stakeholders' positions and expectations. The intensive discussions we conducted at the first RWE Dialogue Forum at Schloss Paffendorf near Cologne in November 2006 provided important input here. Present at that event were 22 representatives of RWE's most important stakeholder groups: NGOs committed to climate protection and stamping out corruption, energy and energy efficiency agencies, local authorities, the scientific community, trades unions, analysts, customers and professional associations. RWE was represented by the Board members responsible for CR at RWE AG, RWE Power and RWE Energy, as well as senior managers with CR responsibilities from other business divisions.

In early 2007, we submitted the draft of our reworded CR strategy to our stakeholders for comment. This yielded the following feedback and suggestions: The ten areas for action certainly reflect the challenges that RWE is having to face. What is also expected, however, are specific targets, especially for the reduction of CO₂ emissions, plus a stronger commitment to renewables and further action to improve energy efficiency.

We met for the second RWE Dialogue Forum in November 2007 and there discussed ways to address the dilemma of "climate protection versus security of supply". In the interests of continuity, we invited the same stakeholder groups as in 2006. Among the key outcomes of this forum was the positive response of those present to the transparency that RWE provides. Stakeholders' expectations with regard to concrete action to reduce CO₂ emissions and improve energy efficiency, however, had apparently been met only in part. The forum also took a critical view of clean coal technology, the success of which would depend not only on its technical feasibility, or so it was argued, but also on its acceptance by the public at large. The participants expect RWE to continue along the path it has taken.

CR control and coordination

The development and implementation of the CR strategy is decided by the Executive Board of RWE AG, where Group-level Corporate Responsibility belongs to the Human Resources portfolio. Working together with the Board members in charge of CR at divisional level (the CR Coordination Committee), the Human Resources Director develops a CR strategy and oversees its implementation, drawing on the support of the Environmental Affairs/CR Unit. The CR Officers appointed in

RWE CR roadmap

	1998		2000			2005	
	Launch		Structuring			Implementation	
Strategy	Group environmental management guideline		Group sustainable development policy	Strategy for sustainable development approved	Sponsorship strategy geared to sustainability	Group-wide occupational health and safety policy Group-wide occupational health and safety policy	
Coordination and management	Permanent staff of environmental officers	Introduction of Environmental Reporting and Information System (ERIS)	Permanent staff of occupational safety officers	Group-wide environmental management audits	Introduction of occupational safety management system	Group-wide Code of Conduct	Key performance indicators concept for sustainable development
Reporting and dialogue	1st systematic environmental report	Inclusion in Dow Jones Sustainability Group Index (DJSGI) World	Inclusion in the DJSGI STOXX	Future convention on sustainable development	1st corporate responsibility report	Stakeholder dialogue	Corporate volunteering

all the operating companies meet four times a year. These meetings, which decide on the implementation of the strategy, are chaired by the Environmental Affairs/CR Unit. In addition to this, RWE npower also has a CR Committee, first established in 2000. In 2007, RWE Energy also set up a CR Coordination Committee to which representatives of the regional sales companies belong.

The CR strategy of the RWE Group takes account of all the most important international requirements: When RWE joined the UN Global Compact [05] in 2003, it committed itself to actively supporting the Compact's ten principles. We also consider ourselves bound by the corporate responsibility guidelines of the Organisation for Economic Co-operation and Development (OECD). [06]

Our Code of Conduct

Of central importance to corporate responsibility and good corporate governance at RWE is the Code of Conduct we adopted in 2005. [07] This was drafted by a team that included external experts [08] and is based explicitly on the ten principles of the Global Compact. The year 2006 saw the creation of a taskforce to monitor its implementation. The members of this body, the Group's Compliance Officers, develop guidelines speci-

fying how the requirements of the Code of Conduct, are to be interpreted and complied with. An online training programme has been launched to implement the Code; the operating companies have also begun to hold briefings to additionally familiarise their employees with the requirements of the Code. All the operating companies now have a Compliance Officer to advise employees and handle any reports of non-compliance. In addition to this, employees wishing to report infringements can approach an independent law firm, which has agreed to act as ombudsman in such cases.

Once a year, each supervisor checks whether his team has complied with the Code, and subsequently presents the results to the Compliance Officer. The experience of implementing the Code is then analysed and presented to RWE AG's Executive Board, with the analysis being used to identify areas where employees may need further support to implement the Code, for example when it comes to the right way to deal with invitations extended out to members of parliament.

Corporate responsibility outside the Group

We uphold our commitment to corporate responsibility as a member of various bodies and associations as well, for example as a member of econsense, the German platform for sustainability-oriented companies, the e8 group of the world's largest energy utilities and the British association Business in the Community. This is part of our ongoing effort to help create the conditions necessary for sustainable economic activity. It was with this goal in mind that we were involved in drafting sector-specific indicators for energy utility companies for the Global Reporting Initiative (GRI). [09]

		2010	2015
		Role of CR driver	
Anchoring of sustainability in all business areas		Continuous updating of areas for action	
Group-wide occupational health and safety programme	Supply chain management	Sustainability as an integral part of the target agreements	
Involvement in the drafting of sector-specific GRI guidelines	Institutionalised stakeholder dialogue	Industry leader in transparency	

CR strategy and stakeholder dialogue

Dialogue with our stakeholders

CR control and coordination

Our Code of Conduct

Corporate responsibility outside the Group

On the Internet

- Global Compact **05**
- Organisation for Economic Cooperation and Development (OECD) **06**
- RWE Code of Conduct **07**
- External experts: an interview with Prof. Karl Homann **08**
- Global Reporting Initiative (GRI) **09**
- Our memberships **10**





1.2 Our CR programme 2015

Our CR programme is organised according to the ten areas for action of our CR strategy and, in this respect, differs from that published in the 2005 report. The items still outstanding from that programme have been incorporated in the current programme and will of course be pursued. In future, we intend to measure the extent to which we have achieved our goals on the basis of selected performance criteria (see p. 63, Facts and figures).

Areas for action	Due	Status
Climate protection		
CO ₂ emissions to be reduced by 15 million tonnes a year thanks to new, highly efficient power plants.	2015	Construction of new plants with a combined capacity of 4,675 MW – 2,575 MW of them gas-based – commenced.
CO ₂ emissions to be reduced by 2 million tonnes a year thanks to the first climate-friendly coal-fired power plant with CO ₂ sequestration.	2014	Execution planning for key components and CO ₂ storage commenced.
CO ₂ emissions to be reduced by 15 million tonnes a year thanks to a renewable energy portfolio that will be expanded by 4.5 Gigawatt (GW) until 2012, and 10 GW until 2020, respectively, and thanks to an increased capacity of cogen plants.	2015	RWE Innogy founded as an operational company for renewable energy.
RWE Group's CO ₂ exposure to be reduced by the procurement of emissions allowances in the order of 18 million tonnes a year from JI/CDM projects.	2012	Emissions allowances equivalent to 25 million tonnes of CO ₂ for the period up to 2012 were purchased in early 2008.
Energy efficiency		
To raise awareness of potential energy savings among customers and the public at large, to point out appropriate measures, and work towards the relevant behavioural changes.	2010	Energy efficiency initiative launched in 2007.
To provide a wide range of products and services aimed at encouraging customers to use energy more sparingly.	2010	Promotion of heat pumps, energy conservation advice for all customer groups plus, in the UK, the various programmes belonging to the Energy Efficiency Commitment.
To develop and deploy innovative technologies with which to support the efficient use of energy.	2010	Large-scale project involving 100,000 smart metres in Mülheim, Germany, launched in 2008.
Energy consumption by the Group's own administrative buildings and fleet of vehicles to be reduced.	2010	Fleet of vehicles' energy consumption now being measured and energy management guidelines drafted.
Security of supply		
To diversify primary energy sources, improve access to import infrastructure and secure own raw materials base.	2015	Exploration and drilling of natural gas to be expanded; involvement in the "Nabucco" pipeline project, acquired share in accelerate permission for opencast mines being expedited.
To contribute to the functioning of the energy markets by providing transparent leadership and expanding trading activities.	2010	Internet transparency platform for market players created.
To maintain a high level of power plant, grid and storage availability.	continuous	Grid expansion initiated, technical safety management for the grids introduced.
Pricing		
To create transparency and credibility.	2010	Internet overview of electricity prices.
To increase customer satisfaction with target-group-specific products.	2010	Indexing of electricity prices on the metal exchange, auctioning off of stakes in power plants, fixed-price tariff, discount brand eprimo introduced.
Community engagement		
To allow those regions in which we operate to share in our added value.	continuous	RWE trains more young people than the Group itself needs; cooperative agreements with schools and universities.
To support regions in a spirit of partnership going beyond our core business in order to foster strong and durable ties.	2010	Corporate volunteering and community involvement programmes introduced right across the board.

Areas for action	Due	Status
Demographic developments		
To retain and develop employees' capacity for performance.	continuous	Analysis of demographic developments within the Group and skills management system being introduced.
To increase diversity in order to make full use of our employees' and management potential.	continuous	Implementation of "berufundfamilie" (career and family) audit; mentoring programme for women in senior positions introduced.
To promote our attractiveness as an employer.	continuous	Regular employee surveys and follow-up programmes established
Supply chain		
To minimise the reputational risks arising from the procurement of fuels.	2010	Rating of first-time suppliers' social and environmental standards introduced.
To minimise the legal and reputational risks arising from contracting out to, or hiring, external subcontractors.	2010	Occupational safety rules introduced, additional directives in preparation.
To minimise the reputational risks arising from standard procurement and the procurement of components.	2010	Relevant procurement volume from critical regions approximately 5 percent; supplementary procurement guidelines in preparation.
Technology		
To work continuously on improving the efficiency of our power plants and other plants in order to reduce costs and emissions.	2012	Trials of a system for predrying lignite to commence in 2008; trials of high-temperature materials for higher steam temperatures already in progress.
To develop a process for CO ₂ capture and storage.	2020	Investigation of methods of CO ₂ capture in conventional coal-fired power plants already commenced; exploration of suitable CO ₂ storage sites to commence in 2008.
To guarantee suitable processes for evaluating new technologies and the optimum use of the same.	2010	Extension of technology management to all aspects of relevance initiated; stepped up joint R&D projects with universities and other companies investments in young technology firms in preparation.
Occupational health and safety management		
To uphold our focus on prevention, reduce accident rates – especially fatal accidents among our own and/or subcontractors' employees –, to implement a culture of safety-consciousness with the aim of making RWE an industry-wide example.	continuous	Ongoing development of occupational safety management to ILO guidelines (2007); involvement of subcontractors in occupational safety management.
To promote a culture of health and safety-consciousness with the aim of becoming best in class.	continuous	Occupational safety forum with numerous experts set up; programme for all senior employees with external consultants.
To promote awareness of health issues when defining jobs and to motivate employees to adopt healthier forms of behaviour.	continuous	Group-wide organisation of occupational health management introduced in 2007; preventive measures, advice on social issues and jobs suitable for the disabled already introduced.
Environmental protection		
To maintain and develop an environmental management system in line with the best practice in each industrial sector.	continuous	Comprehensive environmental management introduced; external certification extended.
To lower air-borne emissions and the pollution of waters and the soil to such an extent that the relevant environmental standards are complied with.	continuous	Planned start of operation of all three flue-gas desulphurisation units at the Aberthaw (UK) power plant by 09/2008.
To avoid waste and/or recycle as much as possible.	continuous	92 percent of ash and 99.9 percent of gypsum recycled in 2007.
To preserve biodiversity when planning, building, operating and recultivating.	continuous	Pioneer in recultivation; Environmental Impact Assessment (EIA) firmly established in all infrastructure projects; measures adopted to protect birdlife awarded prize in 2007.
To preserve the environmental, social and economic function of the waters used.	continuous	Continuous monitoring and improvements in water quality in place; no serious contamination in 2006/2007.

> 1.3 Management and auditing

We want our CR strategy to be directly integrated into all our operations. Group-wide coordination, the relevant management systems and comprehensive internal reporting are all essential to this endeavour, as are regular controls.

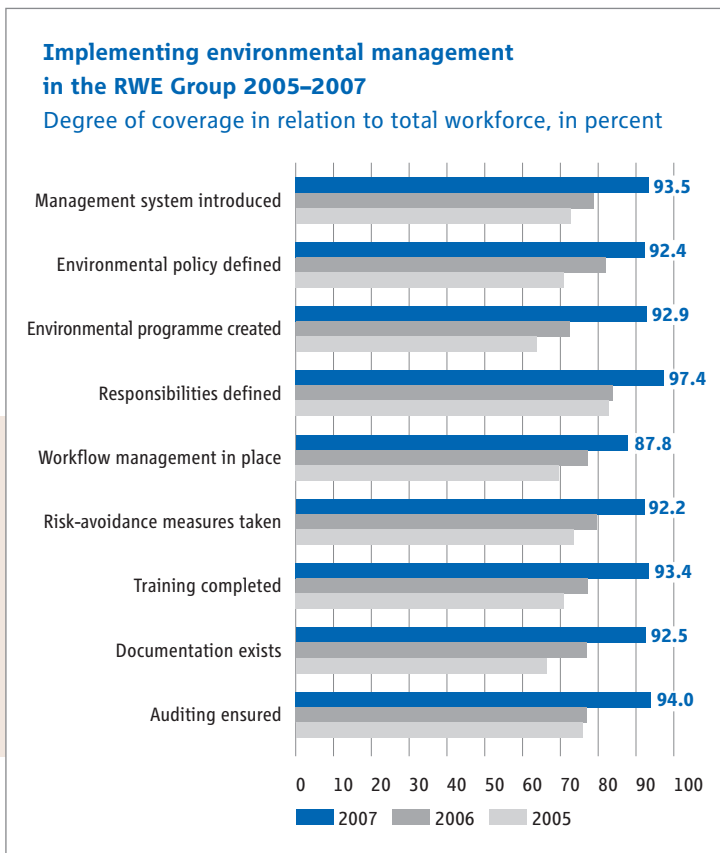
Group-wide coordination is managed centrally by the Group Centre, while operational responsibility resides with the various business units and companies within the Group. The degree to which CR issues are enshrined and translated into action varies considerably, however. Some activities such as environmental protection and occupational safety have long since become an integral part of our business processes. The similar control mechanisms required for emergent issues such as occupational health management and sponsorship, however, are still being established in some business units.

Environmental protection. Our environmental management system was established by a Group directive in 1999 and is based on the international environmental management standard ISO 14001. We will apply this tried and tested method again when setting up our CR management system.

At the heart of our environmental management system is the RWE Environmental Reporting and Information System (ERIS), now in place in all those companies in which we hold a stake of more than 50 percent. ERIS supports the conducting of internal audits, the monitoring of specific programmes and collection of relevant data. These internal audits are conducted annually according to fixed schedules by both the Group Centre and the operating companies; their aim is to ascertain the current implementation status of the environmental management system. Independent of this, our Internal Auditing Department also ensures that our environmental management [11] system is correctly structured and performing properly, as well as providing support for the internal audits, if so requested.

All the operating companies in the RWE Group are able to seek external certification. In 2007, for example, RWE Power had all its fossil-fuel power plants and all its nuclear power plants certified to ISO 14001, the Emsland plant being the last nuclear power plant in the Group to be certified. Responding to the power outages in the Münsterland in late 2005, RWE Energy has also decided to have the technical safety management of the transmission grid certified. This will be done for Germany as a whole in the course of 2008.

Occupational health and safety. In August 2006, the RWE Executive Board approved a new occupational health and safety policy that was to be binding throughout the Group [12]. This will be implemented on the basis of concepts developed and approved by the Steer-



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ing Committee Occupational Safety (SCOS) and coordinated by all the operating companies in the Group. The SCOS reports to the member of the Executive Board in charge of CR. Those operating companies whose operations are potentially dangerous have included the lowering of accident rates in their senior managers' performance targets. RWE Power and RWE Dea both have a certified occupational safety management system.

In the area of occupational health, RWE in 2007 set up an Occupational Health Steering Committee chaired by the member of the Executive Board in charge of CR. Implementation is to be incumbent on bodies within the operating companies, such as those that are already in place at RWE Power and RWE Energy.

Technology. The Research and Development Unit established at RWE Power in 2005 coordinates all the Group's R&D activities and is in charge of Group-wide innovation management. [13]

Sponsorship. Among the other CR-related areas and processes to be systematised in recent years is community involvement. The focus of the new community sponsorship strategy approved in 2005 is on youth work, education and culture (see p. 59). RWE Energy has for the first time introduced a tool for monitoring and measuring the results of its sponsorship activities; this is the Navigator database, which went live in 2007. In the UK, RWE npower uses the London Benchmarking Group model to assess its community involvement programme.

Work-life balance. We have also taken steps to improve the focus of our work-life balance activities. Having confined our first audit of these activities in

2006 to the Group Centre RWE AG in Essen, we are now extending it step by step to cover all the operating companies in the Group.

Compliance

The executive board in late 2007 commissioned a renowned international law firm to audit RWE AG's Compliance Organisation. According to the law firm's findings, the compliance structures and procedures inside RWE are of high standards, which are in every respect living up to the relevant legal regulations and requirements. Any fines, penalties and investigative proceedings for environmental shortcomings are reported by the companies in the Group on an annual basis. There were no such reports in the years 2006 and 2007 under review here. Nor were any sanctions imposed on us for unfair competition in fiscal 2006 or fiscal 2007. The German Antitrust Authority decided not to pursue its proceedings for excessively high electricity prices in September 2007, subject to the proviso that RWE put at least some of its power supplies to industrial customers up for auction within the next four years. The first such auction took place in February 2008.

External auditing

RWE at first had only two chapters of its Corporate Responsibility Report 2003 audited externally by the accountancy firm PricewaterhouseCoopers (PwC). The 2005 report was audited in its entirety. This report has also been audited by PwC, which in the course of this audit checked the accuracy of the statements contained therein. We regard these regular reviews as another key aspect of the continuous improvement of our CR management system.

Management and auditing


Compliance

External auditing

Keyword: auditing (Dieter W. Horst, PwC)

The auditing of sustainability reports has become increasingly complex in recent years. Whereas the focus used to be on accuracy, completeness and materiality, these days the management processes with which sustainability within the company is monitored are also a subject of scrutiny. The scope of our auditing now ranges from the development of a CR strategy and CR programme to the organisation and processes with which compliance with sustainability specifications is monitored. Nor is that all. Dialogue with stakeholders and points of contact with other management systems such as risk management or compliance management also have to be included. This is especially challenging for both auditors and companies alike as the absence of any binding standards for sustainability management means that any efforts in this area can be measured only on the basis of best practice.





CO₂-free hydroelectric power and nature conservation
Project manager Günter Schlageter (right) and construction manager Hans-Jörg Durst visit the bird island of Dogern, which is home to beavers, too. It is important that they feel at home here even after the power plant has been enlarged.





> 2.0 Energy and Climate

“This hydroelectric plant will supply 180,000 households in the future – safely and reliably,” says Günter Schlageter. And not without pride, either, for Schlageter is in charge of the project to enlarge the Albruck-Dogern hydroelectric plant on the Upper Rhine near Waldshut. By the time the project is finished in late 2009, the plant with an output of 104 MW (at present 80 MW) a year will be able to generate 650 Gigawatt hours of electricity. “The new weir will enable us to use the waters of the river Rhine all year round,” explains Schlageter. “Whereas today, we can handle 1,100 cubic metres a second, in the future it’ll be 1,400.”

RWE is investing €70 million in the enlargement of this run-of-the-river plant, 4 million of which are going towards environmental projects. One such project is the creation of an 850-m-long ‘bypass’ that will enable fish, and salmon especially, to pass the power plant unharmed. The projects, which have the expert support of a team of conservationists and representatives of the local authorities, also include the bird island of Dogern. This peninsula is to be turned into a real island to give the animals that live there better protection. The native species include the beaver, who so far “has coped perfectly well with the power plant,” says Schlageter, the man in charge of the bird island.

Rivers are a good source of CO₂-free electricity and unlike the sun and wind are constantly available. Hydroelectric power currently accounts for some 3.5 percent of the total power generated in Germany. And even if all the big rivers are more or less fully developed, Schlageter is convinced that there is still untapped potential to be had.



The 300-m-long ditch alongside the Rhine is up to 30 m deep in places.

After enlargement, the Albruck-Dogern hydroelectric plant will be among the largest run-of-the-river plants on the Upper Rhine.





2.1 Our challenge: climate protection

For us as one of Europe’s leading energy suppliers, climate protection is a key challenge. The same is true of security of supply and energy efficiency. It is in the interests of the future of the energy industry that these three factors be regarded as interrelated and hence inseparable.

Our challenge: climate protection

Both policymakers and society expect us to take significant steps to limit greenhouse gas emissions. In the spring of 2007, Europe’s heads of government upheld the climate protection targets the European Union (EU) has set itself: Europe’s CO₂ emissions are to be cut by 20 percent by 2020, or even as much as 30 percent, assuming an international agreement is reached. During the same period, energy efficiency should increase by 20 percent, while the share of primary energy consumption accounted by renewable sources is to rise to 20 percent. RWE’s supports Europe’s pioneering role in climate protection and wants to contribute a significant share to help meet the European and national climate protection goals – by implementing the economically most reasonable solution.

Rising worldwide energy consumption has already led to a drastic increase in world market prices of hard coal, natural gas and oil. Efficiency will therefore remain a key criterion when evaluating and selecting our energy sources in the future (see Table). As oil and gas are finite resources and in many cases have to be imported from politically sensitive regions, policymakers, too, are now beginning to appreciate the importance of security of supply.

By helping its customers to increase their own energy efficiency, RWE is making a contribution not just to overall efficiency and security of supply, but to climate protection as well. The latter is especially important to us, as our climate protection targets cannot be achieved by improving the efficiency of power generation alone.

Our own contribution to climate protection is based not only on the greater use of nuclear power and renewables, but also on innovative technologies, such as the optimised engineering in our new lignite power plants (BoA) and the new possibilities opened up by clean coal technology (see p. 29). It will take some years to translate these options into technically feasible solutions and to develop the supporting infrastructure. Acceptance of the new solutions by the public at large and a reliable legislative framework are also among the preconditions for timely delivery.

The relative merits of our energy sources

Energy source	Climate protection	Security of supply	Efficiency	Risk and success factors
Lignite	high CO ₂ emissions*	domestic, long-term supplies available	cheap to mine, no subsidies	nature conservation and environmental protection, acceptance by society, increased efficiency, CO ₂ capture and storage
Hard coal	high CO ₂ emissions*	long-term availability from numerous producing countries	manageable price risks	
Natural gas	low CO ₂ emissions*	limited number of producing countries	high fuel costs, low capital costs	other transport possibilities (LNG)
Nuclear power	no CO ₂ emissions*	uranium is easy to stockpile	low generation costs, high capital costs	social acceptance, operating risks, waste disposal issues
Renewables	climate neutral	available locally in most cases, predominantly inconsistent supply in some cases	still dependent on subsidies in many cases, capacity of hydropower stretched to the limit in many cases	grid access, storage and load management technologies, nature conservation, social acceptance

* CO₂ emissions only in relation to power generation without an upstream process chain.

