Our Responsibility. Report 2009

MAKE GOOD THINGS HAPPEN

for society.

RWE
The energy to lead

Sustainability pays off —

So we've made it a binding element of RWE's Group Strategy and Executive Board Compensation.

Jürgen Großmann

Dr Jürgen Großmann
President and CEO of RWE AG

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Foreword

Dear Readers,

We know it from our own experience: the world is changing – perhaps as never before. Parts of the economy are ailing and looking for ways out of the crisis. Industry, meanwhile, is facing challenges of global magnitude such as climate change and scarcity of resources. We are responding to these challenges – with more innovation and more investment in climate-friendly technologies.

February 2008 saw us launching RWE Innogy responsible within the RWE Group for expanding renewables. Between the end of 2007 and the end of 2009 we increased our generation capacity from wind, water and biomass from 1,300 to 2,500 MW. Our acquisition of the Dutch utility Essent made important contributions. And this is only the beginning: RWE is becoming greener, more robust and more international. We spend more than one billion euros every year on pushing renewables, and already have an additional 400 MW of generation capacity under construction.

Our focus here is on offshore wind farms. RWE is also supporting new technologies such as micro wind turbines and tidal power, which may not be commercially viable as yet, but look very promising. And our ambitions reach higher still: by supporting the Desertec Project, we are promoting the large-scale generation of solar-thermal electricity in the Sahara – even if it will be years before this dream becomes a reality.

The shift to renewable energy sources is bound to take time, if security of supply is to be maintained and electricity prices are to remain competitive. Climate change, however, brooks no delay. RWE is therefore investing in climate-friendly technologies for conventional power stations as well, including CO_2 flue-gas scrubbing and binding CO_2 by microalgae. The founding of RWE Effizienz GmbH has helped to expedite climate protection on the consumer side as well. Both smart metering and smart home, a special computer system for controlling

domestic energy consumption, will help consumers save energy, while at the same time enhancing domestic comfort. We are also committed to revolutionising road traffic by promoting electro-mobility, which naturally will include fully functional and affordable electric cars.

In other areas, however, valuable time is being lost. This is especially true of developing carbon capture and storage (CCS), which is a technology we cannot afford to do without, if climate protection is to be taken seriously. Unfortunately, our first exploration projects in regions with potential sequestration sites have met with fierce resistance from local residents. And scepticism is widespread among policymakers, too. We therefore hope to see a fair CCS law passed this year, as only then will we have the legal safeguards we need to plan ahead.

Climate protection is not the only matter of concern to society. Other environmental issues require our attention, too. The recultivation of opencast mines remains an important task, as does the preservation and promotion of biodiversity in the surroundings of our power stations and along our power lines.

We endeavour to be a force for good in other areas as well, such as the crucial sphere of research and education. We have therefore expanded our professorial endowments and RWE Stiftung got down to work in early 2009 with education among its top funding priorities. Education is taken very seriously within the Group as well. The RWE Development Centre, for example, was founded to anchor the idea of life-long learning not just in the company itself, but in the minds of those who work here.

RWE is moving with the times. With expertise, and with experience in working for the common good. Last year, 4,500 RWE employees volunteered to spend some of their spare time working on some 2,300 community projects supported by the RWE Companius initiative.

Instead of waiting for it to happen, RWE is actively shaping the future. In 2007, we defined ten specific areas for action and for each of these set ourselves quantifiable targets for more sustainability in line with the principles of the UN Global Compact. In 2009, we went a step further by developing key performance indicators with which to ascertain and document our progress or setbacks in each area for action. The next step will be the definition of clear targets. Which is why performance in sustainability will henceforth be considered in executive board compensation as well. Corporate responsibility is therefore being anchored in our core processes.

We are also promoting transparency and accountability, which after all are essential to constructive dialogue with society. We regard frank exchanges of views with our stakeholders as a valuable compass for our actions. We want to know what you think as well. So please get in touch with us (responsibility@rwe.com).

Essen, March 2010

Alwin Fitting
HR Director and Board member responsible for CR

About this report

Goal. This report is aimed at our employees, analysts and investors, customers and suppliers, policymakers, public authorities and non-governmental organisations (NGOs), as well as at the people in those regions in which we do business. It describes the most important social, environmental and economic challenges facing our core business, the conflicts of interest to which these can give rise, and the strategy we have developed in response.

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 the chapter "Sustainable Corporate Governance", the implementation in our main areas for action and our key facts and figures. The report builds on Our Responsibility. Report 2007, complements our Annual and Personnel Reports 2009 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. 24) and approved by the Board of RWE AG.

Internet. The printed report is supplemented by the information provided in the channel "Responsibility" of our web site, **www.rwe.com/responsibility**. Links are provided to facilitate access, while the web site itself has a section called "Online Report Links" which lists by number all the links mentioned in the report. A single click is therefore all that is needed to access the desired information.

Basic principles. The report is based on our CR strategy and grew out of our ongoing dialogue with stakeholders. To help 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 Electric Utilities Sector Supplement of October 2007 on page 97.

Data. The period under review comprises fiscal 2008 and fiscal 2009. The financial year is from 1 January to 31 December. The data provided in this report relate to all affiliated companies in the RWE Group, which means to all those companies in which we held a stake of more than 50 percent during the period under review (see p. 93). Any deviations from this are clearly stated. The 2009 data for the Dutch energy utility Essent N.V., which was integrated in the RWE Group on 30 September 2009, are included wherever this was deemed necessary. We believe this will make it easier to judge the impact of Essent N.V. on our CR data. All the financial information provided is quoted in euros, while foreign currencies have been converted at the average rates for 2009 (1 pound sterling = €1.12; 100 Czech korunas = €3.77; 100 Hungarian forints = €0.35; 1 Polish złoty = €0.23).

Certificate of audit. The report was audited by the accountancy firm PricewaterhouseCoopers (PwC), which for the first time assessed it against the Accountability Standard AA 1000. The auditors' report is shown on page 94.

For reference. This report is published in German and English. The editorial deadline for publication was 28 February 2010. We intend to report continuously in future, too. The next report will be published in the spring of 2011.

Our claim – **to make good things happen** – applies to all countries in which we operate.

Gutes bewegen.
Make good things happen.
Tégy a Jóért.
Rozhýbat dobré věci.
Goed werk.
By świat stawał się lepszy.
إسعي للخيـــر
Nech sa uskutočnia dobré veci.
Hacemos realidad las buenas ideas.
Eppes Guddes maachen.
Få gode ting til å skje.
Réussir à faire de bonnes choses.
Movere in grande.

Major events 2008/2009

FEBRUARY 2008

Renewables: RWE Innogy responsible within the RWE Group for driving forward renewables gets down to work. It has an annual investment budget of about one billion euros.

Gas pipeline: RWE becomes the sixth contractual partner to join the consortium for planning and building the Nabucco gas pipeline, one of the most important European infrastructure projects for securing gas supplies.

JUNE 2008

Occupational safety: RWE Power sets new occupational safety standards for subcontractors, in particular by introducing safety passes and safety checks for their employees at the gates to all RWE Power sites.

JULY 2008

Grid expansion: RWE presents the Federal Network Agency with an investment plan for the expansion of the transmission grid. More than €3 billion is to be spent on modernising and enlarging the grid over the next ten years.

AUGUST 2008

CCS power plant: RWE decides on the location of an industrial-scale integrated gasification combined-cycle plant (IGCC). The plant is to be built in Hürth near Cologne in Germany. The failure of Germany's CCS law in the summer of 2009 and resistance to the possibility of geological carbon sequestration in Schleswig-Holstein, however, have rendered any further progress on this project impossible.

Hamm power station: RWE commences construction of a new twin-unit hard coal power plant at Hamm in Germany, which upon completion will have a total output of 1,530 megawatts (MW) and an efficiency of 46 percent.

SEPTEMBER 2008

Electro-mobility: RWE and Daimler launch an e-mobility initiative in Berlin, RWE's first venture into electro-mobility.

Carbon capture: RWE npower's pilot plant for carbon capture commences operation at its Didcot power station in the UK.

OCTOBER 2008

Fine: The EU Commission imposes a fine of €37.4 million on RWE Dea for its involvement in a paraffin wax cartel. The case dates back to the days before 2002 when RWE Dea still did business in chemicals.

European Capital of Culture 2010: As one of the main sponsors of European Capital of Culture, RWE provides RUHR.2010 GmbH with a total of €2,5 million in funds.

NOVEMBER 2008

Stake in an offshore wind farm: RWE buys a 50-percent stake in the 500-MW Greater Gabbard offshore wind farm from Scottish and Southern Energy.

Research initiative for reducing CO_2: RWE's Coal Innovation Centre opens at its Niederaußem power plant in Germany. Here, RWE will spend some €90 million on researching and developing carbon reduction and conversion technologies over the next few years.

JANUARY 2009

Essent: RWE and the Dutch energy utility Essent N.V. agree on the terms and conditions of a binding cash offer to be made to Essent shareholders. The 100 percent acquisition of Essent is concluded on 30 September 2009. With gas accounting for a large part of its operations and a strong position in wind power and biomass, Essent lowers RWE's specific CO_2 emissions.