2.1 Our challenge: climate protection

The consequences of climate change for RWE

Climate change [14] is not just influencing the composition of our generation capacity, but is also likely to affect both energy demand and the weather, and hence the conditions in which we operate our power plants and grids.

Demand. Increasingly hot summers are leading to the more widespread use of air-conditioning, which in turn is resulting in a sharp rise in the demand for electricity – and not just in Germany. Because our grids are now interconnected, we must also expect additional demand from France and Italy in the summer months and be ready to reallocate power plant capacity accordingly.

Plant availability. Dry summers can limit the amount of electricity that can be generated at RWE's hydro-electric power plants. Our lignite-fired power plants in Germany, on the other hand, can be operated without any serious restrictions even in very hot summers, as they have sufficient cooling capacity. Those plants that draw their cooling water from rivers may nevertheless be subject to certain restrictions. In the UK, we are currently examining how our Didcot power station would be affected by both low water flows and flooding. The potential for increasingly inclement weather, meanwhile, could well increase the burden on our grid infrastructure.

Costs and prices. CO₂ emissions trading has already led to an increase in generating costs. Increased use of renewables will also lead to higher generating

costs. Large sums have to be invested to integrate wind farms into our transmission and distribution network; providing the necessary standby capacity also raises prices.

Energy supply projections

Hardly any other branch of industry has to plan so far ahead as does the electricity industry. When building new power plant, the decisions made have to hold good for some thirty years or more. Obviously this is possible only if all the relevant issues are carefully weighed up, and if the prevailing social and political conditions are stable. The fact that we cannot know how the overall situation will look ten years from now is therefore one of the biggest sources of uncertainty affecting our business.

WEC study. The World Energy Council (WEC) [15] in November 2007 published a study forecasting an increase in the demand for energy of between 70 and 100 percent by the year 2050. Because of this, so the WEC argues, the prices of all forms of energy – whether oil, gas, coal, electricity, wind or hydro power and nuclear power – will rise sharply.

MIT study. In a study on the future of coal against the backdrop of climate change published in 2007, the Massachusetts Institute of Technology [16] came to the following conclusion: The use of coal will continue to increase as it is cheap, plentiful and widely available in many regions of the world. This, according to MIT, makes work on clean coal technology even more urgent.



On the Internet

14 IPCC: According to the fourth report of the Intergovernmental Panel on Climate Change (IPCC), published in 2007, there is no longer any doubt among international climate researchers that climate change is indeed accelerating. For global warming to be manageable, it must not exceed two degrees higher than pre-industrial levels. To achieve this, CO₂ emissions worldwide will have to be cut by the year 2050 to half of what they were in 1990. Responding to the IPCC report, various institutes and organisations have since submitted studies of their own on the subject of energy and the climate:

15 WEC

16 MIT

17 BDI

18 CBI

BDI study. In September 2007, the Bundesverband der Deutschen Industrie e.V [17], working in collaboration with the management consulting firm McKinsey, published a catalogue of climate protection measures in Germany. It concluded that all sectors of the German economy have considerable scope for avoiding greenhouse gas emissions at relatively little expense and that one of the options open to energy suppliers is nuclear power. A study by the Confederation of British Industry in the UK [18], also supported by McKinsey, arrived at very similar results.

In the light of these projections, we are convinced that we will remain best placed to balance the opportunities and the risks if we retain a diverse mix of primary energy sources. For reasons of economic efficiency and in the interests of security of supply, we intend to continue generating a large part of our electricity from lignite and hard coal; our use of nuclear power will depend on the political will in the countries in which we operate, while renewable capacity will be increased to a much greater extent than previously planned.

Our climate protection strategy

The major influencing factor in our climate protection strategy is our generation portfolio; this is dominated by lignite and hard coal, which together account for approximately 50 percent of the total. In both Germany

and Hungary, lignite is the only domestic energy source that is cheap, unsubsidised and plentiful. Yet the fact is that the emissions of close to 153 million tonnes of CO₂ (proprietary plants only) that make us Europe's largest CO₂ emitter are attributable primarily to our use of coal to generate electricity. There are few alternatives to coal, especially as the present German government is committed to a phase-out of nuclear power. Gas is too costly to be a genuine alternative in Germany and many renewables still have to rely on support mechanisms.

Climate change, in other words, has left RWE with a dilemma: While in our view, coal remains indispensable to a reliable and low priced electricity supply, popular support for this view can no longer be taken for granted, as the referendum in November 2007 that rejected the hard-coal power plant we were planning for Ensdorf, Germany, proved.

Our strategy for reducing our greenhouse gas emissions by nearly 40 percent by the year 2015 is based on five key elements:

- Increasing the efficiency of our power plants
- Making greater use of renewables
- Advancing the development of clean coal technology
- JI and CDM projects (see p. 30)
- Extending the service life of our nuclear power plants

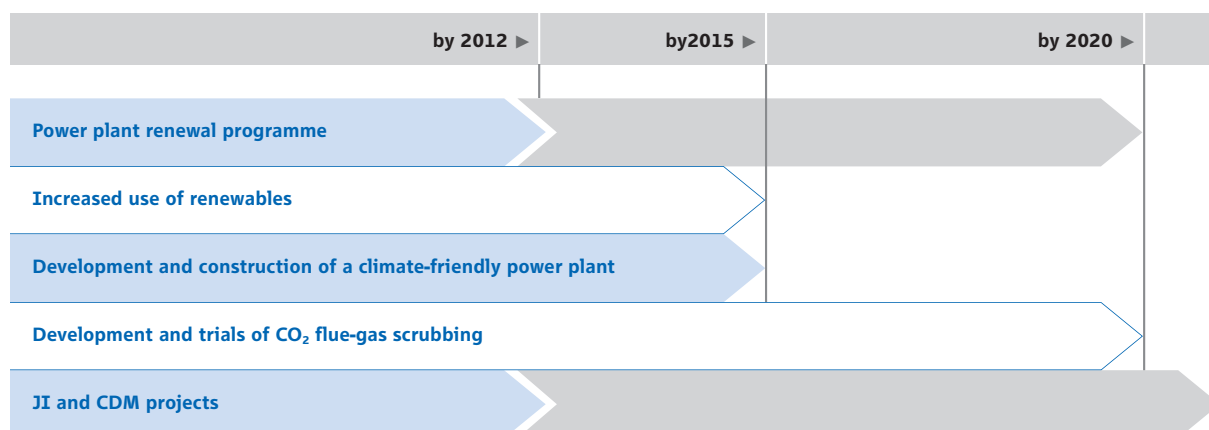
Our challenge: climate protection

The
consequences of
climate change
for RWE

Energy supply
projections

Our climate
protection
strategy

RWE climate protection strategy



2.1 Our challenge: climate protection

Increasing plant efficiency

RWE has initiated a comprehensive plant renewal programme. The planned new facilities represent the very best engineering currently available worldwide. The efficiency of the new coal-fired power plants is expected to be between 43 and 46 percent and hence significantly higher than the mean efficiency of 35 percent of the plants currently in operation. The combined cycle gas turbine plants, meanwhile, will reach an efficiency of more than 59 percent. The replacement of our most inefficient power plants will enable us to reduce our greenhouse gas emissions significantly in the coming years. In the course of the next five years, for example, we intend to phase out old lignite-fired plants with a combined capacity of 2000 MW. This schedule was agreed in 2005 in connection with our application for planning permission for the building of our BoA 2/3.

Development of plant engineering. The next crucial step towards increasing plant efficiency will be the predrying of lignite. Fluidised-bed drying will enable us to increase the efficiency of our lignite-fired power plants from today's 43 to more than 47 percent, which is close to that of a cutting-edge hard-coal power plant. We therefore expect the first prototype fluidised-bed drying system due to go into operation at our BoA 1 lignite-fired plant at Niederaußem in mid-2008 to lower our lignite consumption by 3.5 percent, which means up to 300,000 tonnes per year. As every tonne of lignite translates roughly into one tonne of CO₂ emissions, this is equivalent to a reduction in CO₂ emissions of almost the same order. If this system proves its worth, then other new units at the Niederaußem lignite-fired power plant will be fitted with one, too.

Planned investment	Investment volume	Output	Status	Operation due to commence	Rate of efficiency
Lignite power plant BoA 2&3 Neurath (Germany)	€2,200 million	2,100 MW	under construction	end of 2009/ early 2010	43 %
Hard-coal power plant Hamm (Germany)	€2,000 million	1,530 MW	permission granted	2011	46 %
Hard-coal power plant Blyth (UK)	> €2,000 million	2,400 MW	in planning	poss. 2014	46 %
Hard-coal power plant Tilbury (UK)	> €1,400 million	1,600 MW	in planning	poss. 2013	46 %
Hard-coal power plant Eemshaven (Netherlands)	€2,200 million	1,560 MW	planning permission under review	poss. 2012	46 %
Combined cycle gas turbine power plant Lingen (Germany)	€500 million	875 MW	under construction	2009	59 %
Combined cycle gas turbine power plant Staythorpe (UK)	€900 million	1,650 MW	under construction	2009/2010	58 %
Combined cycle gas turbine power plant Pembroke (UK)	€1,100 million	up to 2,000 MW	planning permission applied for	2010/2011	59 %
Topping gas turbines Weisweiler (Germany) and Matra (Hungary)	€215 million	380 + 160 MW 60 + 24 MW	in operation	08/06 and 12/06 12/06 and 02/07	
Replanting* at Didcot B (UK)	no information	approx. 80 MW	initiated	completion by 2009	+2 %
Replanting* at Ibbenbüren (Germany)	€61 million	approx. 56 MW, of which 43 MW will be Green MW**	planning permission under review	completion by 2009	+2 %
Replanting* at Niederaußem (Germany)	€120 million	approx. 110 MW, of which 66 MW will be Green MW**	planning permission under review	completion by 2009	+2 %
Replanting* at Neurath (Germany)	€20 million	approx. 20 Green MW	in planning	completion by 2009	+2 %
Gwynt y Môr wind farm (UK)	€2,000 million	750 MW	in planning	2012-2014	
Windpark Rhyll Flat (UK)	€280 million	90 MW	under construction	completion by 2009	

* Measures to improve the efficiency of existing power plants

** Green MW are MW achieved by increasing efficiency without increasing fuel consumption

The efficiency of conventional power plants can also be improved by up to 4 percentage points by raising steam temperature from 600 to 700 degrees Celsius. Trials to test the new materials required to achieve this and to determine how they behave in practice were initiated by RWE Power in July 2005 and are still in progress now. Using this method, we expect to be able to raise the efficiency of our lignite and hard-coal power plants to more than 50 percent by the year 2020.

Increasing the efficiency of our power plants is also a crucial milestone en route to the first climate-friendly power plant. As CO₂ capture and storage are energy-intensive processes, clean coal technology can be used only in conjunction with highly efficient power plants.

Investments in gas and combined heat and power (cogen) plants. Our power plant renewal programme also includes ultra-modern gas-fired power plants, even if our actions here are geared to the conditions prevailing in the regional markets. In Germany, gas-fired power plants are interesting only as a means of meeting peak demand, while cheaper coal-fired and nuclear power plants are used for base- and medium-load generation. In the UK, on the other hand, natural gas is used for base-load generation as well – especially in the summer months, when gas prices are low – although this results in higher electricity generation costs (see p. 40). As cogen (combined heat and power) plants make especially efficient use of their energy sources, we are currently considering the construction of up to ten small facilities that will use biomass as

fuel (see p. 28). We intend to invest again in large cogen plants as well. As these can be efficient only if there is a consistently high demand for heat, most large cogen plants are joint ventures with industrial partners that meet this precondition.

Energy efficiency measures. For us, increasing energy efficiency means first and foremost making our own power plants more efficient. Yet we also want to help our customers become more energy efficient, and so have launched a large-scale efficiency campaign (see p. 41) to this end. And that we practise what we preach is evident from the new office complex that RWE is now building in Essen, Germany, for example; this will consume just 130 kWh per square metre, or 30 percent less than is required by the German government's 2007 Energy-saving Regulations (EnEV).

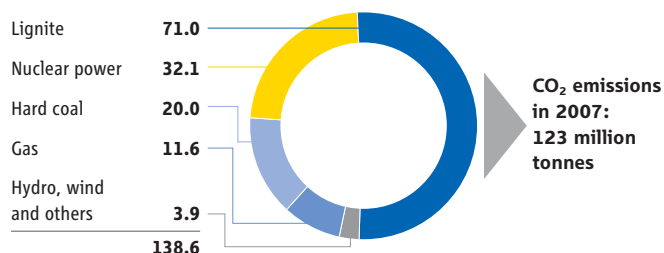
Our challenge:
climate
protection

Increasing plant
efficiency

Keyword: lignite

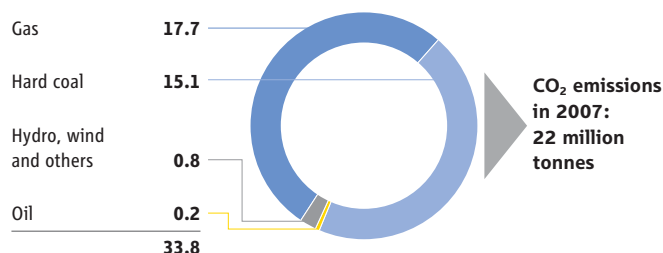
Thanks to its opencast mines in the Rhineland, RWE has legally secured access to approximately 3.7 billion tonnes of lignite – enough to guarantee the supply at the current rate of demand for between 35 and 40 years. Of course, the resources in the Rhineland extend far beyond the opencast mines for which concessions have already been granted; they are in fact equivalent to approximately 1.3 times the energy reserves in the North Sea. In Hungary, too, RWE has its own opencast mines with access to more than 800 million tonnes of lignite. Because of the very low (unsubsidised) generation costs, RWE uses its lignite-fired power plants in Germany and Hungary for the generation of base-load supply, in much the same way as it uses its nuclear power plants.

Germany: RWE power generation in 2007* in terawatt hours (TWh) (proprietary plants only)



* Including power from power plants which are not owned by RWE, but which are subject to long-term agreements giving RWE free control over their deployment:
 – 0.9 TWh from renewables
 – 1.8 TWh from pumped storage, oil and other sources
 – 36.3 TWh from hard coal

UK: RWE power generation in 2007* in terawatt hours (TWh) (proprietary plants only)



* Including 0.7 TWh from wind farms owned by a project company in which RWE npower has a 33% stake, giving it control over their deployment.

2.1 Our challenge: climate protection

Renewables

We will invest more heavily in renewables in the coming years. Our renewables subsidiary RWE Innogy GmbH commenced operations on 1 February 2008. As a new operating company, it will consolidate all the Group's activities in the field of renewables. Its annual investment budget of at least €1 billion is significantly more than the total annual investments of between €100 million and €150 million, which were initially planned.

Our focus is on wind farms, hydroelectric power and biomass on European markets. These are all fields in which we have invested consistently in the past, honouring the undertaking we made in our 2005 report.

Wind power. RWE npower renewables, a core element of RWE Innogy GmbH, is a leading developer of renewables in the UK. It runs wind-power portfolio with a combined output of some 270 MW, 60 MW of which is generated offshore. The construction of our second large wind farm (90 MW) off the Welsh coast began in July 2007, while the Gwynt y Môr plant (750 MW), set to be one of the world's largest offshore wind farms, is currently at the planning stage. In Spain, RWE Power and its subsidiary AERSA operate wind farms with a combined output of nearly 200 MW. This is the target that has been set for France, too. In the autumn of 2007, wind farms with a combined output of 20 MW went into operation there, while the country's largest wind farm to date (90 MW) is currently under construction. In Poland, we are planning to build two wind farms with a combined output of 70 MW.

Hydroelectric power. RWE and its consolidated holdings have pumped-storage and hydroelectric power plants with a combined output of 718 MW. Its minority holdings, such as KELAG in Austria and contractually guaranteed capacity together account for an additional 2,740 MW. Our scope for enlarging our hydroelectric capacity in Germany is limited, although we are at present extending the existing plant at Albbruck on the Upper Rhine by another 25 MW, which is due to commence operation by 2009. In the north of Scotland, meanwhile, we are installing a 4-Megawatt wave power plant, which is scheduled to commence operation in 2010.

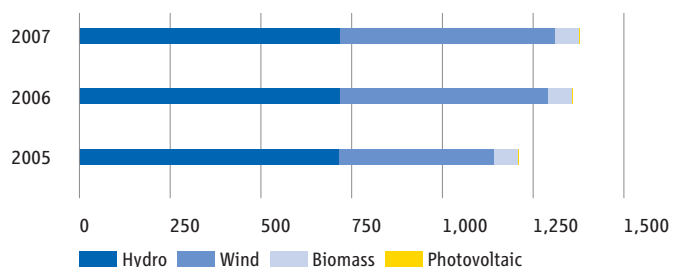
Biomass. The share of the total electricity generated from biomass can also be increased – whether by co-combustion in existing plant, for example, or in small cogen plants. In September 2007, RWE Energy signed a contract with the state of North Rhine-Westphalia granting it the long-term use of waste timber (from storm damage and forest clearance) for the cogen plants. RWE Energy is to begin constructing the first plant in 2008. We are currently investigating whether the agricultural land created by the recultivation of opencast mines could be used to grow the renewables needed for the generation of biogas. A 700-kW biogas plant for the fermentation of maize silage went into operation in Neurath, Germany, in early 2007 and is already supplying 1,600 households with electricity.



On the Internet

- 19 Dossier on renewables
- 20 Development of a virtual power plant
- 21 Brochure "Programm Klimaschutz. IGCC-CCS-Kraftwerk mit CO₂-Abtrennung und -Speicherung" (PDF)
- 22 Advancement of Clean-coal technology
- 23 Pilot plant for flue-gas scrubbing at Niederaußem, Germany
- 24 Project for flue-gas scrubbing in the USA

Installed output for renewables in the RWE Group in megawatts (MW)



The development of clean coal technology

If the use of coal to generate electricity is to win widespread acceptance in the long run, we must find ways of sequestering the CO₂ released and preventing it escaping into the atmosphere, both in our new and in our existing power plants. As it makes good economic sense for power plants to have a service life of at least 30 years, the development of such a system of CO₂ sequestration would also go a long way towards ensuring us a return on our investment.

Climate-friendly power plant. The main focus of our development work in Germany is on integrated-gasification-combined-cycle (IGCC) plants. By 2014 at the latest, we want to have the world's first industrial-scale 450-MW IGCC coal-fired power plant with CO₂ capture and storage up and running. [21] Having conducted extensive tests, we are convinced that the gasification of lignite on an industrial scale is indeed feasible, although it will take some time to acquire the necessary experience in this field. To limit the technical and financial risks and to place our research activities on as broad a base as possible, we are already seeking international partners for this project.

CO₂ storage. There are still a number of questions to be resolved regarding the technical feasibility, permissibility and social acceptability of CO₂ capture and storage. The EU project "CO₂SINK", in which RWE is a participant, was launched to find answers to these questions. October 2007 saw the first CO₂ injection drillings into a layer of sandstone near Berlin, the purpose of which was to investigate the impact of geo-

logical sequestration. The search for suitable sequestration sites for the 2.6 million tonnes of CO₂ our IGCC power plant is expected to produce every year is now in the hands of RWE Dea, which has extensive know-how in this field, and will commence its exploration work shortly. Ultimately, CO₂ storage will be just as crucial to the development of climate-friendly power plants as CO₂ capture.

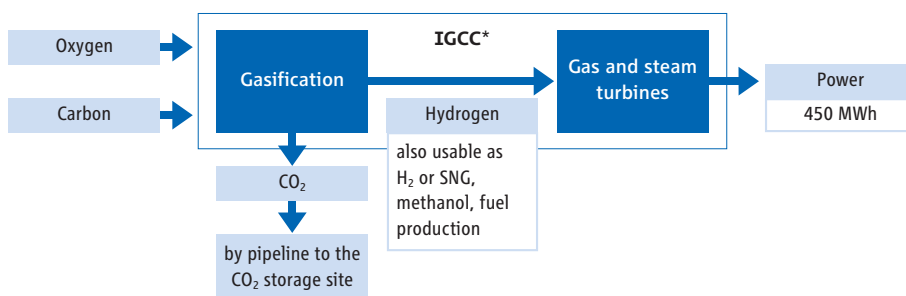
CO₂ flue-gas scrubbing. While the IGCC process will necessitate the development of a completely new type of power plant, CO₂ flue-gas scrubbing has potential as a downstream process for conventional, steam turbine-based power plants. Three projects are currently exploring our options in this field: Together with BASF AG and the Linde Group, RWE in September 2007 signed an agreement envisaging the construction and operation of a pilot plant at the lignite-fired Niederaußem power plant, in which new technologies and improved solvents for CO₂ capture will be tested. [23] This plant is to be completed by 2009. Assuming the pilot phase is a success, a demonstration scrubbing plant will be built to demonstrate the industrial feasibility of the process and will remain in operation until 2018. The year 2009 will also see the commissioning of an alternative process for flue-gas scrubbing that RWE, together with the US power plant operator AEP and other partners, is testing at a power plant in West Virginia. [24] Another step in the direction of CO₂ capture is the 1-MW pilot plant that RWE npower is planning to erect at Aberthaw in Wales for trials of downstream carbon capture at a coal-fired power plant.

Our challenge:
climate
protection

Renewables

The development
of clean coal
technology

Power generation with CO₂ capture and storage



*IGCC = Integrated Gasification Combined Cycle

2.1 Our challenge: climate protection

Emissions trading

Far fewer CO₂ allowances are to be allocated to power plants and industry in Germany and the UK in the second trading period of the EU Emissions Trading Scheme from 2008 to 2012. In Germany, we are expecting a total allocation of 453 million tonnes of CO₂ per year, approximately 10 percent of which will be sold or auctioned off. The equivalent figures for the UK are a total allocation of 246 million tonnes of CO₂ per year, 7 percent of which will be auctioned off. Of special relevance to RWE in Germany is the fact that lignite-fired power plants are to be treated in a similar manner to hard-coal power plants in the future, despite the fact that even the most modern lignite-fired power plants inevitably emit more CO₂ per kWh power generated than do hard-coal plants.

All told, we are currently anticipating an allowances shortfall in the order of about 40 percent per year between 2008 and 2012. This will be offset by our JI and CDM projects, by the purchase of allowances on the market, and by our efforts to increase the efficiency of our power plants. We will continue to report regularly on the economic impact of the National Allocation Plans and emissions trading at press conferences and at talks with investors.

JI and CDM

The abbreviations JI and CDM stand for Joint Implementation and Clean Development Mechanisms, both of which are flexible mechanisms envisaged by the Kyoto Protocol as a supplement to emissions trading. These mechanisms permit the purchase of additional allowances from climate protection projects in countries that have undertaken to reduce their emissions (JI) and developing countries (CDM). As the German government has decided that companies can generate up to 22 percent of the allowances allocated to them from JI/CDM projects, RWE will avail itself of this possibility for up to 90 million tonnes of CO₂ in the period 2008 to 2012, and has already earmarked a budget of €150 million for this purpose.

At the time of going to press, allowances for some 25 million tonnes of CO₂ had been contractually guaranteed. Approximately two thirds of these were purchased from JI/CDM projects by third parties, while one third came from RWE's own climate protection projects – most of them in China, Egypt and South Korea. In 2006, we entered into a joint venture with the Austrian firm Carbon Entwicklungs GmbH, which is a leader in JI/CDM projects aimed at avoiding nitrous oxide emissions at nitric acid plant. The fact that the global-warming potential of nitrous oxide is 310 times that of CO₂ makes our efforts to reduce N₂O emissions an even more significant contribution to climate protection.

Emissions allowances balance-sheet for 2007 in million metric tonnes

	Allocated	Emitted
Germany	117.6	123.2
UK	17.0	22.0
Hungary	6.8	6.6
Other	1.3	0.7
Total	142.7	152.5
plus contracted power plants	27.1	34.6

Carbon Disclosure Project (CDP)

For several years now, RWE has demonstrated its commitment to transparency even on delicate issues. Since the CDP was launched in 2003, we have regularly disclosed and made public all the climate-relevant information and data requested by the CDP. The CDP is a non-profit initiative on the part of signatory investors that urges companies worldwide to come clean about their greenhouse gas emissions and their strategies for reducing these. To obtain this information, the CDP sends out an annual questionnaire, which in 2007 went to 2,400 companies worldwide. [25]

On the Internet
CDP 25





2.2 Security of supply and environmental protection

The diversification of energy sources and technologies is an essential precondition for avoiding over-dependence on any one source in the future. Active environmental protection is an essential precondition for the operation of all our plants.

Fuel sourcing

The spread of countries from which we buy varies considerably depending on the fuel. Diversifying our fuel sources will make an important contribution to security of supply. Our efforts here are focused on five key areas:

- Gas exploration and drilling
- The expansion of our gas transportation network
- The building of LNG terminals
- The increased use of biomass
- Continued use of lignite as a resource

Natural gas drilling. Whilst RWE has so far been able to meet approximately 15 percent of its gas requirements from its own drilling operations, this is to be increased substantially within the coming years. The drilling operations of RWE Dea in Lower Saxony alone already meet approximately 2 percent of Germany's gas requirements.

RWE Dea has opened up new gas sources for the British market, too. Since July 2007, we have been extracting 67,000 cubic metres of gas per hour from the British North Sea. In Norway, RWE Dea is involved in gas drilling through various consortia and is increasing its capacity steadily – including by buying a stake in the gas liquefaction plant for the Snøvit gas field in northern Norway, for example, which went into operation in 2007.

RWE Dea began drilling oil in Egypt as long ago as 1987 and is now extending its operations there to the exploration and drilling of gas as well. It is also involved in gas and oil exploration in Libya and Algeria.

Pipelines. To improve connections between the transportation network operated by RWE's Czech subsidiary Transgas and the big consumer centres of Western Europe, RWE is planning to build an east-west pipeline some 800 kilometres long from Sayda on the German-Czech border to Eynatten in Belgium. RWE has also joined the consortium that is to build the planned Nabucco pipeline. This 3,000-km-long pipeline from the Turkish-Georgian and Turkish-Iranian borders all the way to Western Europe will transport natural gas from the gas fields of the Caspian Sea region and the Middle East to Europe.

LNG. Pipelines are not an economically viable means of transporting the gas drilled in all areas of development. The solution here is liquefied natural gas, or LNG, which can be transported by tanker, although terminals capable of liquefying and regasifying such gas are still uncommon. RWE is therefore planning the development of an LNG landing terminal on the Germany coast. By the end of 2010, or so it is planned, this terminal could be feeding some 600,000 cubic metres of regasified LNG per hour into Germany's gas grid. In

Our challenge:
climate protection

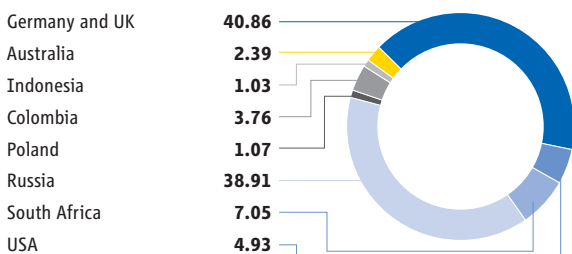
Emissions trading

JI and CDM

Security of supply and environmental protection

Fuel sourcing

Hard-coal purchases by country of origin in percent



Fuel purchases

All our lignite is obtained from Germany's own lignite reserves. Almost all our renewables, including biomass, are obtained from domestic sources. 73 percent of our natural gas comes from the European Economic Area. We have a wide choice of supply countries to meet our hard-coal requirements.

2.2 Security of supply and environmental protection

Keyword: oil

Having originally been a fully integrated oil company, RWE Dea in recent years has come to concentrate exclusively on oil exploration and drilling. As it is by no means certain whether oil or gas or both will be found at promising new sites, oil and gas exploration and drilling usually go hand in hand. As planned, however, RWE Dea has been able to significantly increase its share of gas. Having originally been active only in the German and Norwegian North Sea, RWE Dea has expanded the scope of its exploration and drilling activities into the Mediterranean region, its main aim being to diversify its natural gas sources. While this endeavour has so far proved successful, it has also posed a new 'cultural' challenge. Despite the exemplary dependability of the concessions granted by Egypt, Algeria and Libya, special attention has to be paid to compliance with RWE's minimum social and environmental standards here. Several years ago, therefore, RWE Dea had the environmental and occupational safety management systems for its drilling operations in Egypt certified and as a result has a competitive edge when bidding for new concessions. RWE Dea also drills oil in the environmentally sensitive Wadden Sea, where it has proved that it can be relied upon to meet the very highest standards of environmental protection and nature conservation. [26]

February 2008, RWE bought a 50 percent stake in the US company Excelebrate Energy, which has developed a system for on-board regasification.

Biomass. Most of our biomass in Germany is timber and production waste, which is used as fuel in our small cogen plants. In the UK, on the other hand, increasing amounts of biomass are being used as fuel in conventional power plants, including wood products and other biomass sources.

Lignite: The development of gasification technology for IGCC power plant is opening up new possibilities for the material exploitation of locally found lignite:

The synthetic gas produced by the gasification of lignite can be used to make important energy sources such as hydrogen, methane and synthetic diesel fuel – which is another option to be considered in connection with security of supply.

Power plants and grids

RWE operates plants and electricity grids all over Europe, but only in Germany does it run nuclear power plants. RWE owns some 13,900 kilometres of high-voltage transmission lines (220 and 380 KV) and a distribution network totalling 381,000 kilometres (1 to 110 KV) (for more on the subject of grids, see the chapter "Marketplace"). RWE also operates a control centre in Brauweiler near Cologne and so shares responsibility for regulating current flow in western Germany.

Historically, the purpose of transmission grids was to provide a link between power plants and nearby centres of consumption, security of supply being the paramount consideration here. These days, however, grid design has to take account of other factors, too, including the integration of the variable output from the remote wind farms of northern Germany, the expansion of the market platform demanded by Europe's liberalised electricity market and grid access for more conventional power plants some distance away. Being located at the heart of Europe, the RWE grid naturally has an important role to play in Europe's electricity market. In the interests of security of supply, RWE intends to invest almost €3 billion in the expansion of its high-voltage transmission grid by 2017, adding 800 kilometres of new power lines and



On the Internet

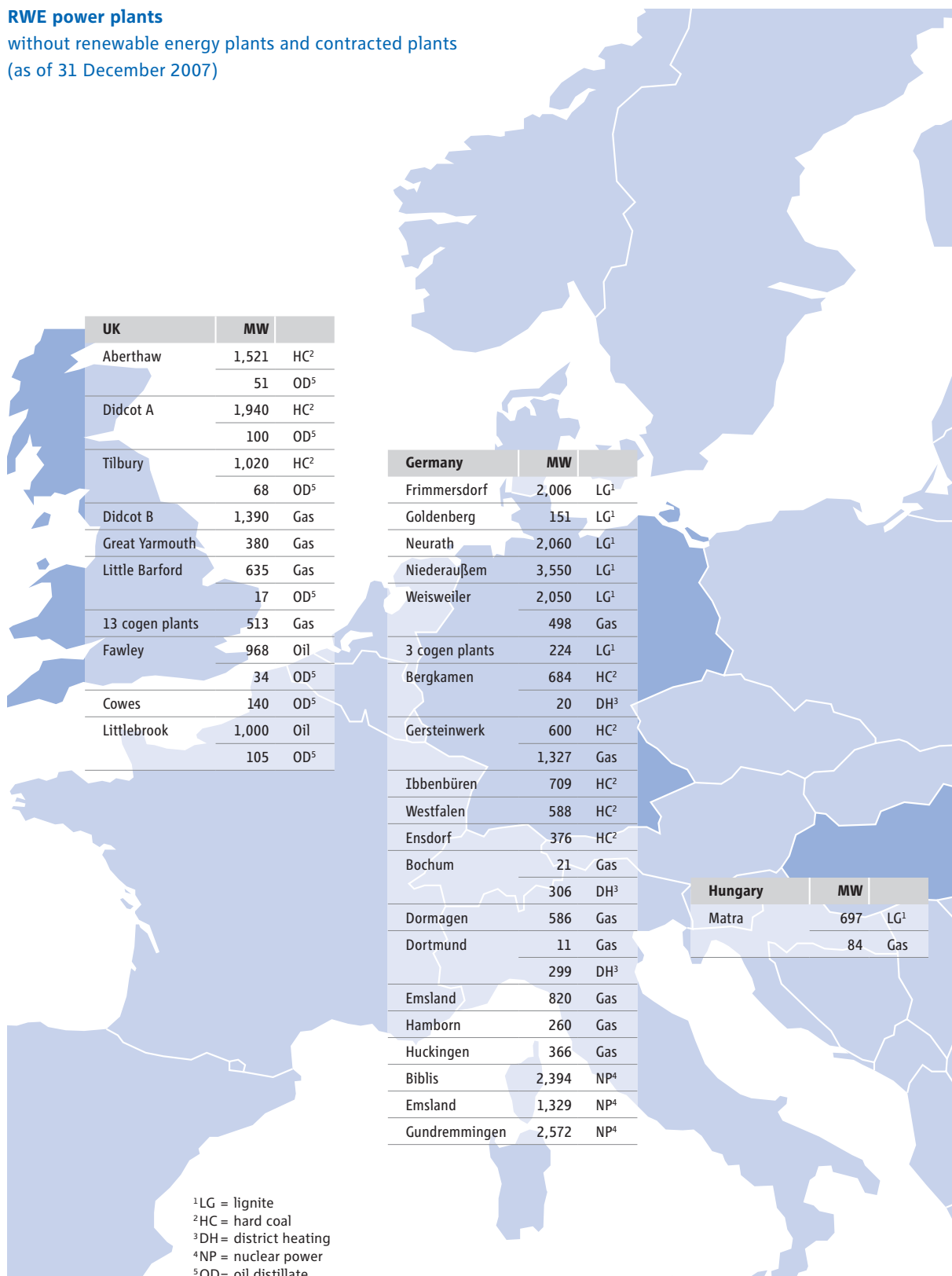
26 Protecting the environment while drilling for oil on the Mittelplate oilfield in the Wadden Sea

Greenhouse gas SF₆

The chemical compound sulphur hexafluoride (SF₆) is one of the six global-warming gases targeted by the Kyoto Protocol. Unfortunately, however, there are no viable alternatives to the use of SF₆ as an insulating gas in the construction of compact electrical switching units. Together with other users and other German grid operators, therefore, RWE has made a voluntary undertaking to use only fully insulated switching units and to recycle the SF₆ it uses for this purpose. This has reduced RWE's total consumption of SF₆ to the exceptionally low level of 750 kilogramme per year.

RWE power plants

without renewable energy plants and contracted plants
(as of 31 December 2007)



2.2 Security of supply and environmental protection

Keyword: nuclear power

Nuclear power makes an important contribution to low-priced, climate-friendly power generation. In September 2006, therefore, we applied to the German Ministry of the Environment, Nature Conservation and Nuclear Safety (BMU) for the transfer of production rights totalling 30 Terrawatt hours (TWh) from our Mülheim-Kärlich contingent to our Biblis nuclear power plant. Extending the service life of that plant until 2011 would enable us to tide over the period pending the commissioning of our new, climate-friendly coal-fired power plants. However, the BMU has rejected that application. The administrative court in the state of Hesse later dismissed our legal case against the BMU's decision, a move that we are determined to appeal. Unlike the BMU, RWE takes the view that there are no grounds for rejecting this application under Germany's Atomic Energy Act.

All told, we operate three nuclear power plants whose five units have a total output of nearly 6,000 MW. We have set up the interim storage facilities required by law at all these sites. There were no significant incidents during the period under review. In November 2007, we were able to resume the operation of our Biblis B unit following a comprehensive overhaul in the course of which 15,000 screw anchors had to be replaced. Biblis A resumed operation in February 2008. All our nuclear power plants work to very high safety standards so there can be no objections to their continued operation.

The balance includes provisions totalling €8.6 billion for the dismantling of our nuclear power plants and the disposal of the nuclear fuel assemblies . [28]

more than 25 new substations and transformers. In addition, our grid operator RWE Transportnetz Strom is currently working on the completion of additional interconnectors to the Netherlands.

What we are doing to protect the environment

We aspire to be best in class in everything we do to protect the environment along our value chain.

Recultivation of opencast mines. RWE restores the land used for opencast mining at least to its original condition. We have created more than 200 square kilometres of recultivated landscape in this way since we first began mining lignite. About half of this total is agricultural land, while another 77 square kilometres are forest or parkland. Some 20 square kilometres of lakes have also been created for recreational use. To protect environmentally valuable wetlands, RWE returns any water pumped off its mines to underground aquifers and so helps stabilise groundwater levels in that region.

Reduction of emissions. Since the mid-1980s, RWE in Germany has either met or been well below the limits for sulphur dioxide (SO₂) and nitrogen oxides (NO_x) prescribed by the EU's Large Combustion Plant Directive of 2002. In the UK, meanwhile, RWE npower is currently retrofitting its hard-coal power plant at Aberthaw with a flue-gas desulphurisation unit to ensure its compliance with this directive.

The limits based on the EU's 1999 Air Quality Directive in place since 2005 have alerted the public to the problem of particulate matter. In the Rhenisch lignite mining area, RWE's focus is on its opencast mines. Although not the main cause of particulate pollution in terms of impact on centres of population, they are certainly a measurable source.



On the Internet

- 27 RWE application for the transfer of production rights to the Biblis nuclear power plant
- 28 Brochure "power:perspektiven. Die Kernkraft und ihr Beitrag zu einer nachhaltigen Energieversorgung" (PDF)
- 29 Biotope management in power-line maintenance
- 30 Protecting birds near high-voltage lines

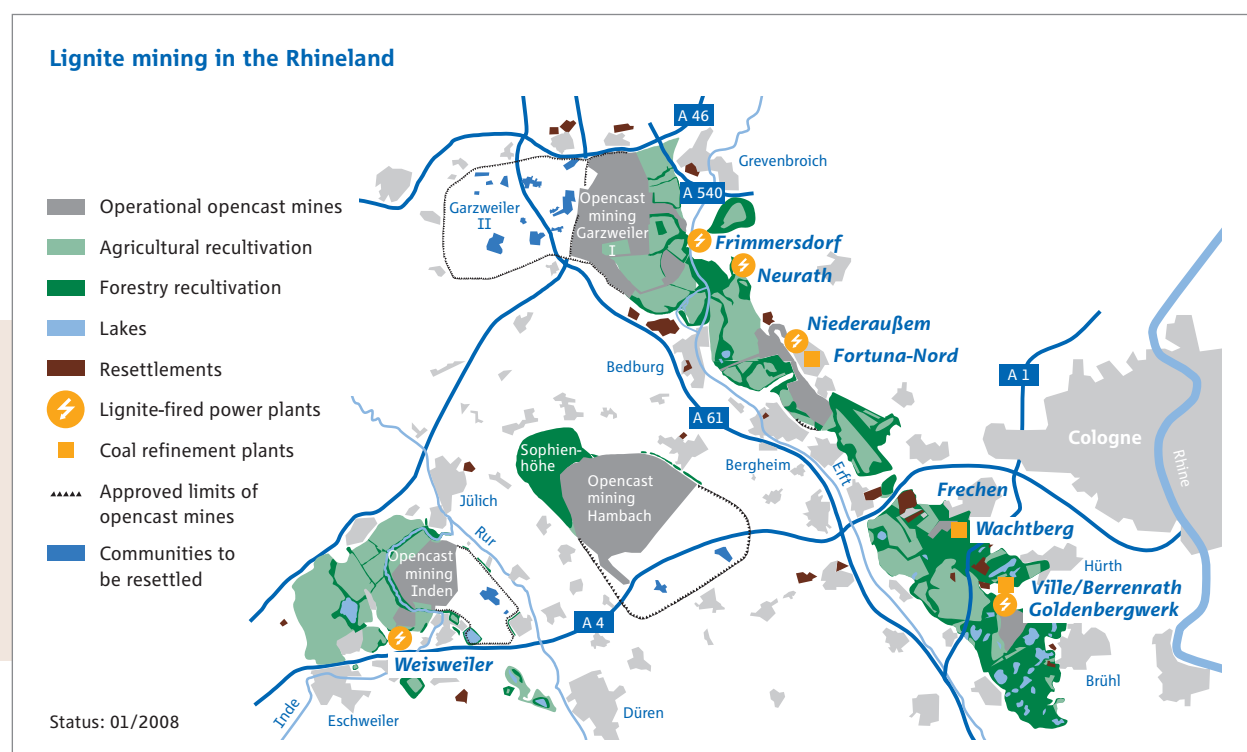
Waste management. Most of the waste produced by the RWE Group, at least in terms of volume, is ash from the operation of its coal-fired power plants. As required by law, we have drawn up detailed disposal and recycling plans for this material. In Germany, the ash is used to refill disused opencast mines, while in Hungary, it is disposed of professionally in special landfill sites. The ash from hard-coal power plants is recycled as far as marketing options for the same permit. We have so far been able to recycle 92 percent of this type of ash, while the remaining volumes are properly landfilled. At our Didcot A power plant in the UK, however, about one third of the ash produced could not be recycled during the period under review. Permission to landfill this in a disused gravel pit (Thrupp Lake) was therefore obtained. Because other recycling options for the ash have since been found, and because both the summer and winter months were warm meaning that less power had to be generated, we have not yet had to make use of the landfill option at Thrupp Lake.

Our handling of the radioactive waste from our nuclear power plants is subject to rigorous monitoring by the authorities. As agreed with the German government, spent fuel rods are stored in appropriate containers at the nuclear sites themselves. RWE set up the necessary interim storage facilities as agreed and on schedule.

Environmental logistics. Our coal-fired power plants have to be supplied with well over 100 million tonnes of coal every year. As our lignite-fired power plants are located very close to the opencast mines themselves, they can be supplied by conveyor belt or an on-site railway. RWE's own rail network in the Rhineland is nearly 320 kilometres long and transports up to 250,000 tonnes of coal every day. All our coal-fired power plants in Germany and the UK, including those in planning, have easy access to a seaport, inland waterway or railway.

Security of supply and environmental protection

What we are doing to protect the environment





A large industrial crane is lifting a heavy metal ingot in a smelter. The crane is suspended from the ceiling and has a large hook that is holding the ingot. The background is a dark, industrial setting with various pipes and structures. The lighting is dramatic, with a strong light source from the left, possibly a furnace, creating a bright glow and casting long shadows. The overall atmosphere is one of intense industrial activity.

Reliable power supply, fair prices

Armed with a new power supply contract, Heinz-Peter Schlüter, CEO of TRIMET ALUMINIUM AG, has been able to breathe new life into the company's Hamburg smelter and save 300 jobs in the process.

> 3.0 Marketplace

“High electricity prices are a problematic,” says Heinz-Peter Schlüter, CEO of TRIMET ALUMINIUM AG. And he certainly knows what he is talking about, for aluminium production is notoriously energy-intensive. The Hamburg smelter alone consumes as much electricity as a city with a population of half a million. At the same time, aluminium is now booming “as never before,” as Schlüter is anxious to stress. The man who saved the Hamburg smelter from closure and its 300 employees from redundancy in December 2006 simply could not reconcile himself to the popular assumption that high wages and high energy costs had rendered raw materials production in Germany a thing of the past. In fact, the parent plant of Trimet Aluminium AG in Essen with its 650-strong workforce began producing special alloys for the automotive and aerospace industries as long ago as 1994. “We’re profitable,” says Schlüter, “thanks to this niche strategy and our flexible supply contract with RWE.”

In 2005, when its former owner decided to shut down the Hamburger Aluminium-Werk (HAW) in the belief that it was not longer profitable, Schlüter turned to RWE and there found a partner he could count on. Together with RWE, he negotiated a supply contract that would secure the survival of the Hamburg smelter. “The deal is not cheaper, but it is more flexible,” says Schlüter, pinpointing the advantages of the new contract. “And because the price of electricity is linked to the price of aluminium,” he explains, “we’ll never get rich, but nor will we slip into the red the moment prices begin to fluctuate.” The 14 December 2007 was a big day for Hamburg-Finkenwerder, because it was then that the last of the 270 pots went operational again, with the result that the smelter is once again working at full capacity. Some 130,000 tonnes of primary aluminium will leave the works in 2008. And two thirds of the original workforce of 450 have returned.



Heinz-Peter Schlüter founded TRIMET ALUMINIUM AG in 1985. With 1,600 employees, it is now Germany's largest aluminium producer.

Aluminium smelting requires a process temperature of 950 degrees Celsius.





3.1 Our challenge: pricing

Topping the list of our customers' expectations of us are low prices followed by good service and products tailored to their needs. That we provide a reliable, long-term power supply is nevertheless taken for granted by residential, commercial and industrial customers alike, as is impeccable conduct in the market.

Our challenge: pricing

Our position in the market

As the current discussion of rising electricity prices shows, transparent pricing is the greatest challenge now facing us. If we cannot present our case credibly here, then our efforts in the areas of security of supply and energy efficiency are unlikely to have any effect at all either on our reputation or on our business. In Germany, which is our largest market, we have drafted a proposal for a National Energy Pact to help put the debate on a more concrete and objective footing and believe that our readiness to invest, clear customer focus and commitment to transparency will lend weight to this proposal. At the same time, we intend to step up our efforts to help our customers to use energy more efficiently. After all, we have a lot of expertise in this field and ultimately rely on their contribution to the drive to lower CO₂ emissions.

number two supplier of electricity and number three supplier of gas. We are also in a leading position in the electricity and gas markets in the UK, and Hungary and in the gas market in the Czech Republic. Our starting position in Poland is also very promising.

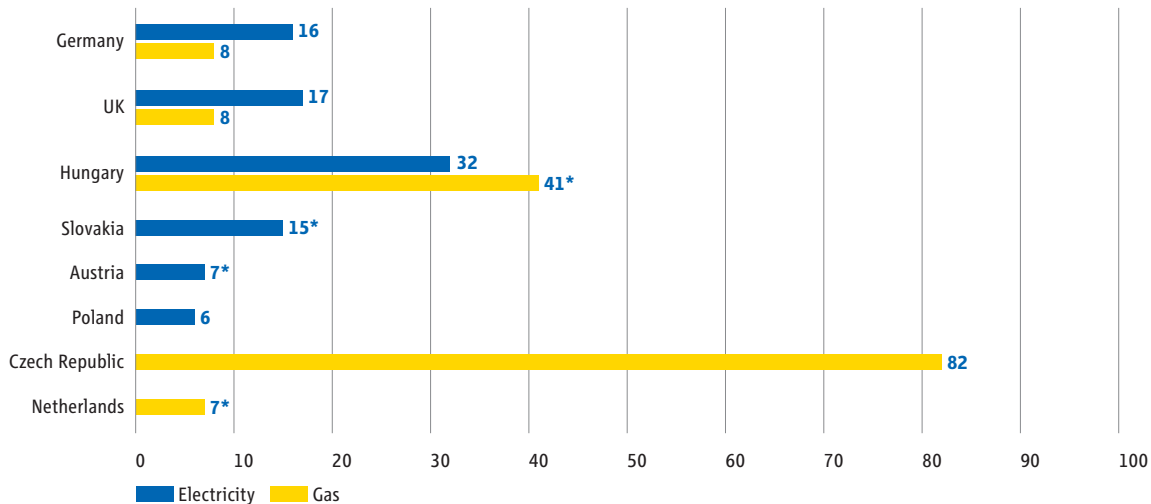
Our position in the market

RWE Energy supplies gas and electricity and operates grids in continental Europe through a number of regional subsidiaries. We also have non-consolidated minority holdings in VSE in Slovakia and KELAG in Austria, while our transportation and distribution activities have been hived off as independent companies in compliance with statutory requirements. In the UK, we sell both electricity and gas nationwide under the "npower" brand, while the grids are operated by an independent company that is not owned by RWE.

The consolidated companies of RWE supply 14.5 million customers throughout Europe with electricity and a further 6.3 million with natural gas. We are Germany's

In many regions, we have retained the name of the local supplier with which customers have long been familiar, the assumption being that these names will mean more to residential and business customers than would that of a single umbrella brand.

National market shares 2006
in percent



3.1 Our challenge: pricing

Our customers' expectations

In Germany, the energy suppliers' decision to raise their prices made them a target of fierce criticism in 2007. RWE raised its prices by an average of 6.6 percent compared with 2006. While there have been significant price increases for both electricity and gas in the UK, too, RWE npower has taken action to protect the most vulnerable customer segments from the worst impacts (see p. 41). Some customers in Germany suspected that our price rises had no economic justification and were enforceable only because of the continued existence of monopolistic structures on the energy market. [31]

To promote more constructive dialogue between policymakers, society and energy suppliers, the CEO of RWE at the end of 2007 proposed the setting up of a National Energy Pact. [32]

Development of electricity prices

The following factors all had an influence on electricity prices during the period under review:

Prices on the world market. Rising demand from Asia's growing markets has pushed up the prices of coal on the world markets – in 2007 by more than 39 percent compared to 2006. And because gas prices are linked to the price of oil, they declined with a certain time delay by 7 percent on average in the course of 2007.

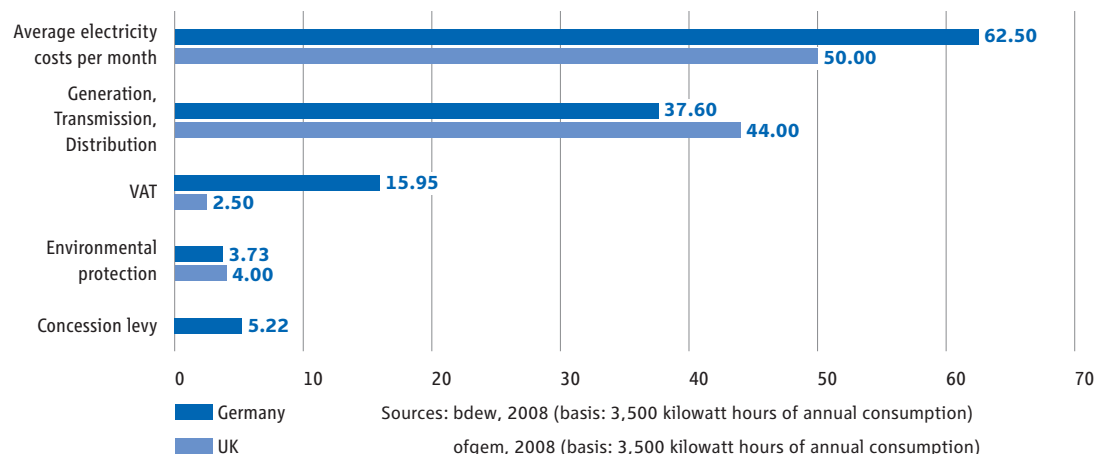
Demand in Europe. The expansion of cross-border transmission capacity means that electricity can be sold wherever it fetches the higher price. As Germany's wholesale prices are somewhat lower than those of our Western European neighbours, a lot of electricity is currently leaving the German market and being sold in other European countries, which in turn is driving up demand and hence prices on the European Energy Exchange (EEX) in Leipzig.

Emissions trading. The price of CO₂ allowances reached a record high of more than €30 per tonne of CO₂ in May 2006. Once it became clear that companies had a sufficient number of allowances for the first trading period, however, the price began to fall steadily, and from February 2007 onwards was less than one euro per tonne as a rule.

Renewables. In Germany, grid input from renewables as defined by Germany's Renewable Energy Sources Act (EEG) far exceeded expectations. This in turn led to higher costs that have to be borne – or so our policymakers have decided – by all electricity customers. The EEG alone accounted for 40 percent of the 2007 price increase.

VAT increase. The increase in VAT by 3 percentage points that came into force at the beginning of 2007 also had the effect of driving up prices.

Breakdown of domestic electricity prices 2007 in Germany and the UK in €



Customer focus and energy efficiency

We conduct regular surveys in which we ask our residential and business customers to rate our services according to the criteria availability, customer focus and information quality. Whereas customers in Germany and the UK have similar expectations, there are big differences in how they react to poor service. Dissatisfied customers in the UK switch to a different energy supplier much more readily than do those in Germany.

Efficiency initiatives. In February 2007, RWE in Germany launched a broad-based efficiency campaign to encourage its customers to use energy more sparingly and efficiently and to support them in this endeavour. [33] A total of €150 million will be spent on putting this three-year commitment to energy efficiency into practice. [34] Among the key projects is the “5,000 Town Halls” project, an energy-saving concept for public buildings in which RWE Energy bears the cost of analysing energy consumption in these properties, deploying some 40 energy advisors to do so. We also promote the use of heat pumps in Germany’s residential sector and work together with local fitters on installing them. To these can be added numerous pilot projects: In Rhineland-Palatinate, for example, we are erecting the first CO₂-free housing estate consisting of 18 new buildings fitted with both heat pumps and smart metres with real-time consumption display units to help consumers save energy.

RWE npower has launched a similar energy efficiency initiative in the UK. Called “e³” [35], this campaign centres on awareness-raising and the free loan of consumption-monitoring equipment to enable residential customers to track down their worst power

guzzlers. In 2005, RWE npower became the first big energy supplier in the UK to offer its business customers automatic metre-reading; this helps them to save energy by providing them with a real-time picture of their consumption rates.

Consultancy and service. We invite our industrial customers to outsource their entire energy management to us or advise them on the efficient energy management of their office buildings. These services for commercial and industrial customers in Germany have now reached such a scale that some of our subsidiaries have established separate service providers such as the Gesellschaft für Facility Management und Industrieservice mbH and RWE Westfalen-Weser-Ems Energiedienstleistungen GmbH to handle them.

Supporting the vulnerable. Because of rising prices, many of our more vulnerable customers are finding it increasingly difficult to pay their fuel bills. In Germany, electricity and gas still count as basic necessities, meaning that bills are paid for directly by social security. As this is not the case in the UK, RWE npower’s own “Spreading Warmth” programme launched in October 2005 includes an advisory service aimed at helping customers to cut their consumption rates and reduce debt. [36] RWE npower also provides benefit entitlement checks to customers in the Energy Efficiency Programme. In addition, the “Health through Warmth” scheme works with community groups to identify those living in fuel poverty and help to improve their living conditions.

Our challenge: pricing

Our customers’ expectations

Development of electricity prices

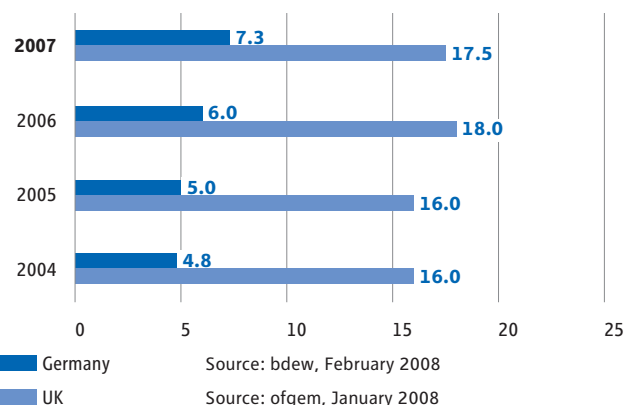
Customer focus and energy efficiency



On the Internet

- 31 Brochure “Energiewissen kompakt: Fakten & Positionen zur Strompreisdebatte” (PDF)
- 32 The speech by Dr Jürgen Großmann, CEO of RWE AG, in which he proposed a National Energy Pact for Germany (October 2007)
- 33 RWE efficiency campaign
- 34 Brochure “RWE – das Unternehmen Energieeffizienz” (PDF)
- 35 RWE npower initiative “e³”
- 36 RWE npower initiative “Spreading Warmth”
- 37 RWE heat-pump promotion programme

Changes of energy supplier in Germany and the UK 2004–2007 in percent



3.1 Our challenge: pricing

Products and services

It is our responsibility to provide all our customers with an electricity and gas supply that is reliable, fairly priced and as environmentally responsible as possible. In addition to the best service, however, we also want to provide a choice. While some customers prefer electricity from renewable sources, for example, others want the cheapest tariff possible. Since the end of 2007, those of our customers who want long-term security have been able to opt for a three-year price guarantee.

Renewable energy tariff. RWE npower launched "Juice", its non-premium priced green energy product for customers in the UK back in 2004. The number of customers who have opted for this product has since risen to 50,000. Among the products that RWE npower provides in conjunction with "Juice" are solar thermal power and heat pumps. By 2006, 1,300 private households were already taking advantage of these add-ons, a figure that is to be raised to at least 10,000 by the year 2010. The British telecommunications giant BT began buying green electricity on a large scale from RWE npower as long ago as 2004. Its renewal of the contract in January 2007 was the largest green energy transaction in the history of the Group: Under this contract, RWE npower is to supply 4.8 Terrawatt hours of electricity a year from wind farms over a three-year period.

In Germany, too, our regional energy suppliers can offer customers a choice of special green electricity products from renewable sources. The demand among residential, commercial and industrial customers, however, is still very modest.

eprimo. eprimo is a subsidiary of RWE that offers lower electricity prices to customers who switch online [38]. Having been taken over by RWE Energy at the beginning of 2007, it employs some 50 people, and serves some 200,000 customers. Customers of eprimo can opt for a product called "eprimoPrimaKlima", which provides power sourced 100 percent from hydroelectric stations. The autumn of 2007 also saw the launch of "eprimo gas".

Long-term supply contracts. Because our long-term supply contracts give our industrial customers both security of supply and predictable prices, we help to ensure that even Germany's more energy-intensive industries can operate profitably. One good example of this is the new power supply contract we signed with TRIMET ALUMINIUM AG in December 2006 for its Hamburg site (see p. 38).

Stakes in our power plants. RWE is offering both municipal utilities and its industrial customers a virtual stake in the new, highly efficient coal-fired power plants it is currently building in Germany. Twenty-three municipal utilities from four German states are to have a stake in the 350 MW hard-coal power plant in Hamm, Germany, for example. As part of an agreement with Germany's anti-trust authorities, our European industrial customers in the period 2009 to 2012 will be able to bid for a total of 1,600 MW a year, to be auctioned off by an independent auctioneer. The first such auction took place in February 2008 and fetched prices just slightly below those prevailing on the European Energy Exchange, which for us is proof that the EEX prices are indeed fair market prices.

Security of supply and networks

Not only is RWE one of Germany's four big grid operators, but we also operate 116,400 kilometres of gas pipelines, although these are much less prone to problems than are power lines.

Grid maintenance and expansion. Every year, RWE spends more than €3 billion on the construction, operation and maintenance of its grid. Its line capacity to the Netherlands and to France, for example, has been increased by 40 percent. A 60-km-long high-voltage transmission line into the Netherlands is currently in planning, as is an expansion of the lines in the western part of the Rhineland and in the Eifel/Saarland/Luxembourg region. An additional 600 kilometres of new power lines is being erected in Germany, too.

Maintenance and certification. We have long had a technical safety management system (TSM) certified to the specifications of the Bundesverband der Energie und Wasserwirtschaft e. V. (now the Bundesverband der Energiewirtschaft e. V.) in place for our gas grids. The certification of the TSM for our electricity grid was initiated in 2007 and is due to be completed in 2008. To obtain certification, we have to prove that we have taken all the organisational precautions necessary to ensure the smooth operation of the grid. Our figures already point to what, by international standards, is an extremely high rate of availability: In the years 2004

to 2006, the average grid down-time attributable to technical disruptions totalled a mere 22 minutes per year – the best result in Europe.

The availability of the transportation network is even more crucial, however, as disruptions here can impact throughout Europe. Our control centre in Brauweiler near Cologne controls that part of the high-voltage grid that extends into the BENELUX countries, France, Switzerland and Austria. During the period under review, not a single disturbance caused by our grid was reported here. The most serious risk for the gas grid is the risk of physical damage, such as can be caused by excavation work. Our gas pipelines are therefore controlled by helicopter every two weeks to ensure that no such work has taken place. In residential areas, there are regular leakage checks as well.

Our challenge: pricing

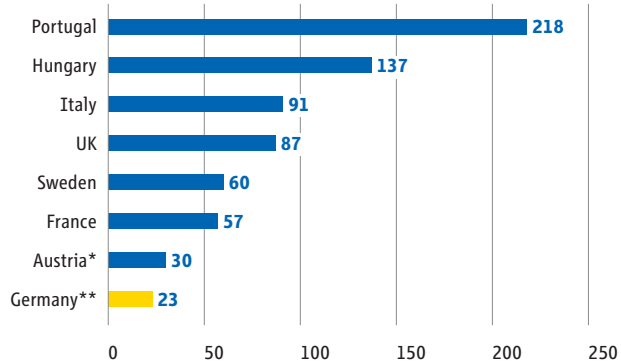
Products and services

Security of supply and networks

Keyword: power outage

When very harsh weather conditions caused electricity pylons belonging to RWE's distribution network to buckle and collapse in late 2005, leaving Germany's Münsterland without power for one whole week, there were concerns that we had not invested adequately in the grid. An independent inquiry later refuted this charge. Those adversely affected by the power cuts were compensated soon afterwards with funds from a hardship fund which we set up specifically for this purpose at a cost to ourselves of some €5 million. [39]

Comparison of power outages in Europe in minutes per year



* without extraordinary incidents ** 2006

Source: Council of European Regulators, 3rd Benchmark on Quality of Supply 2005

> 3.2 Fair competition

RWE is committed to genuine competition. We therefore grant all providers unrestricted access to our transportation and distribution networks in return for appropriate grid fees. We support transparent pricing on the markets wherever prices are not regulated by the state.

Grid access. In Germany, where RWE owns transportation and transmission networks, unrestricted access to these networks has a key role to play in promoting genuine competition. We therefore guarantee every power generator unrestricted, discrimination-free access to our transportation and distribution network subject to fair terms and conditions, and will continue to do this in the future, too. The European Commission is nevertheless demanding that these distribution networks be run by independent companies. Yet comparisons with other European countries – such as the UK – show that ownership unbundling leads neither to more investment in the networks, nor to more competition or more providers.

Grid fees. The grid fees charged by RWE are middle of the range for Europe. The German Federal Network Agency reviews the grid fees being charged and in 2006 implemented a reduction of between 9 percent and 14 percent, depending on the regional distribution company. As still more reductions in grid fees have already been announced, we will have no choice but to drastically scale down our grid activities in future years.

Gas market. In April 2007, RWE became the first German company to make possible for the gas market what by then was a matter of course for the electricity grid. By modernising its territorial structures, RWE TSO Gas [40] improved network access for transportation customers, and in doing so helped boost competition in the gas transportation sector. This was also one of the preconditions for improving the gas trading options on the EEX or via hubs and so making it easier for new providers to enter the market. We have also merged our market territories for gas transportation so as to make it easier for third parties to book transportation capacity.

Corruption and bribery. Our Code of Conduct provides us with binding rules for dealings with politicians and holders of public office (see p. 60). We do not contribute to political parties or to any organisations or foundations affiliated to them. Furthermore, the implementation guidelines for our Code of Conduct greatly restrict the extent of the hospitality to be extended to holders of public office.

There is of course a risk of corruption amongst our own employees, too, and in view of the fact that RWE places orders worth some €6 billion every year, this risk should certainly not be underestimated. The pur-

Breakdown of RWE Group revenue according to country and corruption risk 2007
in compliance with Transparency International*

	Very low risk of corruption CPI 10–8.5	Low risk of corruption CPI 8.4–7.0	Medium risk of corruption CPI 6.9–5.5	High risk of corruption CPI 5.4–4.0	Very high risk of corruption CPI < 4.0
Countries	Denmark, Netherlands, Norway, Switzerland	Germany, France, Great Britain, Ireland, Luxembourg, Austria	Portugal, Spain, United Arab Emirates	Bulgaria, Italy, Poland, Slovakia, Czech Republic, Turkey, Hungary	Egypt, Algeria, Romania, Russia
Share of Group revenue	5.50 %	81.27 %	0.18 %	10.93 %	0.77 %

* The Corruption Perception Index (CPI) of Transparency International (TI) lists all countries by corruption risk and in addition to this ranking, awards each country a grade. The categories in the above table were defined independently on the basis of the CPI 2007 (www.transparency.org).

chasing activities of both RWE Systems and RWE Trading are therefore subject to very strict rules. An audit of RWE Systems conducted by the accountancy firm Ernst & Young in 2006 confirmed that its internal control mechanisms are in keeping with international best practice, at the same time adding that there is further room for improvement. Together with staff from Ernst & Young, our Internal Auditing Department in 2007 made sure that these recommendations were adequately implemented to help improve the way purchasing is handled.

Cartel formation. Unlawful price fixing, no matter on what level it is practised, leads to a distortion of the market. RWE has issued internal directives making it absolutely clear that there must be no breach of antitrust laws. All RWE employees in Germany affected by this have been required to complete – and to provide proof that they have done so – an online training programme developed by the international law firm Clifford Chance. In early 2007, RWE was accused of using its position as a power generator to manipulate prices on the European Energy Exchange in Leipzig. The independent accountancy firm KPMG which was tasked with investigating this matter examined our bidding behaviour and found nothing to suggest that we had deliberately withheld generating capacity that was technically available and could have been used profitably by others. Nor was there any evidence to substantiate the charge that we had purchased electricity on the EEX merely so as to push up demand artificially.

Factoring-in of emissions certificates. In Germany, our practice of factoring the price of emissions certificates into our electricity costs proved controversial during the period under review. The Bundeskartellamt (Germany's antitrust authority) complained that we had factored in the CO₂ certificates allocated to us free of charge at their actual value. Not wanting to become involved in protracted litigation, we decided to sign an agreement with the Bundeskartellamt in September 2007 to auction off some of the electricity generated by our fully amortised coal-fired and lignite-fired power plants. This will give our customers access to favourably priced generation capacity, allowing them to plan independently of price fluctuations. In February of 2008, we successfully carried out the first auction (see p. 42).

Lobbying. The energy industry is subject to more government regulation than almost any other branch of industry. During the period under review, we experienced more acutely than ever before just how much our scope for action is restricted by political constraints. To ensure that our views are taken into account in the drafting of legislation affecting our activities, we actively seek dialogue with policymakers and therefore maintain offices in Brussels, Berlin, London and Moscow. The principle underlying our lobbying is to be open and transparent about where we stand on various issues: In the "Facts and Figures" section of our web site, we provide extensive information about all our views on subjects of relevance to energy policy. [01]

Fair competition



On the Internet

- 40 Brochure "RWE Transportnetz Gas: Die intelligente Verbindung zur Energie" (PDF)
- 01 Information on RWE: Facts & Figures (PDF)
- 41 RWE transparency drive
- 42 RWE's position regarding allegations of market power abuse

Keyword: transparency

In July 2007, RWE began publishing online information on unplanned power plant outages or slumps in output of 100 Megawatt or more. Since January 2008, this information has been available in real time. We are therefore contributing to greater transparency on the European electricity market and are doing more than any other energy supplier to facilitate swift access to substitute capacity. This measure is part of our Group-wide transparency initiative and provides our private customers, too, with information on electricity pricing. [41]



Top fit for the future

Jörg Herter and Joachim Saar have been working together as a team for five years. They take care of line maintenance for RWE Energy in the Bad Kreuznach area – a tough job that requires both dexterity and experience.



> 4.0 Workplace

“It’s a good combination, when old and young work together,” says Jörg Herter (28), who together with Joachim Saar (52) regularly inspects the power lines in the Bad Kreuznach area. “I get to profit from my workmate’s years of experience,” he says, while the ‘old hand’ himself is happy to be teamed up with someone so much younger and full of new ideas. “The refrain: ‘But we’ve always done it like this!’ is a thing of the past, thank goodness!” says Saar. “And thanks to our youngsters, we sometimes find new and better solutions to old problems.” The Bad Kreuznach area for which the team of five is responsible comprises 3,000 pylons and 1,900 kilometres of power lines.

For RWE, mixed-age teams are one way of meeting the challenge it knows it will face in the not too distant future, when it loses a large part of its workforce to retirement. What it does not want to lose is the expertise and experience, which is why it is now doing everything it can to facilitate cross-generational knowledge transfer. Line maintenance is so physically demanding that there are very few people over 50 still working in this field. On the other hand, there are lots of them in their forties who will soon be of an age when they can no longer do every type of job required. The timely transfer of knowledge and skills within RWE itself is therefore essential.

When Herter and Saar climb up a pylon that may be as much as 107 m high, however, what counts is not just know-how and experience. “You have to be in great shape and have a head for heights,” says Herter. “But most important of all, you have to be able to count on each other 100 percent.”



Some 7,000 employees take care of RWE Energy’s line maintenance

The line maintenance teams have to work safely and with precision.





4.1 Our challenge: demographic change

RWE is affected by the demographic change now taking place in Europe, above all in Germany and in the countries of Central and Eastern Europe. But in the UK and other regions, too, we are having to adjust to declining populations and to an ageing society with its own, and in many cases new, needs.

Our challenge: demographic change

Forward-looking human resources development

The falling birth rate is giving rise to increasingly large age gaps between the generations. This demographic change can be observed in many European countries and is especially conspicuous in Germany, where the labour market has fewer and fewer young people to draw on.

The early retirement programmes that expired in mid-2004 and prolongation of the total working life have left the RWE workforce in Germany with a very asymmetrical age structure. While this calls for systematic succession planning, we must also ensure that our older employees remain productive, meaning both properly trained and mentally and physically fit.

Occupational health management will be increasingly important to ensure that our older employees remain productive in future years. We will also have to pay more attention to the creation of jobs that are suitable for more mature employees. We have also set ourselves the goal of improving occupational safety throughout the RWE Group to such an extent that we are henceforth ranked among the best in class. The action to be taken here will affect not only employees of RWE, but those who work for our sub-contractors, too.

Forward-looking human resources development

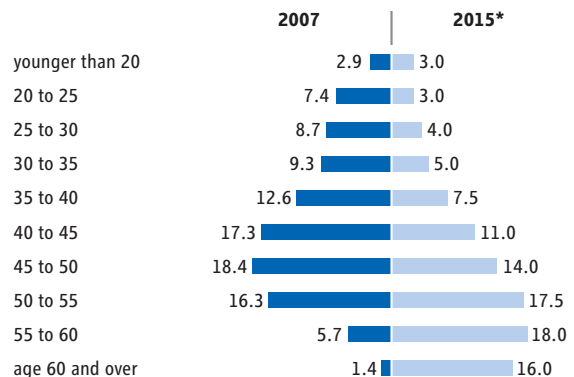
One purpose of the early retirement programmes implemented in Germany up to mid-2004 was to scale down our workforce to a size that would safeguard our competitiveness in a liberalised energy market. This also changed the age balance of our workforce, however, with the result that in the next ten years, we will have an unusually large number of employees aged 55 and over. This fact will have to be reflected in both job design and in our organisational structures. From 2015, we anticipate a retirement rate of around 8 percent a year. Within the space of just ten years, in other words, we can expect to lose up to half our current workforce.

To prepare ourselves for this, we have defined demographic change as one of the Group's strategic areas for action. Our operating companies RWE Power and RWE Energy developed an analytical tool with which to adjust their human resources development to their future requirements as long ago as 2006.

We intend to pay greater attention to focused training and recruitment in the future and to efforts to keep qualified personnel in the company for as long as possible. We are at the same time establishing a new



Age structure at RWE in 2007 and 2015* in percent



* possible scenario

4.1 Our challenge: demographic change

Keyword: demography projects

A study commissioned by RWE on demographic change and its consequences for the German labour market came to the conclusion that qualified specialists are becoming a rarity and future shortages therefore very likely. This, of course, will affect both companies' human resources management and their relative competitiveness. [43] To steel itself for this, RWE Power has developed an IT analysis program to simulate the ageing of the workforce both as a whole and within the various specialisms and locations. This advanced warning system will enable us to identify trends as they emerge and so help us to take prompt action.

RWE Energy has adopted this model for its own age management and in March 2007 issued a "Demography Manual" containing recommendations for five areas for action: corporate culture, human resources development, knowledge transfer, flexible working conditions and health promotion. The regional subsidiaries will now use these recommendations, adjusted to their own age structure and working conditions, to develop programmes tailored to their own specific needs. The "Demography Checklist" developed by RWE Energy will support this process.

learning culture to address this: Even now, our companies are making extensive use of mixed-age teams that foster the process of knowledge transfer from old to young. We are also making a more concerted effort to position ourselves both internally and externally as an attractive employer to avert the risk of losing some of our best people to competitors.

Executive development. We have upgraded our range of Group-wide programmes for managers so that the procedure for assessing any high potentials discov-

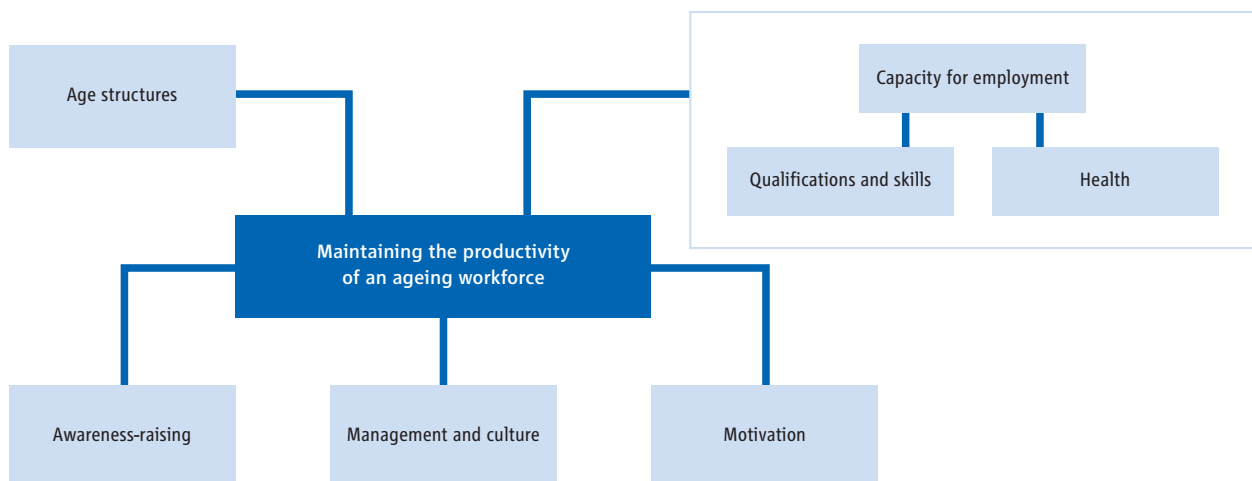
ered, for example, is more transparent and more relevant to employees who are not (yet) in senior positions. Starting in 2008, moreover, occupational health and safety will be an integral part of our executive development programme. We have expanded our succession management processes as well; the operating companies have held their first succession conferences, for example, in which impending management gaps are pinpointed and then filled as required [44].

Recruitment and training. We want to attract the best recruits by providing excellent training, while at the same time facilitating entry into working life for as many young people as possible. With a total of some 2,900 trainees in fiscal 2007, RWE in Germany trained far more young people than it needed.

In the UK, meanwhile, RWE npower has launched a programme called "npower enthuse" aimed at encouraging school-aged children in the UK to consider opting for science- and engineering-based subjects [45].

Advancement of women. With its focus on mining, power generation and the operation of transmission grids, RWE for a long time had a male-dominated workforce. To boost the number of women in senior positions, RWE in Germany in March 2006 launched an "Executive Mentoring Programme" in which 14 female managers have so far taken part.

Factors affecting the maintenance of productivity



RWE npower is quite a lot more advanced in this respect: 40 percent of its 12,000 employees are women, and women account for 15 percent of its managers, which is twice the equivalent figure for the German companies. Furthermore, RWE npower has provided awareness courses in diversity and inclusion for some 2,000 managers since 2006 – a step that undoubtedly supported the decision of The Times to include RWE npower on its list of “The Top 50 Places Where Women Want to Work 2007”.

Work-life balance. We want to make it easier for our employees to reconcile the demands of parenting with those of a career – for example by offering flexible working hours, job sharing and emergency childcare in the event of sickness.

In 2006, the Group Centre agreed to a “berufundfamilie” (career and family) audit by the non-profit Hertie Foundation. By the time the next audit is conducted in 2009, we will have implemented various measures, one of which is the “Elder Care” programme launched in 2007 for employees with dependents in need of nursing care. As we regard this involvement as another point in our favour in what is an increasingly competitive market, we are also ensuring that our subsidiaries follow our lead here. RWE Dea, RWE Systems and parts of RWE Energy are now “berufundfamilie”-certified [46]. In the UK, meanwhile, we are developing concepts for employees whose living circumstances make it difficult for them to cope with, for example, rigid working hours.

People with disabilities. Supporting and integrating people with disabilities is very important to us. This is also an area we intend to pay more attention to in future recruitment drives. After all, someone who is disabled is not necessarily less productive. RWE in Germany has committed itself to the re-integration of employees returning to work following prolonged illness or serious injury. Finding purposeful and appropriate alternative employment within RWE for such people, many of whom have been rendered less productive, is part of this endeavour. In 2007, the Cologne Integration Office awarded us a €10,000 premium in recognition of our exemplary integration management.

Diversity, protection and rights

Respect for the dignity of every employee, the right to freedom of opinion and the promotion of equal opportunities and diversity are among the central tenets of the RWE Code of Conduct. This is part of our commitment to preventing people from being disadvantaged – whether on grounds of gender, nationality, religion or other factors.

Our challenge:
demographic
change

Forward-looking
human resources
development

Diversity,
protection
and rights

Keyword: “attractive employer”

In Germany, RWE is ranked as one of the most popular employers among young graduates, as demonstrated by the “Absolventenbarometer”, a survey conducted annually by the trendence Institut für Personalmarketing. RWE also earned the quality mark of “Top Employer” in both 2006 and 2007. And that school-leavers also regard RWE as a “Top Employer” is borne out by trendence’s first “Schülerbarometer” of 2007, which inquired into the career wishes of more than 8,000 young people still at school.

In the UK, The Times name RWE npower one of the UK’s top 100 graduate recruiters following the re-launch of its graduate attraction programme..



On the Internet

- 43 Study by RWE: “Den demografischen Wandel in Deutschland bewältigen – Herausforderung für Unternehmen und Personalwirtschaft” (PDF)
- 44 Careers at RWE
- 45 RWE npower programme “npower enthuse”
- 46 Audit “berufundfamilie”
- 47 Girls’ Day

Girls’ Day

Filing, soldering, welding – that girls are just as good at these things as boys was evident on “Girls’ Day”. RWE takes part in this nationwide event – as here at its Training Centre in Bochum in April 2007 – to encourage more girls to consider entering a technical profession. [47]



4.1 Our challenge: demographic change

Diversity management. Since September 2006, we have had a diversity manager at our corporate headquarters to coordinate all our policies and projects in this area. The advancement of women – especially in management positions – and the building of stronger links between the national and cultural groups employed within RWE are among the main focuses of her work, for which she can draw on the support of a network of diversity officers. In 2007, we initiated a programme that will ascertain which factors could prevent women and non-German employees from seizing the career opportunities RWE offers them.

To facilitate the implementation of Germany's new Anti-discrimination Act (AGG) that came into force in August 2006, RWE has provided training courses supported by a special learning program on the Intranet. AGG implementation has progressed smoothly to date. By the end of 2007, there had been just two complaints, both of which were decided in RWE's favour.

Diversity Charter. In December 2006, the German government and a number of German corporations launched a campaign called "Vielfalt als Chance" ("Diversity as an Opportunity") and drafted a "Diversity Charter for Businesses in Germany". By signing this charter in March 2007, we also committed ourselves to the creation of a prejudice-free working environment. [48]

Employee rights. RWE is committed to the employee rights enshrined in the conventions of the International Labour Organization (ILO) and in the Global Compact. During the past few years, RWE has set up independent employee forums, which all European employees of our operating and sales subsidiaries are welcome to join.

Social security. More than 99 percent of our employees are employed in OECD countries, which guarantee certain minimum standards for their social security in old age or in the event of sickness. The companies in the Group also have programmes specific to the needs of the countries in which they operate, including top-up pension funds and support for employees in distress. In Egypt and Libya, we have introduced a social benefits package going far beyond the statutory requirements in those countries.

Employee satisfaction. Our first Group-wide employee survey was conducted in 2005. This provided important basic information on how our employees view and feel about the company they work for. The second survey conducted in the autumn of 2007 drew a response from 72.9 percent of the total workforce. All the indices of relevance to the Group as a whole had improved slightly over 2005 by between one and three index points. The surveys conducted in the various companies indicate that critical issues are indeed being addressed and that the first improvements have already been made.

Keyword: childcare

Our "Flexibles Kinderhaus Krokofant" closes an important gap by providing flexible childcare for the under-threes. A survey we conducted among our own employees showed that the lack of appropriate day care for children in this age group for many parents constitutes a major obstacle to returning to work. Upon learning this, we teamed up with the do.it projekt-management GmbH & Co. KG and the Protestant Melanchthon Community of Essen-Holsterhausen (Germany) to develop an appropriate response. The "Flexibles Kinderhaus Krokofant" has been open to the some 4,000 RWE employees who work in Essen as well as other families since January 2007. Five fully qualified childcare professionals guarantee flexible opening hours until even the last meeting of the day is over.

On the Internet
Diversity Charter 48
RWE pension fund 49





4.2 Occupational health and safety

Our Group-wide occupational health and safety policy laid the cornerstone for the standardisation of all the systems currently in place in our operating companies. Our occupational safety management also covers the employees of other companies working under contract to us.

In August 2006, the Executive Board approved a Group-wide occupational health and safety policy [15]. We regard occupational health and safety not just as a legal obligation, but also as “social competence and a key corporate objective”, as well as a key management responsibility.

Occupational safety management

Active occupational safety has a long tradition at RWE. The Steering Committee Occupational Safety, which brings together the chief safety engineers from all the operating companies, was set up in 2000 to ensure that our occupational health and safety policies are properly coordinated and implemented throughout the Group. Our Group-wide occupational safety management system is structured and implemented according to the requirements of the ILO guideline ILO-OSH 2001.

Accident statistics. Significant progress has been made with regard to accident statistics and accident analysis. In 2006, the RWE Group switched to the international standard “Lost Time Incident” (LTI) (see p. 75). We were able to lower our accident rate by 41 percent during the period under review. Regrettably, however, we still have 31 fatalities to report, fifteen of which concerned subcontractors’ employees. Twelve employees died as a result of road and rail accidents. The most serious incident, however, was at the construction site of the new power plant at Neurath, where three employees of a subcontractor were killed and five others seriously

injured. The inquiry into the causes of this accident was still in progress at the time of going to press. We deeply regret these accidents and have initiated a programme to impress on our senior employees the special responsibility they bear for occupational safety. We are also developing concepts for the improvement of occupational safety among our subcontractors.

Health management

RWE has set up Group-wide structures for health management, too. Our new Health Management Steering Committee met for its first meeting in May 2007. This body brings together the operating companies’ human resources directors as well as occupational health and safety experts, representatives of the various human resources departments and members of the works council, who together coordinate our “Occupational Health Management”.

Campaigns. The first Group-wide campaigns to be approved by the steering committee are the prevention campaign on the subject of skin health scheduled for 2007/2008, a campaign for the early detection of colon cancer and a campaign to promote vaccination.

All the operating companies have now set up their own health committees to define basic concepts and design campaigns. These are also an important communication platform for the pooling of experience. In 2007, RWE npower appointed its first wellbeing manager, whose job it is to attend to the employees’ wellbeing.

Our challenge: demographic change

Diversity, protection and rights

Occupational health and safety

Occupational safety management

Health management



On the Internet

15 RWE occupational health and safety policy

50 Occupational safety

51 Occupational health

Fitness for RWE employees

True to the motto “Those who demand performance, must also promote health”, we encourage our employees to keep fit in their free time as well. Thanks to a cooperation agreement between RWE and Germany’s Fitness Company, our German employees now have special reduced-rate access to more than 100 fitness centres across the country.







Corporate giving

Employee volunteering is a key part of the RWE npower community programme: In October 2007, for example, 26 npower employees helped restoring the historic landscaped gardens at Gibside in Newcastle upon Tyne.

> 5.0 Community

“What the npower team did here was tremendously important to us,” says Mick Wilkes, project manager of Gibside, one of countless properties now in the care of the National Trust. The 26 RWE npower employees helped with the restoration of this historic property in North East England during working hours. This corporate volunteering is part of a partnership with the National Trust that RWE npower entered into in September 2007. The National Trust was founded in 1895 with the aim of protecting historic buildings, gardens, industrial monuments and mills and opening these to the public. As a charity, it is financed solely by membership and visitor income, donations and corporate partners, and relies on the active support of volunteers.

“Working in the fresh air together was terrific fun and at the end of the day we could see exactly what we’d done for Gibside, which was a great feeling,” says an enthusiastic Gary Doig, the man who headed the project for npower. He himself is convinced “that this type of community involvement motivates people at work, too, because they know that together with npower, they’re doing something for society as a whole.”

A survey that RWE npower conducted among its employees in 2006 confirms this view: 81 percent of those interviewed said that their involvement in the volunteering programme had helped motivate them at work, while 92 percent described it as a great way of improving team work and team communications as well.



Working for the National Trust requires a very different set of skills than those used in the office.

More than 10 percent of RWE npower employees are involved in corporate volunteering.





5.1 Our challenge: community engagement

As a utility company, we influence society and the environment in a variety of ways and are at the same time crucial to the economies in which we operate. We have therefore undertaken to bear a special responsibility for the development of the communities in which we are active.

Our challenge: community engagement

Dialogue with our stakeholders

Community engagement for us is a crucial and at the same time multifaceted challenge. On the one hand, we aim to promote the sustainable development of our operating environment, which after all is in our own interests, too. On the other, we must win acceptance for our activities today by becoming involved in social issues that go beyond our core business. We have therefore decided henceforth to concentrate our community involvement activities on the support of projects relating to youth work, education and the future.

Dialogue with our stakeholders

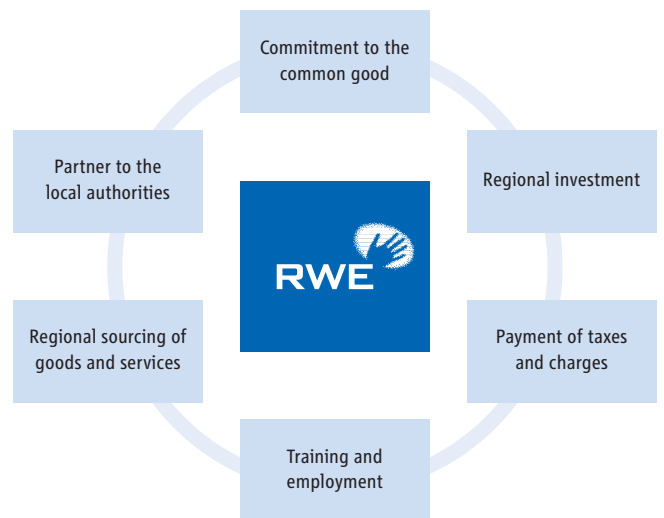
Our acceptance in society presupposes open and active dialogue with our stakeholders – employees, residents, suppliers, customers, shareholders, local authorities, NGOs and policymakers. Although this was true long before the liberalisation of the markets, there can be no doubt that liberalisation has made certain issues even more critical, and so increased the need for transparency.

Equally important is our open dialogue, conducted at many levels, with society, as it is this that enables us to explain what we do and to take account of others' expectations of us early on any decision-making processes. We ensure that the people directly affected by our activities are involved in planning processes at a very early stage. By working hand in hand with our stakeholders, we aim to find solutions that foster both social development and, more particularly, protect the environment.

Strategic dialogue. In 2006, the strategic dialogue that also serves us as an early-warning system for emerging issues was upgraded at Group level by the creation of a Dialogue Forum (see p. 14), although as a member of various bodies and associations we have in fact been engaged in strategic dialogue for a number of years now. We are a member of the German Global Compact Network, for example, as well as of econsense, the forum for sustainable development of the Bundesverband der deutschen Industrie e.V. [52] RWE npower is engaged in dialogue with a range of stakeholders and works actively with Forum for the Future and Business in the Community. [53] In addition, we regularly take part in public forums and con-

The same applies to the composition of our supply chain, where we insist that all our supplies and services are provided in compliance with the principles and minimum standards enshrined in the United Nations' Global Compact.

RWE as part of the community



On the Internet
52 econsense
53 Business in the Community

5.1 Our challenge: community engagement

ferences, such as those of the Deutsche Energie-Agentur GmbH (dena). We also hold our own events at local level to inform our municipal utility and public-sector customers about energy policy developments and where we stand on them.

Support for infrastructure measures. Whether it is the building of power plants, the mining of lignite, or the erection and maintenance of power lines, almost everything we do has an impact on the environment and on people. For many years now, we have been engaged in intensive, formal dialogue at both regional and local level involving all those who are affected either directly or indirectly by our activities. This can range from the extensive involvement of local residents in resettlement projects and the renaturation of disused opencast mines to collaboration with environmental organisations when planning and maintaining our power lines.

Information and communication. To generate interest in what we do, and to create a better understanding of our activities, we also provide information through a variety of channels. No fewer than 40,000 people a year visit the Garzweiler opencast mine operated by RWE Power, and there in the Rhineland are able to form their own impression of what lignite mining is all about, and to see for themselves how landscape restoration is progressing. RWE's information offering also includes the "Energy Road" theme route as well as the information centres at Schloss Paffendorf and at the Biblis nuclear power plant. [55]

During the period under review, we actively supported the bid of our 'home town' of Essen, Germany, to become Europe's Capital of Culture 2010, representing Germany's Ruhr Area. That Essen was indeed selected in 2006 has to do with the fact that the Ruhr Area these days – thanks in part to our support – has made a name for itself as a flourishing centre for arts and culture, while at the same time preserving its industrial heritage.

Keyword: resettlement

In June 2006, after a planning and preparation phase lasting more than 20 years, RWE commenced operation of the Garzweiler II opencast mine near Cologne, Germany. A total of 7,600 people living in 13 villages will now have to be relocated to make way for the mine. It was, and is, the declared goal of RWE to facilitate the resettlement of established communities by involving the people affected and helping them to preserve their existing social structures and networks.

To achieve this in preparation for the opening of Garzweiler I back in 1997, a concept called "Shaping the Resettlement Process Together" was launched,

which among other things recommended the installation of information and advisory centres in the villages to be relocated. Those affected can also play an active role in the planning of the new village locations through the residents' advisory committees set up for this purpose.

The first phase of the Garzweiler II resettlement programme has now been completed with the participation of 80 percent of the 2,400 residents of Jüchen affected – a gratifyingly high rate. The second phase, involving the resettlement of another four communities with a total of 1,600 residents, began in 2006. [54]



On the Internet

54 Resettlement for Garzweiler II

55 RWE's public information services and tours

56 Overview of RWE's community involvement

57 RWE-Jugendstiftung

Our community involvement and sponsoring activities

In 2005, we reviewed and updated our community involvement and sponsoring strategy and decided to focus all future activities on projects relating to “youth, education and future”. Whereas in 2004, some 80 percent of our support went to professional sports in the form of sponsorships, their share of the total has since then been successively reduced in line with our new focus. We spent a total of €12 million on community involvement in 2007.

Group activities. Our commitment to the fourth “Football World Cup for People with Learning Disabilities 2006” was clear proof of how we are reorienting our sponsorship activities to increase our community involvement: Not only were we the main sponsor of this event, but by providing nearly 150 volunteers from both Group headquarters and our regional subsidiaries, we were also able to help ensure that everything went smoothly. [56]

Activities of the companies in the Group. The many and varied sponsorship activities of our operating companies tie in very well with the Group strategy:

- **RWE Energy** supports the voluntary work done by all RWE employees and focuses the activities of its regional subsidiaries on the Companius programme slogan: “People make it possible” (see p. 60). RWE Energy also awarded its first prizes for energy-efficient commercial properties in January 2008: The

“PROM of the Year 2008” was presented to the three prize winners by German Environment Minister Sigmar Gabriel. RWE Power is committed to the promotion of research and scholarship and in 2007 provided €5 million in funding for four chairs in higher education in North Rhine-Westphalia.

- **RWE npower** works with a range of organisations in the UK, including the National Trust, Wildlife Trusts and Macmillan Cancer Support, as well as supporting the fuel poor through its Health through Warmth initiative.
- **RWE Dea** supports various social projects in Cairo, Egypt, mainly by supplying teaching materials and equipping or modernising buildings for schools and other training establishments.
- **RWE Trading**, working hand in hand with the University of Duisburg-Essen and the Stifterverband für die Deutsche Wissenschaft, has set up Germany’s first “Chair of Energy Trading and Financial Services”, to which it has committed €1.5 million in funding.

Our challenge: community engagement

Dialogue with our stakeholders

Our community involvement and sponsoring activities

Keyword: RWE Youth Foundation

The RWE Youth Foundation based in Essen, Germany, was founded to commemorate our centenary in 1998 as part of our effort to “give something back” to society. Ever since its inception, the Foundation has been helping the young and disadvantaged to break out of the downward spiral, and to develop into mature and responsible adults. The RWE Youth Foundation focuses on three areas: “Prevention”, “Helping Others to Help Themselves” and “Integration, Training, Preparing for a Career” and supports what are often innovative projects, which others can then build on and continue. The foundation is funded by an endowment of €16.3 million; in 2007, money from the fund paid some €560,500 worth of project costs. The projects that are to receive funding are selected by the Board of Trustees from the applications submitted. An overview of the projects receiving support can be called up on the foundation’s web site. [57]



Sponsorship prizes

The reorientation of our sponsorship activities is already bearing fruit: For our involvement in the “Football World Cup for People with Learning Disabilities 2006”, we were awarded the “Paralympic Media Award”, the “International Sponsorship Award” and the “German PR Prize 2007” in the sponsorship category. These prizes were in recognition of the original way in which we have combined elements of classical sponsorship with community involvement and corporate volunteering.

5.1 Our challenge: community engagement

Employee volunteering

The voluntary work done by our employees has helped anchor RWE in community life in the regions in which it operates. For the employees concerned, it is a way of broadening their horizons and adding to their stock of social skills at the same time. This explains why employee volunteering, which RWE systematically promotes, in many cases forms an integral part of our executive development programmes. Much of the stimulus for the development of this approach came from the successfully established corporate volunteering activities of RWE npower (see p. 56). Yet RWE Energy, too, developed a programme of its own during the period under review.

Community involvement. Voluntary community involvement by company employees has a long tradition in the UK. In 2007, more than 10 percent of the employees of RWE npower were actively involved in some form of voluntary programme. Spread over the whole year, this translates into more than 1,600 days of voluntary work. In recognition of its commitment to community involvement, RWE npower received no fewer than three Business in the Community awards in August 2007. [58]

The Companius programme. RWE Energy launched Companius in September 2007 with the aim of providing more focused support for its employees' community involvement and a stimulus for corporate volunteering generally. As the name implies, this programme is about volunteering and working side-by-side with others. True to the slogan "People make it possible", RWE

Energy and its regional subsidiaries are especially supportive of projects to promote the development of children and young people. [59]

RWE employees can claim financial support for initiatives, projects or clubs for which they do voluntary work. A sum of €500 is provided as a rule, but up to €5,000 in special cases. The umbrella organisation RWE Companius has an annual budget of €3 million and is currently considering more than 600 project applications (as at 02/2008).

Executive development. Besides promoting our junior managers' professional skills, we try to improve their 'soft' skills as well. The personal development programmes we provide for selected employees therefore include community involvement such as youth work or work with the disabled. Some of this work is undertaken in the employees' own time. Over 100 employees took part in such a development programme during the period under review.

Civic involvement. Some 300 of RWE's employees in Germany devote some of their own time to serving on the local and parish councils of the villages and towns in which they live. RWE welcomes it when its employees commit themselves to the democratic political process. It must be stressed, however, that in this role, employees are acting as private individuals and not as representatives of RWE. The RWE Code of Conduct and the relevant practical guidelines make it very clear which kinds of political involvement are permitted and which not.



On the Internet

- 58 RWE npower Business in the Community awards
- 59 RWE Companius: employees can sign up for this programme at www.rwecompanius.de
- 60 RWE programme "I can do it!"

"I can do it!"

The training of young people is an integral part of our community involvement in the regions in which we operate. In the autumn of 2006, for example, RWE extended its involvement in the nationwide programme "I can do it!" by another three years. This means that from 2006 to 2008, it will help prepare up to 400 young people without qualifications for a proper course of vocational training. "I can do it!" has a success rate of 70 percent, which is significantly higher than that of comparable programmes. [60]





5.2 Creating added value responsibly

Our economic activities make an important contribution to the regions in which we operate. We provide jobs with a future for our own employees, help secure the jobs of those who work for our subcontractors, and pay taxes that go towards the upkeep and development of infrastructure.

We rank among the largest employers in all the regions in which we do business and train more people than we ourselves need (see p. 50). As we are also a major customer for our suppliers, we stimulate the regional economy, and have done so even more since the launch of our investment programme, which by 2030 will have reached the €30 billion mark. When the construction of the new power plant at Neurath (BoA 2&3) was put out to tender, for example, RWE gave preference to local contractors wherever this was possible and made good economic sense. Almost half the project's contracts worth €2.2 billion remains in North Rhine-Westphalia. Of the €970 million we paid in taxes in 2007, roughly €380 million went to German regions in the form of trade taxes. We did not receive any subsidies in the period under review.

Supply chain management

Our supply chain management processes ensure that all the Group's supplies and services are provided in compliance with the RWE Code of Conduct. Our minimum requirements are those of the United Nations' Global Compact.

Standard products, catalogue goods and services.

We believe the risk of non-compliance with our minimum social and environmental standards to be low in this particular area, as only some 5 percent of our IT equipment, office supplies and cleaning services come from countries that are not in the OECD. In 2007, we

began checking to ensure that the specifications for standardised orders for our grid management activities are in line with our environmental protection and occupational safety requirements.

Fuels. The risk of human rights violations and non-compliance with our minimum environmental standards is highest in connection with our procurement of fuels, especially hard coal, which is handled by RWE Trading (for more on the origin of these fuels, please see p. 31). In 2007, therefore, we began reviewing our suppliers for possible non-compliance with the requirements of the Global Compact.

Equipment and components. We do not regard the procurement of equipment and components as problematic at present. Because of our exacting technical requirements, our choice is limited to just a few suppliers, all of which are based in OECD-member states, where the observance of certain minimum social and environmental standards can be assumed. This is not necessarily the case for these suppliers' own supply chains, however.

Our challenge: community engagement

Employee volunteering

Creating added value responsibly

Supply chain management



On the Internet

61 RWE supply chain management

62 Roundtable on Sustainable Palmoil

Keyword: palm oil

In early 2006, RWE npower began trials of palm oil at its oil-fired power station at Littlebrook. Because of the nature and origin of palm oil, there were concerns that there was a risk of non-compliance with our minimum social and environmental standards. RWE npower developed its sustainability criteria on the basis of its dialogue with, and the recommendations of, NGOs involved in the industry and the minimum standards established by the Round Table on Sustainable Palm Oil (RSPO) [62]. Because the standards defined were extremely high, it was not possible at that time to purchase the large volumes of sustainably sourced palm oil required to make the conversion of Littlebrook economically viable, and in November 2006 RWE npower announced its decision not to proceed.

6.0 Data and Dialogue

RWE wants all its stakeholders to have information that is both transparent and comprehensive, this being essential to the continuation of a dialogue based on trust.

As our stakeholders' information needs increase, however, so this becomes an ever more complex undertaking. Being firmly convinced that it was in our readers' interests to keep this printed report as clear as possible, we decided to publish at least some of the information on the Internet instead (www.rwe.com/responsibility). The printed report brings together those facts and figures which we, having been engaged in intensive dialogue with our stakeholders throughout the period under review, consider indispensable to an understanding of our business and of the environmental and social impact of our operations. The report at the same time picks up where the reports for 2005 (Corporate Responsibility Report 2005) and 2006 (Corporate Responsibility Status Report 2006) left off. It is also the first such report to contain an overview of the most important facts and figures by which we intend to monitor the implementation of our CR strategy.

GRI guidelines. The facts and figures are for the most part organised in accordance with the new guidelines of the Global Reporting Initiative (GRI), published in October 2006. [63] The extent to which these are covered is apparent from the index on the back cover.

GRI Sector Supplement. We have also taken account of the requirements of the Sector Supplement for Electric Utilities [64], in the GRI's drafting of which RWE had a key role to play, and so have presented the information

on the Internet in accordance with the GRI system as well. [65] Our aim is to facilitate comparisons of our performance with that of other energy suppliers. In pursuit of this, we have chosen to focus on those indicators that are relevant and material to RWE.

DVFA criteria. Our report also takes account of the criteria of the Deutsche Vereinigung für Finanzanalyse und Asset Management (DVFA) first submitted at the end of 2007, which we perceive as part of our drive to have greater weight accorded to sustainability issues in company valuations. You can find an overview of these indicators on page 81. [66]

Global Compact. Last, but certainly not least, the report will also serve as a progress report for the purposes of the United Nations' Global Compact, by providing information on the extent to which its principles have been implemented in the period under review. A brief overview of our systems, the measures we have adopted and our performance on all ten principles are also provided on the Internet.

Changes during the period under review. Having by and large withdrawn from the water business, RWE focused on its core business, i.e. on electricity and gas, during the period 2006/2007. Thames Water has been sold, while American Water, as a holding we no longer intend to pursue, has been excluded from our reporting. The period under review also saw us withdrawing from all the energy-related services and activities hitherto handled by RWE Solutions.



On the Internet

- 63 GRI G3 Guidelines
- 64 GRI Sector Supplement for Electric Utilities
- 65 Implementation of the GRI Sector Supplement criteria by RWE
- 66 DVFA criteria
- 67 RWE Annual Report
- 68 RWE Personnel Report
- 01 RWE Facts & Figures
- 69 RWE npower CR Report 2006

6.1 Facts and figures

We have developed key performance indicators (KPIs) to control the implementation of our Corporate Responsibility strategy in our individual fields of operation (see p. 13). In the coming years, we will expand both our overall CR strategy and the identification of said indicators, some of which equal figures from previous reports, some of which are new.

In the following pages, we are offering an overview of the data, which we have organised according to the chapters of this report. The indicators to some extent

have already been mentioned in the initial part of the report, while others will be detailed in the coming pages, with a few only available on the internet.

The facts and figures section has also been organised according to the report's chapters. Here, we identify indicators that are not seen as key performance indicators, but which are nevertheless important to compile a report adhering to the GRI's standards, and one that we intend to be as comprehensive as possible.

Subject	page
KPIs for "Strategy and management"	
Degree to which the environmental management system has been implemented	18
Scope of external certification	65
Degree to which occupational health management system has been implemented	53
KPIs for "Energy and climate"	
Capacity and annual output according to primary energy sources	4
Renewables according to capacity and annual output	28 69
CO ₂ emissions of RWE power plants	67
CO ₂ intensity of the power plant portfolio	67
Net efficiency of conventional fossil-fuel power plants according to fuel consumption	Internet
Free emissions allowances for 2007 distributed via the NAP and subsequently used up	30
Emissions allowances acquired through CDM/JI projects	30
SO ₂ , NO _x and PM emissions in absolute terms and per MWh of power generated according to the fuels hard coal, lignite and gas	70
Total ash and gypsum in tonnes (of which recycled and landfilled)	35 71
Recycling rate 2007	35
Nuclear waste	71
Cooling water consumption	71
Percentage of transmission lines with biotope management plans	71
Distribution of recultivated land	34
Losses in the transmission and distribution grids	32
Primary energy sources according to regional distribution and quantities procured	4, 31
Storage capacity	5
Environmental costs	72

Subject	page
KPIs for "Marketplace"	
External sales	5, 6
Net result	76
Distribution of our customers in the electricity business	5, 39
Distribution of our customers in the gas business	5, 39
National market share for electricity and gas	39
System safety of the transmission grid	43
Power plant availability	Internet
Unplanned outages	Internet
Unplanned outages for our customers in the distribution grid	43
KPIs for "Workplace"	
Fluctuation rate	73
No. of new employees hired	73
No. of women in the company	74
No. of women in senior positions	74
Implementation of the "berufundfamilie" (career and family) audit in the German subsidiaries	51
Accident statistics for employees of RWE	75
KPIs for "Community"	
RWE Group's added value and its distribution	76
Spending on community involvement	59
Number of criminal investigations	19

6.1 Facts and figures

Strategy and management

Since 1998, RWE has developed a comprehensive environmental management system. The tried and tested structures in that system are now being applied to our developing CR management system as well.

CR management at RWE is already a complex network, which during the past few years has expanded to embrace all the relevant departments. Operational responsibility is incumbent on the operating companies and on the specialist units at the Group Centre, while coordination is the responsibility of the Group Centre's Environmental Policy/CR Unit.

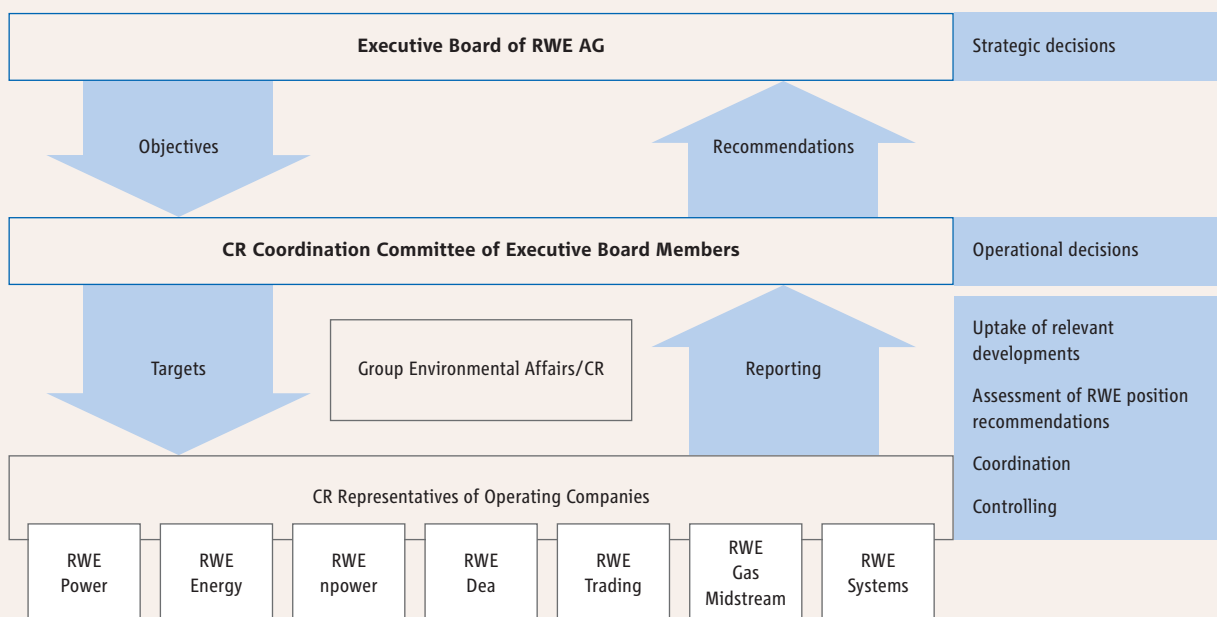
Control. The CR Coordination Committee is the body responsible for overseeing the implementation of the CR strategy and meets once or twice a year to this end. The Group-wide coordination of the measures adopted is in the hands of a team of CR Officers, who meet three to four times a year.

Reporting. For several years now, we have had an Environmental Reporting and Information System (ERIS) in place to collect all the relevant data and monitor our environmental management system. Our experience with ERIS will be an asset to us in the implementation of our CR strategy, too.

Audits. One important tool used to keep our environmental management system at a consistently high level is the internal audit. Once a year, representatives of the Group Centre meet with the operating companies and systematically take stock of the environmental management system. In addition, our internal auditors review specific environmental management processes in both the operating companies and in the Group Centre.

Risk management. Business and financial risks are controlled with the aid of a risk management system that complies with the German law on controls and transparency in business (KonTraG). A taskforce headed by a member of the RWE Executive Board has been set up to handle both crisis management and the related communications in all kinds of crisis situations. The Head of the Department of Group Security reports to the Labour Director.

Structure of CR Management at RWE AG



RWE accredited sites

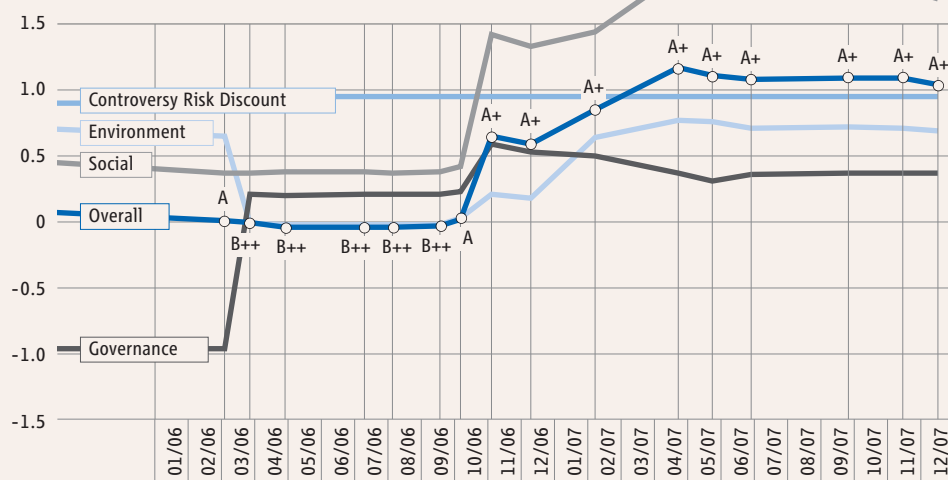
(Status: 31 Dec 2007)

		Environmental management (ISO 14001 bzw. EMAS)	Quality management (ISO 9001)	Occupational health and safety management (OHSAS and others)
	Employee equivalents	Coverage by employees	Coverage by employees	Coverage by employees
RWE Power	17,238	38 %	28 %	83 %
RWE Dea	1,091	76 %	76 %	76 %
RWE Trading	524	0 %	0 %	0 %
RWE Energy	28,323	9 %	2 %	0 %
RWE Gas Midstream	149	0 %	0 %	0 %
RWE npower	11,975	100 %	12 %	0 %
RWE Systems	3,769	0 %	28 %	0 %

**Facts and
figures**Strategy and
management

Sustainability ratings. RWE attaches great importance to its reputation among sustainability-oriented analysts and investors. We therefore regard the results of rankings and ratings as useful pointers for continuous self-improvement. Among them are those provided by the WestLB AG, Düsseldorf, Germany, which does systematic research in the field of socially responsible investment (SRI). In February 2008, as used throughout the year 2007, the WestLB awarded us a rating of A+. We publish the results on the Internet as they become available. [02]

While oekom research [70] awarded us a grade of C+ in its most recent rating, the scoris rating agency [71], which is a member of the international SiRi Group, gave us 67.1 out of 100 points in its November 2007 study of the sustainability performance of Germany's major corporations. That put us in eleventh place among the DAX 30.

WestLB EFRIX Extra Financial Risk Index in z-scores

A++	excellent sustainability performance	$z \geq 1.5$
A+	very good sustainability performance	$z = 0.5 - 1.5$
A	good sustainability performance	$z = 0.0 - 0.5$
B++	adequate sustainability performance	$z = -0.5 - 0.0$
B+	questionable sustainability performance	$z = -1.5 - -0.5$
B	poor sustainability performance	$z \leq -1.5$



On the Internet:
02 Ratings and rankings
70 oekom research
71 scoris

6.1 Facts and figures

Sustainability indices. RWE has been listed on the Dow Jones Sustainability Index (DJSI) since its inception; the same is true of DJSI STOXX, which was launched a year later. [72] Inclusion in these indices is based on extensive surveys conducted by the SAM Group. [73] RWE is also represented in the Advanced Sustainable Performance Indices (ASPI), the ratings for which are provided by the Vigeo rating agency. [74]

The Climate Leadership Index published by the Carbon Disclosure Project (CDP) is not a sustainability index as such, but as a theme-specific index has nevertheless attracted a lot of attention. In 2006, when its ratings were still based on the transparency of the emissions information provided and the action being taken to protect the climate, RWE was among the leaders in this index. Since specific CO₂ exposure was added to the list of criteria in 2007, however, we have no longer been included in these ratings. [25]

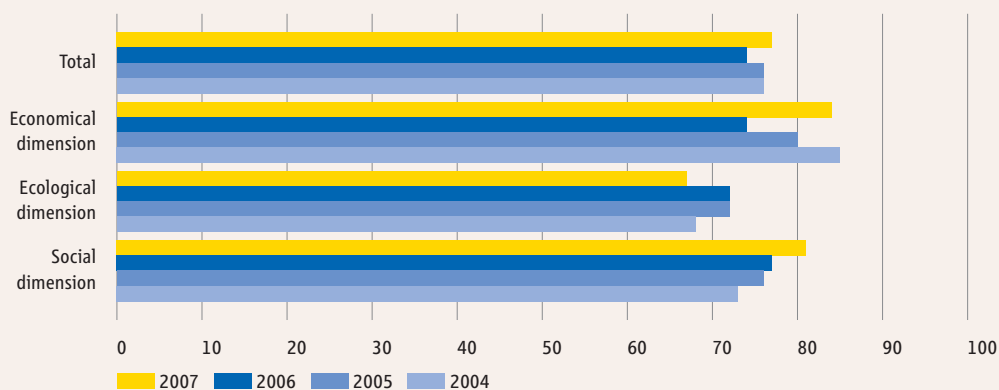
Sustainability funds. RWE is listed in only a few sustainability funds. This is partly because of our involvement in nuclear power, which for many such funds is a criteria for exclusion, and partly because of our high level of CO₂ exposure, which as the climate protection debate intensifies is having an increasingly detrimental impact on our overall ratings.

RWE is currently listed among the top ten investments in the following funds (29 Feb 2008)

Name	Share in percent
DWS Bildungsfonds	2.10
Gamax Funds – Senior	2.70
GKD-Fonds	1.70
HSBC Global Equity SR	1.11
iShares DJ EURO STOXX Sustainability 40 (DE)	2.76

Source: Internet platform "Sustainable Investment" [75]

Results of the evaluation by SAM 2004–2007 in percentage (maximum score = 100)



Sustainability reporting. Our report is an important source of information for our stakeholders, who include analysts and investors. This makes it all the more gratifying that the transparency this report creates is rated so positively. In a ranking of the sustainability reports of Germany's 150 largest corporations in November 2007, our 2005 report was accorded second place. This ranking was conducted by future e.V. and the Institut für ökologische Wirtschaftsforschung (IÖW), supported by the German Council for Sustainable Development. [76] Our 2005 report also came second in the Energy Sector of the Pacific Sustainability Index (PSI), which is prepared by the Roberts Environmental Center at Claremont McKenna College (USA). [77]

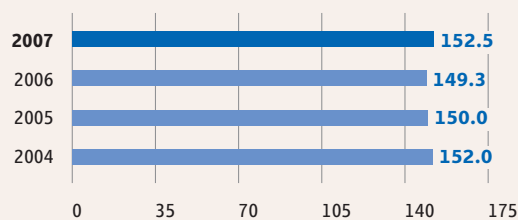
Energy and climate

CO₂ emissions. Our electricity generation operations emitted 187.1 million tonnes of CO₂ in fiscal 2007. RWE-owned power plants accounted for 152.5 million tonnes of this total, while the remaining 34.6 million tonnes came from contractually secured capacity in Germany – mainly from the hard-coal power plants belonging to Evonik Steag GmbH.

CO₂ emissions from our own power plants were up by 3.2 million tonnes compared with 2006. In Germany, emissions rose by 5.5 million to 123.2 million tonnes. This is because the temporary shutdown of our nuclear power plant at Biblis, Germany, greatly reduced our output of CO₂-free electricity, obliging us to rely more heavily on fossil-fuel-fired power plants. Our CO₂ emissions in the UK, on the other hand, declined by 2.7 million to 22.0 million tonnes owing to the diminished capacity utilization of RWE npower's hard-coal and oil-fired power plants. In Hungary, our emissions totalling 6.6 million tonnes were marginally higher than the previous year's level, while our specific CO₂ emissions rose from 0.785 tonnes per megawatt hour (MWh) in 2006 to 0.861 tonnes per MWh in 2007.

CO₂ emissions from electricity generation account for more than 99 percent of all the greenhouse-gas emissions caused by RWE. Emissions from our buildings and fleet of vehicles have therefore been disregarded, while those caused by our lignite mining operations have indeed included in our emissions balance-sheet.

CO₂ emissions from RWE power plants
in million metric tonnes



On the Internet:

72 Dow Jones Sustainability Indizes

73 SAM-Group

74 Advanced Sustainability Performance Indizes

25 CDP

75 Internetplattform Nachhaltiges Investment

76 German ranking of sustainability reports 2007

77 Roberts Environmental Center evaluation

Facts and figures

Strategy and management

Energy and climate

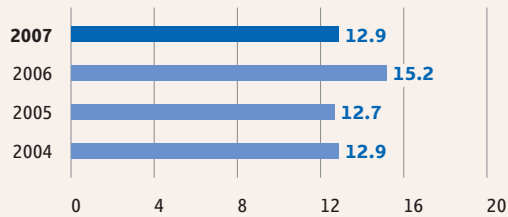
6.1 Facts and figures

Fuels. The combined output from the Group's own hard-coal power plants fell by 14.3 percent in 2007. As the market for coal power has deteriorated significantly in the UK, RWE npower reported a sharp decline of 27.4 percent in the use of hard coal for power generation, whereas the equivalent rate in Germany remained constant. The use of lignite, which is used as power-plant fuel only in Germany and Hungary, rose by 4.4 percent in 2007. The main reason for this was an improvement in plant availability compared with 2006, when production was limited both by a fire at the plant at Niederaußem, Germany, and the performance of scheduled repairs.

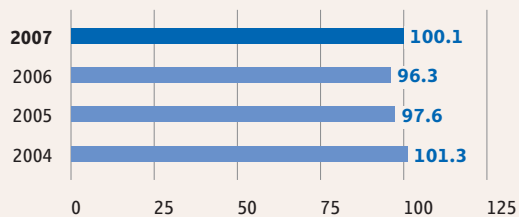
The increased use of lignite in 2007 enabled us to pick up most of the shortfall caused by the decline in output from our nuclear power plants, occasioned in part by the need for repairs at the plant in Biblis, Germany. The output from our nuclear power plants therefore fell by 32 percent in 2007. While Block A at the Biblis plant was back in operation in November 2007, Block B went back onto the grid in early 2008.

Thanks to increases in both Germany and the UK, the use of gas to generate electricity was up by a total of 20.6 percent in 2007. This development also reflects changes in generation costs. We have also been able to increase our use of biomass, mainly because 2007 saw a biomass plant re-emerge into full generation capacity after its comprehensive rebuilding.

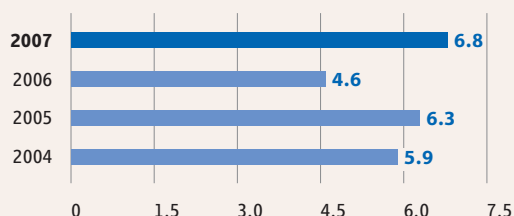
Use of hard coal in RWE power plants
in million metric tonnes



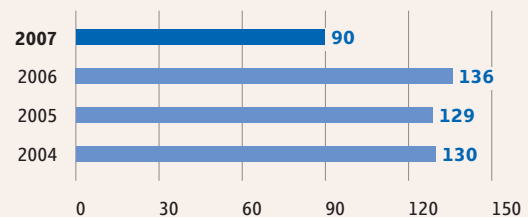
Use of lignite in RWE power plants
in million metric tonnes



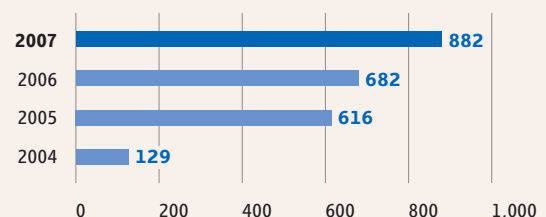
Use of natural gas in RWE power plants
in billion cubic metres

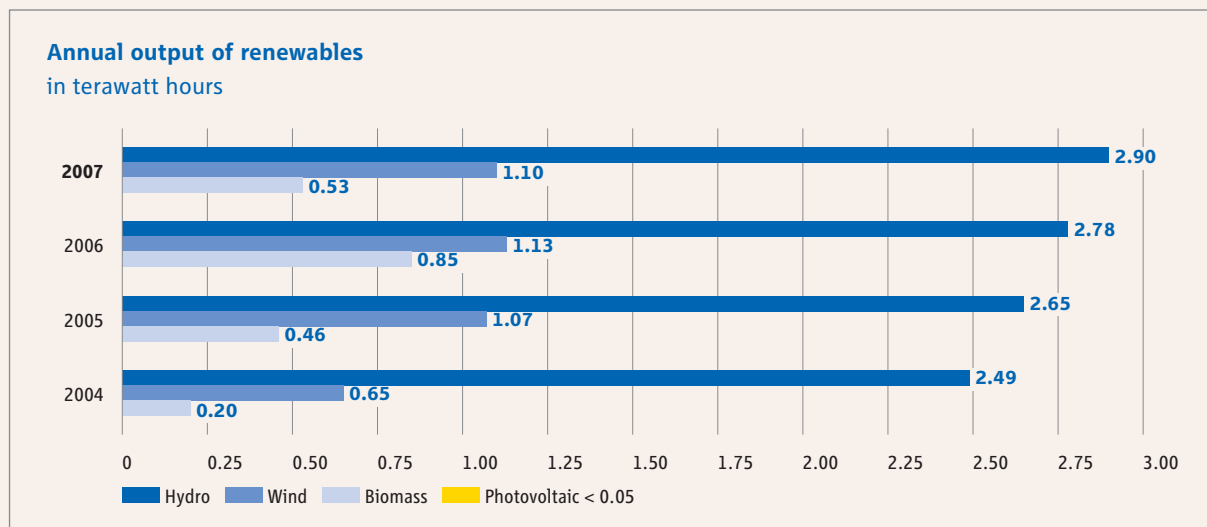


Use of nuclear fuels in RWE power plants
in metric tonnes



Use of biomass in RWE power plants
in thousand metric tonnes

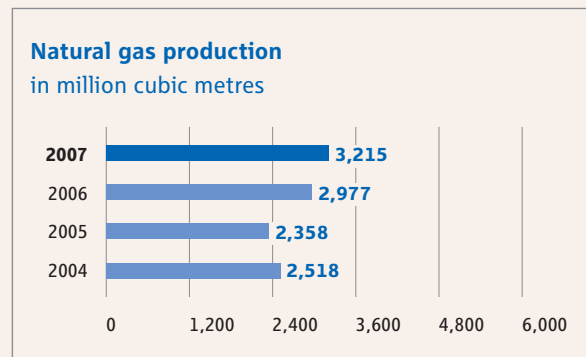
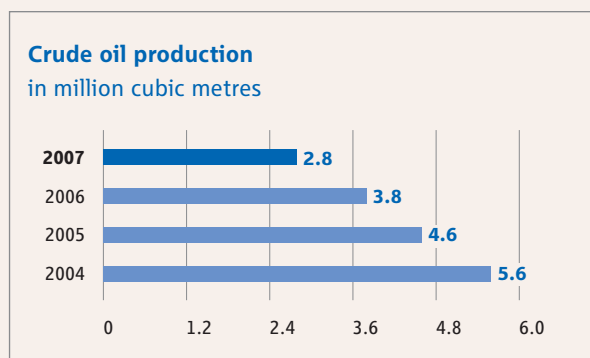




Renewable energies. Hydroelectric power still counts for a large part of the electricity RWE generates from renewable sources. The power generated by our run-of-the-river power plants rose by 7 percent over the previous year, partly because 2007 was wetter than 2006, meaning that the rivers had more water in them. Wind power remained more or less constant as the building of additional generation capacity in 2007 has not yet had a significant impact on output. Power generation from biomass has declined, particularly in the UK. Photovoltaic's share of total output remains marginal.

Gas exploration and drilling. Our production of natural gas increased steadily, with the volumes drilled up 8 percent over the previous year. The main reason for this was our commencement of production in several UK North Sea gas fields. Conversely, in Germany, which is still the main focus of our exploration activities, we

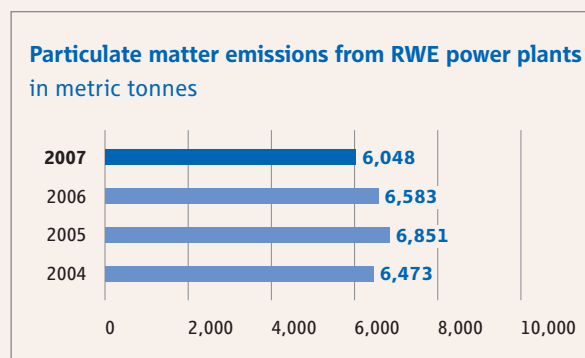
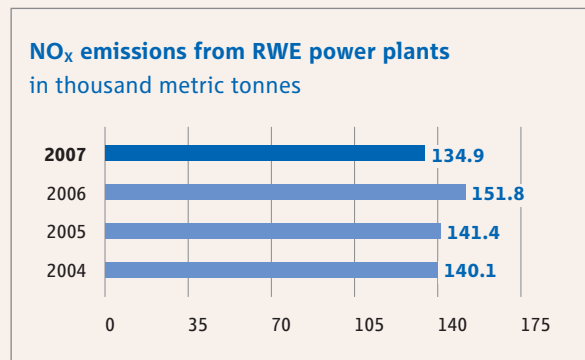
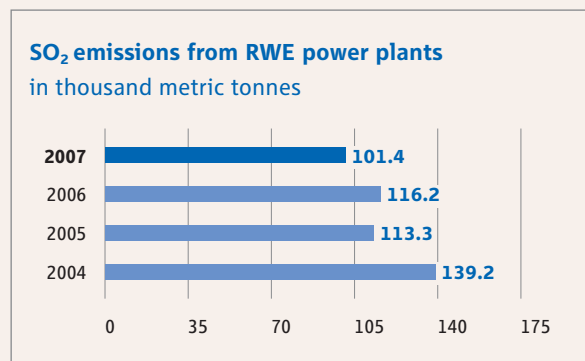
actually produced less gas than in the previous year. This was partly because of the fall in demand resulting from the mild weather. Oil production was down by 28 percent, mainly due to the sale of our stake in the Kazgermunai field in Kazakhstan in July 2006, and that of our drilling concession in Dubai in April 2007. During the same period, however, we were able to actively expand our exploration and drilling activities in the Mediterranean region, and in Egypt and Libya especially.



6.1 Facts and figures

Emissions. Our output of sulphur dioxide (SO₂) and nitrous oxide (NO_x) emissions is dependent on the quantity of fossil fuels used. After we had reduced those in 2007 SO₂ and NO_x outputs dropped, too. The increased use of low-sulphur coal in the UK also helped lower these emissions, and they should fall even further once the new flue-gas desulphurisation plant at our Aberthaw plant in the UK goes on stream in 2008.

This is the first of our reports to detail our emissions according to fuel type in order to facilitate comparisons with other companies.

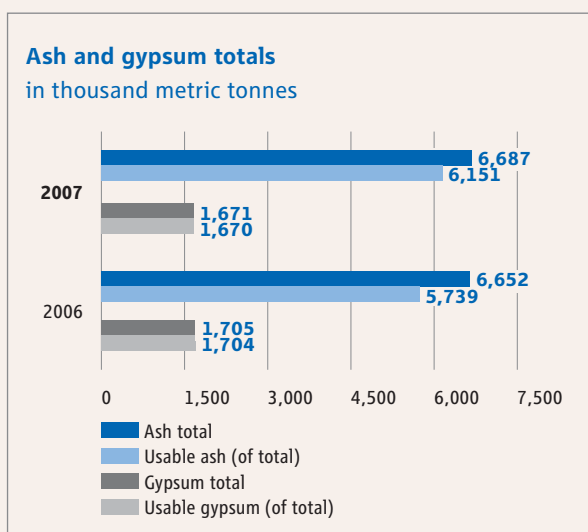


The limits for particulate matter based on the EU's 1999 Air Quality Directive and in place since 2005 have alerted the public to the problem of fine dust. Most particulate matter occurs as a result of unfiltered combustion processes (industrial operations, power plants, domestic households) and road traffic. Our opencast mining operations also emit particulate matter. According to official analyses of the fine dust occurring in the vicinity of our operations, they account for up to 25 percent of the PM concentrations measured. Thanks to the various internal measures we have adopted, the PM emissions from our opencast mining operations have since fallen by more than a third, and in the vicinity of our Hambach and Inden mines are actually well below the statutory thresholds. An air purity plan will nevertheless have to be drawn up for the town of Grevenbroich, where approximately 17 percent of the PM concentrations measured are attributable to our Garzweiler opencast mine located nearby. An effective solution to this problem, in other words, can be found only by working together with the other parties involved. Most important of all is that the solutions found reduce the high levels of background pollution.

Specific emissions 2007
in gramme per kilowatt hours

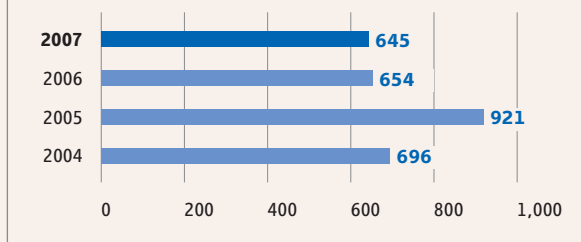
	Lignite	Hard Coal	Gas
SO ₂	0.42	1.88	0.05
NO _x	0.86	1.61	0.37

Waste. Most of the waste produced by the RWE Group, at least in terms of volume, is ash from the operation of our coal-fired power plants. As required by law, we have drawn up detailed disposal and recycling plans for this material. The waste from our lignite-fired power plants is landfilled on special sites and so used to refill disused opencast mines. The ash from our hard-coal power plants is recycled as far as the marketing possibilities for this material allow. Gypsum, on the other hand, which is a by-product of flue-gas desulphurisation, by law does not count as waste. We therefore sell as much raw gypsum as the markets can absorb. We also use a large part of the gypsum we produce to stabilise the refilling of our disused opencast mines.

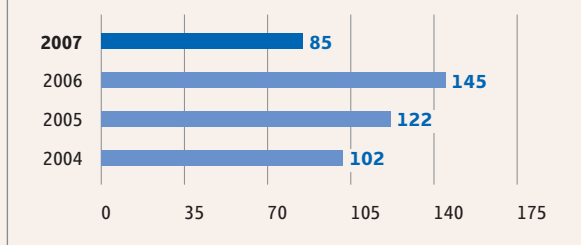


Radioactive waste is packed in licensed containers in the power plant, registered and stored in accredited interim storage or taken directly to the state-run final storage facility. The entire process of radioactive waste disposal is monitored by the Federal Office for Radiation Protection.

Nuclear waste
in metric tonnes



Spent fuel elements
in metric tonnes



Cooling-water consumption. Most of our power plants are equipped with wet cooling towers, whose water supply varies depending on the local circumstances. Our lignite-fired power plants, for example, make use of water pumped out of the opencast mines and hence are not affected by seasonal fluctuations. Most other power plants draw the cooling water they need from nearby rivers. Our nuclear power plant at Biblis, Germany, is the only one to be cooled directly by water from the Rhine. Two of our coal-fired power plants in the UK have a cooling system that uses water straight from the sea.

6.1 Facts and figures

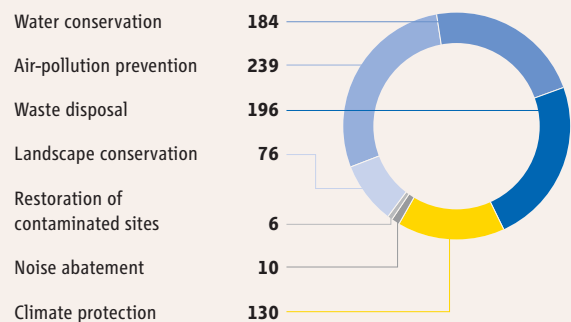
Biodiversity. Our activities, and our lignite mining in particular, have a far-reaching impact on the landscape. We therefore regard it as one of our key responsibilities to return those areas that we have used temporarily for mining in a condition that is equivalent to, or even better than, that they were in before as soon as our opencast mining operations are at an end. What this means in practice is that about half of these areas are recultivated as agricultural land, while the other half is returned as lakes, forest or fallow land (see p. 34).

The recouring and environmental upgrading of the river Inde at our opencast mine at Inden, Germany, is an especially good example of this. Before our opencast mine necessitated the recouring of this river, it flowed along a straightened and environmentally impoverished riverbed. Today, however, the Inde once again has a meandering course, which owing to fluctuations in the speed of flow provides a habitat for numerous species of flora and fauna. Changes in the species living in the area of the lignite mines of the Rhineland are monitored constantly by the Forschungsstelle Rekultivierung. (www.forschungsstellerekultivierung.de)

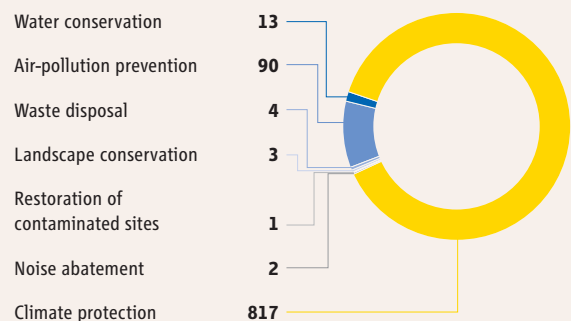
In the 1990s, we developed our own biotope management system for our transmission lines. By dispensing with the clear-cutting, which until then had been standard practice, and promoting controlled growth instead, we were able to create valuable living space for numerous species of flora and fauna. These days, all our transmission lines are maintained according to these biotope management plans and we cooperate closely with local environmental and nature conservation organisations. The same is true of our measures to protect birdlife, for which we were awarded a prize in 2007.

Environmental costs. We spent €1,771 million on the protection of the environment in 2007, the year under review. This sum for the first time includes climate protection measures such as the building of new and more efficient power plants intended not to increase generation capacity, but to replace older, less efficient plants. More than half of our expenditure took the form of investments in climate protection, which were not reported separately in 2006. Our efforts to reduce air pollution, including the retrofitting of our hard-coal power plant at Aberthaw in the UK with a flue-gas desulphurisation plant, still account for a large part of our environmental costs. Our expenditure on environmental protection (plant operations, personnel, charges), on the other hand, was lower than in the previous year. Here, too, our spending on pollution control was the largest single item.

Expenses for environmental protection by area in 2007 in € million



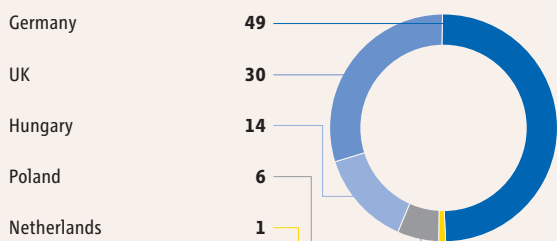
Investments in environmental protection by area in 2007 in € million



Market and customers

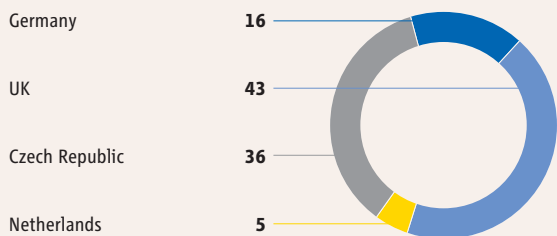
Customer structure. Nearly 50 percent of our electricity customers are based in Germany, which remains our most important market. Our gas division, on the other hand, has more customers in the UK, as well as a sizeable customer base in the Czech Republic. Central and Eastern Europe will remain a promising growth market in the years ahead.

Distribution of our customers in the electricity business in percent (14,5 million customers*, 31 Dec 2007)



* without minority stakes

Distribution of our customers in the gas business in percent (6,3 million customers*, 31 Dec 2007)



* without minority stakes

Product responsibility. Providing our customers and the public at large with correct information is a matter close to our heart: Since 2005, the bills we send out to our customers in the EU have contained information on our generation portfolio (fossil fuels, nuclear power, renewables) and its impact on the environment (radioactive waste, CO₂ emissions etc.). We have now taken this transparency drive a stage further (see p. 45).

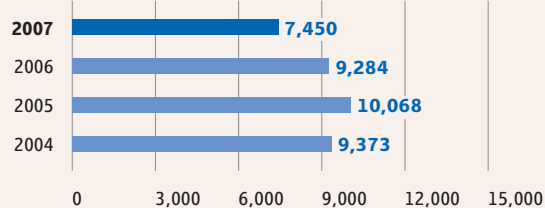
Greater competition among electricity suppliers led to the loss of 250,000 customers in Germany during the period under review. We remain committed to free and fair competition, however, and in 2007 launched eprimo, a discount electricity brand available exclusively on the Internet throughout Germany. By the end of 2007, some 200,000 customers had opted for eprimo.

We have our own data protection officer to ensure that the customer data in our hands, which we do indeed use to optimise our own services, is treated confidentially, and that the privacy of our customers is upheld.

Workforce

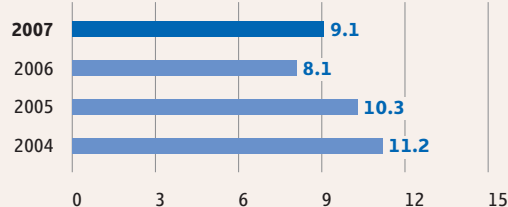
New recruits. The RWE Group had a workforce of 63,439 full-time equivalents as per 31 December 2007. This is 3 percent more than the previous year. While the increase in Germany itself was a modest 1.3 percent, that outside Germany was 5.1 percent.

Total number of hirings in employees



Fluctuation. Our employee fluctuation rate rose in 2007. As before, RWE npower's rate of 23.3 percent is well above the average for the Group as a whole. This is mainly attributable to the fact that the UK has a more

Fluctuation rate in percent



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Energy and climate

Market and customers

Workforce

6.1 Facts and figures

dynamic labour market. In sales and service, in particular – both of which RWE npower enlarged during the period under review –, the employees tend to be young and flexible for the most part. RWE npower has taken steps to remedy this, including by making work in call centres more attractive to older employees, who change jobs less frequently.

Social security. More than 99 percent of our employees are employed in OECD countries, which guarantee certain minimum standards for their social security in old age and in the event of sickness. The level of security provided can of course vary from country to country, depending on the national legislation in place. The companies in our Group therefore provide programmes specific to the needs of the countries in which they operate, including top-up pension funds and support for employees in distress. In Egypt and Libya, we have introduced a social benefits package for our employees going far beyond the statutory requirements in those countries.

Workforce by region in employee equivalents

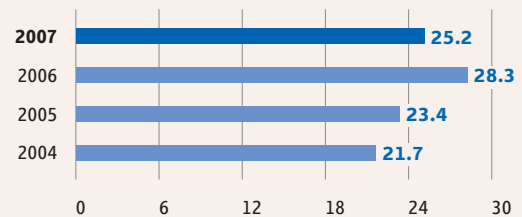
	2007*	2006*	2005	2004
Germany	38,283	37,782	43,579	55,407
UK	12,837	11,647	16,847	15,881
Other European countries	12,148	12,152	15,495	16,276
USA and Canada	0	0	7,115	7,335
Other	171	145	2,782	2,878

*without discontinued operations

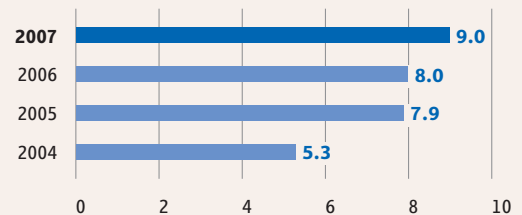
Equal opportunities. Although the proportion of women in the workforce traditionally tends to be low among energy suppliers, we have been able to report a slight improvement here in recent years. In 2007, however, the proportion of women in our workforce fell again slightly to 25.2 percent.

According to the Group-wide standardised grading system, RWE currently has a management and executive staff (ML 1–6) of some 1,100 persons. In 2007, women accounted for 9 percent of this total, which marks a slight increase over the previous year.

Proportion of women working at RWE in percent

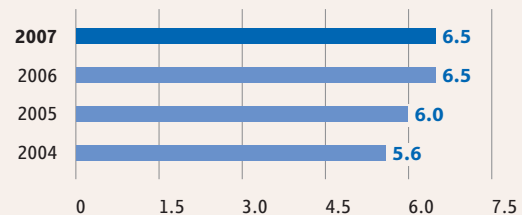


Proportion of women in senior management in percent



Trainees. RWE employs more than 2,900 trainees and some 900 young people begin a course of training with RWE every year. This means that we provide ten times as many traineeships as we need to cover our own requirements. This policy is part of our contribution to the

Ratio of trainees in Germany in percent



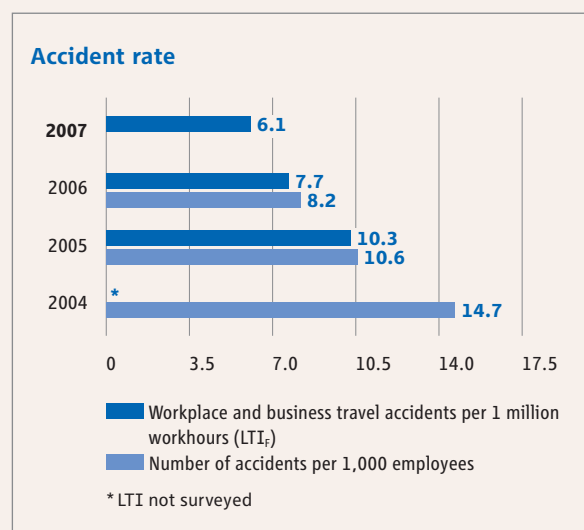
effort to lower youth unemployment and is one that counts for a lot in Germany, whose very formalised system of vocational training means that traineeships and apprenticeships carry a lot of weight in a person's future career. As there is no comparable system of training in the other countries in which we operate, the figures here apply only to Germany.

Careers for the disabled. Being disabled does not have to mean being less productive. In many cases, just a few technical or organisational modifications are all that is needed to enable a disabled person to work to full capacity. RWE in Germany meets the 5 percent disabled employment quota required of it by law. This does not mean that all the employment opportunities for people with disabilities have been exhausted, however, which is why this issue will be accorded more attention in coming years.



Health and safety. Our success at reducing accidents continued during the period under review. This was thanks largely to the stepping up of our Group-wide activities in the area of occupational safety, thanks to which we were able to lower our accident rate by 41 percent compared with 2005. Regrettably, however, we still had 31 fatalities to report in the years 2006/2007: fifteen of these were employees of subcontractors, while ten RWE employees died in a train crash while on a company outing.

In 2006, the RWE Group switched to the international standard "Lost Time Incident" (LTI) for the reporting and analysis of its accident statistics. To facilitate the transition to this new standard for external observers, our accident rate (per thousand employees) for the past few years is presented here alongside the LTI statistics.



6.1 Facts and figures

Community

Distribution of real net output. After deducting material costs, we were left with a real net output of €13.6 billion in fiscal 2007, compared with €15.9 billion in the previous year. Our labour costs fell by €0.7 billion, of which €0.3 billion can be attributed to changes in the scope of consolidation. The taxes paid remained relatively constant with gas and electricity taxes of more than €1.4 billion accounting for a large proportion of these. Owing to special items such as the sale of Thames Water, the real net output in 2006 fell by approximately 30 percent.

Distribution of added value

in € million

	2007	2006*	2005**	2004
Added Value	13,615	15,933	13,717	15,225
Distribution				
To employees (wages, salaries, benefits)	3,964	4,620	4,969	6,122
To the government (taxes and duties)	2,424	2,383	2,311	2,249
To creditors	4,344	4,796	3,982	4,440
To minority interest	0,224	0,166	0,224	0,277
Net income	2,659	3,847	2,231	2,137
there of to shareholders	1,772	1,968	0,984	0,844

* Adjusted by discontinued operations (American Water)

** Adjusted by discontinued operations (Thames Water and RWE Solutions)

Supply chain. More than 82 percent of our net material costs in 2007 (totalling €26.5 billion) were incurred for electricity and gas purchased from third parties, grid fees payable to other grid operators, taxes on oil, heating oil and natural gas, operating costs and other expenses not directly related to the supply of goods and services. We have excluded these expenses from our supply chain management.

Some €4.4 billion, and hence about 10 percent of RWE's sales revenues, can be attributed to merchandise and other supplies and services. RWE purchases most of its merchandise from OECD member states in which compliance with our minimum social and environmental standards can be assumed. We estimate the risk of non-compliance with our minimum social and environmental standards to be higher in connection with our procurement of fuels than our procurement of standard products, catalogue goods and services. A recent analysis revealed that less than 5 percent of our standard products and catalogue goods come from countries that are not in the OECD, where the risk of environmentally and socially problematic production conditions could be higher. Our procurement of merchandise from low-wage countries is still at a very low level. Developing reliable supplier relations takes time.

Almost all our services, most of them IT services, are provided by companies based in OECD member states and are therefore not to be rated critically in our eyes. We have taken steps to have employees of subcontractors, especially those working in our plants and on our grids, covered by our occupational safety management system.

Relevant companies included in this report

(As of 31 December 2007: Coverage of the environmental management: 97,6 percent of employees)

RWE Power

RWE Power Aktiengesellschaft, Köln und Essen/Germany
Kernkraftwerk Gundremmingen GmbH, Gundremmingen/Germany
Kernkraftwerk Lippe-Ems GmbH, Lingen (Ems)/Germany
Mátrai Erőmű Zártkörűen Működő Részvénytársaság (MÁTRA),
Visonta/Hungary
STEAG und RWE Power Gemeinschaftskraftwerk
Bergkamen OHG, Bergkamen/Germany

RWE Dea

RWE Dea Aktiengesellschaft, Hamburg/Germany
RWE Dea Norge AS, Oslo/Norway
RWE Dea North Africa GmbH, Hamburg/Germany
RWE Dea Suez GmbH, Hamburg/Germany

RWE Trading

RWE Trading GmbH, Essen/Germany

RWE Energy

RWE Energy Aktiengesellschaft, Dortmund/Germany
eprimo GmbH, Neu-Isenburg/Germany
RWE Key Account GmbH, Essen/Germany
BTB GmbH, Berlin/Germany
RWE Key Account Contracting GmbH, Dortmund/ Germany
RWE Rhein-Ruhr Aktiengesellschaft, Essen/Germany**
Emscher Lippe Energie GmbH, Gelsenkirchen/Germany
EWV Energie- und Wasser-Versorgung GmbH, Stolberg/Germany
rhenag Rheinische Energie Aktiengesellschaft, Cologne/Germany
RWW Rheinisch-Westfälische Wasserwerksgesellschaft mbH,
Mülheim an der Ruhr/Germany
Stadtwerke Düren GmbH, Düren/Germany
RWE Westfalen-Weser-Ems Aktiengesellschaft, Dortmund/
Germany**
envia Mitteldeutsche Energie AG, Chemnitz/Germany**
envia.tel GmbH, Cottbus/Germany
envia Service GmbH, Cottbus/Germany
envia Therm GmbH, Bitterfeld/Germany
GISA GmbH, Halle/Germany
envia infra GmbH, Bitterfeld/Germany
ICS adminservice GmbH, Leuna/Germany
MITGAS Mitteldeutsche Gasversorgung GmbH, Halle/Germany
Lechwerke AG, Augsburg/Germany**
Bayrische Elektrizitätswerke GmbH, Augsburg/Germany

LEW Servive & Consulting GmbH, Augsburg/Germany
Süwag Energie AG, Frankfurt am Main/Germany**
Koblenzer Elektrizitätswerk und Verkehrs-Aktiengesellschaft,
Koblenz/Germany**
VSE Aktiengesellschaft, Saarbrücken/Germany**
Energis GmbH, Saarbrücken/Germany
RWE Energy Nederland N.V., Hoofddorp/Netherlands**
RWE Obragas N.V., Helmond/Netherlands
RWE STOEN S.A., Wroclaw/Poland**
RWE Stoen Operator Sp. z.o.o. Wroclaw/Poland
RWE Energy Customer Services, a.s., Prague/Czech Republic
Jihomoravská plynárenská, a.s., Brno/Czech Republic
Severočeská plynárenská, a.s., Ústí nad Labem/Czech Republic
Severomoravská plynárenská, a.s., Ostrava/Czech Republic
Středočeská plynárenská a.s., Prague/Czech Republic
Východočeská plynárenská, a.s., Hradec Králové/Czech Republic
Západočeská plynárenská, a.s., Plzen/Czech Republic
RWE Transgas, a.s., Prague/Czech Republic**
RWE Transgas Net, a.s., Prague/Czech Republic
Budapesti Elektromos Művek Nyrt. (ELMÜ), Budapest/Hungary**
Észak-magyarországi Áramszolgáltató Nyrt. (ÉMÁSZ), Miskolc/
Hungary**
ELMÜ-ÉMÁSZ Hálózati Szolgáltató és Szerelő Kft., Budapest/
Hungary
ELMÜ-ÉMÁSZ Ügyfélszolgálati Kft. Budapest/Hungary
ELMÜ DSO Elosztóhálózati Szolgáltató Kft., Budapest/Hungary
ÉMÁSZ DSO Elosztóhálózati Kft., Miskolc/Hungary
RWE Transportnetz Gas GmbH, Dortmund/Germany
RWE Transportnetz Strom GmbH, Dortmund/Germany

RWE npower

RWE Npower Holdings plc, Swindon/UK

RWE Systems

RWE Systems Aktiengesellschaft, Dortmund/Germany
RWE Systems Applications GmbH, Essen/Germany
RWE Systems Computing GmbH, Dortmund/Germany
RWE Systems Consulting GmbH, Essen/Germany
RWE Systems Immobilien GmbH & Co. KG, Essen/Germany
RWE Systems Slovakia s.r.o., Kosice/Slovakia
RWE Systems UK Ltd., Swindon/UK

* Affiliated companies with more than 50 employees

** Regional leadership companies

Facts and figures

Community

Relevant
companies
included in
this report



6.2 Independent Assurance Report

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft had performed a limited assurance engagement on the German version of CR Report and issued an independent assurance report, authoritative in German language, which has been translated as follows:

Independent Assurance Report to RWE AG, Essen

We have been engaged to perform a limited assurance engagement on the Corporate Responsibility Report "Our 2007 Responsibility Report" (the "CR Report") of RWE AG, Essen.

Management's Responsibility. RWE AG's Board of Managing Directors is responsible for the preparation of the CR Report in accordance with the criteria stated in the Sustainability Reporting Guidelines Vol. 3 (pp. 7-17) of the Global Reporting Initiative (GRI)

- Materiality,
- Stakeholder Inclusiveness,
- Sustainability Context,
- Completeness,
- Balance,
- Clarity,
- Accuracy,
- Timeliness,
- Comparability and
- Reliability.

This responsibility includes the selection and application of appropriate methods to prepare the CR Report and the use of assumptions and estimates for individual CR disclosures which are reasonable in the circumstances. Furthermore, the responsibility of RWE AG's Board of Managing Directors includes designing, implementing and maintaining systems and processes relevant for the preparation of the CR Report.

Practitioner's Responsibility. Our responsibility is to express a conclusion based on our work performed as to whether any matters have come to our attention that cause us to believe that the CR Report has not been prepared in accordance with the abovementioned criteria of the Sustainability Reporting Guidelines Vol. 3 of the

GRI. As we have been engaged, this also comprises a conclusion on the disclosures regarding the process of developing the CR strategy, as described in section "1.1 Strategy development and dialogue" (pp. 12-14) of the CR Report. We also have been engaged to report on recommendations for the further development of CR management and CR reporting on the basis of 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 to express our conclusion with limited assurance.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement (for example, the audit of financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code")), and therefore less assurance is obtained than in a reasonable assurance engagement.

The procedures selected depend on the practitioner's judgment. This includes the assessment of the risk of material incompliance of the CR Report with the abovementioned criteria. Within the scope of our work we performed amongst others the following procedures:

- Inspection of the documentation of the systems, processes and documents on CR management – including the minutes of meetings of the CR Coordination Group and the team of authorised CR representatives, the task description of the CR Coordination Organisation of RWE Energy AG, the code of conduct and guidelines on sponsoring, on environmental protection and on safety at work
- Obtaining an understanding and assessment of the process for developing RWE AG's CR strategy, as it is described in section "1.1. Strategy development and dialogue" (pp. 12-14) of the CR Report
- Inspection of the documentation of the systems and processes for gathering, analysing and aggregating the CR data and their examination on a test basis – amongst others on the basis of the procedures for preparing the CR report

- Inquiries of the “Environmental policy/CR” department, responsible for preparing the CR Report, and to the CR coordinators of RWE Energy AG, RWE Dea AG and RWE Power AG
- Inquiries of employees in the corporate departments of personnel controlling, health and safety at work, environmental protection, CR coordination, sponsoring and power station controlling
- Obtaining an understanding of the process for choosing topics for the 2007 CR Report
- Comparison of the key financial indicators listed in the chapters “Portrait” and “Data and Dialogue” with corresponding figures in the group’s business reports
- Inquiries of the manager responsible for health and safety, environmental protection and quality management of Matra in Hungary, and inspection of documents of his activity
- Use of the work of the Internal Auditing Department of RWE Systems AG, which audited the process of data collection in UBIS, the group-wide environmental information system of RWE AG, and the environmental management of RWE AG within the “Environmental policy/CR” for the period of the CR Report
- Use of the results of regular audits in accordance with ISO 14001, ILO-OSH 2001 or OHSAS 18001, which were carried out in units of RWE Power AG, RWE DEA AG and RWE Energy AG
- Use of the audit results of the 2006 CR report of RWE npower conducted by the external consulting firm csrnetwork
- Use of the results of the audit of the implementation of the code of conduct carried out by an external law firm

Conclusion. Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the CR Report, including the disclosures regarding the process of developing the CR strategy, as described in section “1.1 Strategy development and dialogue” (pp. 12-14) of the CR Report, has not been prepared, in all material respects, in accordance with the abovementioned criteria of the Sustainability Reporting Guidelines Vol. 3 (pp. 7-17) of the GRI.

Emphasis of matter – recommendations. Without qualifying our conclusion above, we recommend for the further development of CR management and CR reporting the following:

- Whilst the systems and processes of CR management, in terms of design, degree of implementation and application, have recognisably entered operational practice, we recommend to continue to drive forward the documentation of these systems and processes.
- We recommend that planning and monitoring the implementation of the CR strategy in the coming years, as already prepared internally, should be performed stringently, systematically and across the entire group. The systems and processes required for this have partly still to be defined or introduced. In this context, the CR programme must clearly be enhanced in relation to its degree of detail, informative value and the extent to which it is externally recognised as being binding.
- In our point of view, the increasing demands on CR reporting make it from our point of view necessary that the UBIS application system, which up to now has been used to collect environmental data, will either be supplemented with additional social/societal data or that an application system will be implemented which permits the group-wide collection of all relevant CR data.

Frankfurt/ Main, 25 March 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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By procuracy Dieter W. Horst



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* RWE Supply & Trading since 1 April 2008

Progress Report according to Global Compact

RWE supports the United Nations Global Compact because it wants to help with the worldwide implementation of its ten principles. The following chart identifies RWE's guidelines, programmes and management systems supporting the implementation of the ten principles

within our sphere of influence. We are also highlighting the measures that have been taken during the period under review, and note the specific results these measures have achieved.

Principle	System	Measures	Results
Principle 1: Support of human rights	RWE Code of Conduct (p. 15)	Risk evaluation (p. 61)	
Principle 2: Elimination of human rights violations	Supply chain management (p. 61)		
Principle 3: Upholding workers' and employers' right to freedom of association	RWE Code of Conduct (p. 15)	Independent employee forums (p. 52)	99,7 % of our employees enjoy full freedom of association (p. 52)
Principle 4: Abolition of all forms of forced labour	RWE Code of Conduct (p. 15)	Risk evaluation (p. 61)	
Principle 5: Abolition of child labour	Supply chain management (p. 61)		
Principle 6: Elimination of discrimination	Diversity Charter (p. 52)	Naming of a Diversity Manager (p. 52)	Greater share of women in leadership positions (p. 74) Rate of severely handicapped at RWE: 5 % (p. 74)
Principle 7: Precautionary environmental protection	Environmental protection management (p. 18) Climate protection strategy (p. 25)	Environmental protection measures (p. 34) Plant renewal programme (p. 26)	Environmental protection costs and investments (p. 71) Palmoil project (p. 61)
Principle 8: Initiatives to promote greater environmental responsibility	Institutionalised stakeholder dialogue (p. 14) CR programme 2015 (p. 16)	Efficiency campaign (p. 41) Customer service (p. 41)	5,000 Town Halls project (p. 41) CO ₂ -free housing estate (p. 41)
Principle 9: Development and diffusion of environmentally friendly technologies	Climate protection strategy (p. 25)	Founding of RWE Innogy to increase the use of renewables (p. 28) Plant renewal programme (p. 26) Further development of the clean coal technology (p. 29)	Increase of the yearly output from renewables (p. 68) Further development of plant technology, investments in cogen plants (p. 26 f) IGCC plants and pilot projects zur CO ₂ flue-gas scrubbing (p. 29)
Principle 10: Measures to fight corruption	RWE Code of Conduct (p. 15)	Created taskforce to implement Code, employee training, ombudsman (p. 15)	Results of external audit (p. 19)



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AR = Annual Report 2007; PR = Personnel Report 2007;
 * = not a complete depiction according to GRI criterion; or just an example.
 All core indicators are presented. Some of the numbers are skipped because the additional GRI indicators are not recorded in the index.

A detailed GRI index including information on the indicators of GRI Sectors Supplements Electric Utilities is available on the Internet. [65] We rate our performance when it comes to meeting the GRI-G3 guidelines as A+.

Editorial

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You can find RWE's Annual Report 2007, its Personnel Report 2007 and further information on the Internet at:

www.rwe.com > Press/News > Media Center

www.rwe.com > RWE Group > Responsibility > Data and Dialogue > Publications

Forward-looking statements. This report contains statements that refer to future developments of the RWE Group and its affiliated companies, as well as to economic and political developments. These statements are assessments that we have made based on the information currently available to us. In case the underlying assumptions won't come true, or in case further risks surface, then the actual results might differ from the ones we have currently stated. Therefore, no responsibility or guarantee is taken for the correctness of these statements.

Editorial deadline

29 February 2008

RWE AG is member of

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Forum for Sustainable Development
of German Business

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