Nuclear joint venture: RWE and E.ON launch the joint venture Horizon Nuclear Power, which is to build new nuclear power stations in the UK.

Gas transit in Slovakia: After Russia cuts off gas supplies in the middle of winter leaving Slovakia out in the cold, RWE steps in with gas from reserves in the West.

FEBRUARY 2009

Prototype lignite pre-drying plant: RWE commissions prototype plant for fluidised bed drying at its Niederaußem power plant in Germany. Pre-drying lignite could improve the plant's efficiency in power generation by up to four percentage points.

Pembroke power station: RWE npower is granted planning permission to build a 2,200-MW gas-fired power station on the south coast of Wales. The plant is to come on stream in 2012.

MARCH 2009

Sale of the gas grid: The EU Commission drops its proceedings against RWE in the gas sector having obtained an undertaking to sell its long-distance gas grid from RWE.

Interconnector: RWE plans in cooperation with the Dutch TenneT TSO a new high-voltage interconnection to increase transmission capacity between Germany and the Netherlands by up to 50 percent. Applications for planning permission will be submitted to the relevant authorities.

JUNE 2009

RWE Stiftung: The endowment of the RWE Stiftung, the umbrella organisation for all the Group's not-for-profit activities which got down to work in early 2009, is increased to €56 million. The foundation will continue the work hitherto done by the RWE Jugendstiftung.

JULY 2009

Energy efficiency: The newly founded RWE Effizienz GmbH bundles the Group's energy efficiency activities. Its focus is on e-mobility, the energy-efficient control of domestic appliances and supply systems (smart home) and smart metering.

AUGUST 2009

Carbon capture: RWE, BASF and Linde commission a pilot plant for CO_2 flue-gas scrubbing at the Niederaußem power station in Germany. The idea is to put the technology through its paces with a view to retrofitting coal-fired power stations from 2020 onwards.

SEPTEMBER 2009

Sustainability ranking: RWE is once again a member of the Carbon Disclosure Leadership Index of the Carbon Disclosure project. It also qualifies for inclusion in the Dow Jones Sustainability Index (DJSI) for the tenth year running.

Ultra-high voltage network: RWE sets up Amprion to succeed RWE Transportnetz Strom as an independent and fully self-sufficient transmission system operator, thus complying with the requirements of the Third EU Single Energy Market Package.

OCTOBER 2009

Anti-trust proceedings dropped: The EU has closed its investigations into RWE's German electricity business, thus confirming that RWE operates according to market rules.

Desertec: RWE and eleven other companies found the Desertec Industrial Initiative (Dii), whose remit is to develop framework conditions for the investments required to supply Europe, the Middle East and North Africa with solar and wind power.

Suwalki wind farm: RWE commissions the first wind power project in Poland, the 40-MW Suwalki wind farm.

Exit from Belene: RWE decides to end its involvement in the planned nuclear power station at Belene in Bulgaria, it having become impossible to secure the necessary financing.

NOVEMBER 2009

Wind farm gets the go-ahead: RWE is granted planning permission for the 300-MW Tromp wind farm to be built off the Dutch coast.

DECEMBER 2009

Rhyl Flats offshore wind farm: RWE's Rhyl Flats wind farm comes on stream, an installed capacity of 90 MW making it the largest wind farm in Wales.

1.0 Group Portrait

Headquartered in Essen, Germany, RWE AG is one of Europe's five leading electricity and gas companies. Our activities comprise the generation, trading, transmission and supply of electricity and gas, lignite mining and oil and gas production. Our more than 70,000 employees supply over 16 million customers with electricity and some 8 million customers with gas. In fiscal 2009, we recorded about €48 billion in revenue. [1]

Our goal: to be greener, more robust and more international

Climate protection is a key challenge for RWE and is shaping the future of our enterprise. We want to continue growing our electricity and gas business and to significantly reduce our CO_2 emissions. We intend to invest approximately €7 billion per year through to 2013 alone: to add 12,000 MW of more climate-friendly coal and gas-fired power stations, to increase our renewables-based generation capacity to 4,500 MW by 2012, to step up our international oil and gas production and to expand and modernise our electricity and gas grids. **[02]**

Power generation is a long-term business model. When we invest in power plants and grids, we plan ahead not just for years, but for decades. Society's acceptance of what we do is essential to the success of such long-term projects. This is the aim of our corporate responsibility (CR) strategy, which takes up the challenges posed by our core businesses with the aim of reconciling our business goals with society's concerns and expectations. Taking account of regional differences and respecting the cultural diversity present within the Group, which after all is crucial to the success of our growth strategy, are part of this endeavour.

Key changes 2009

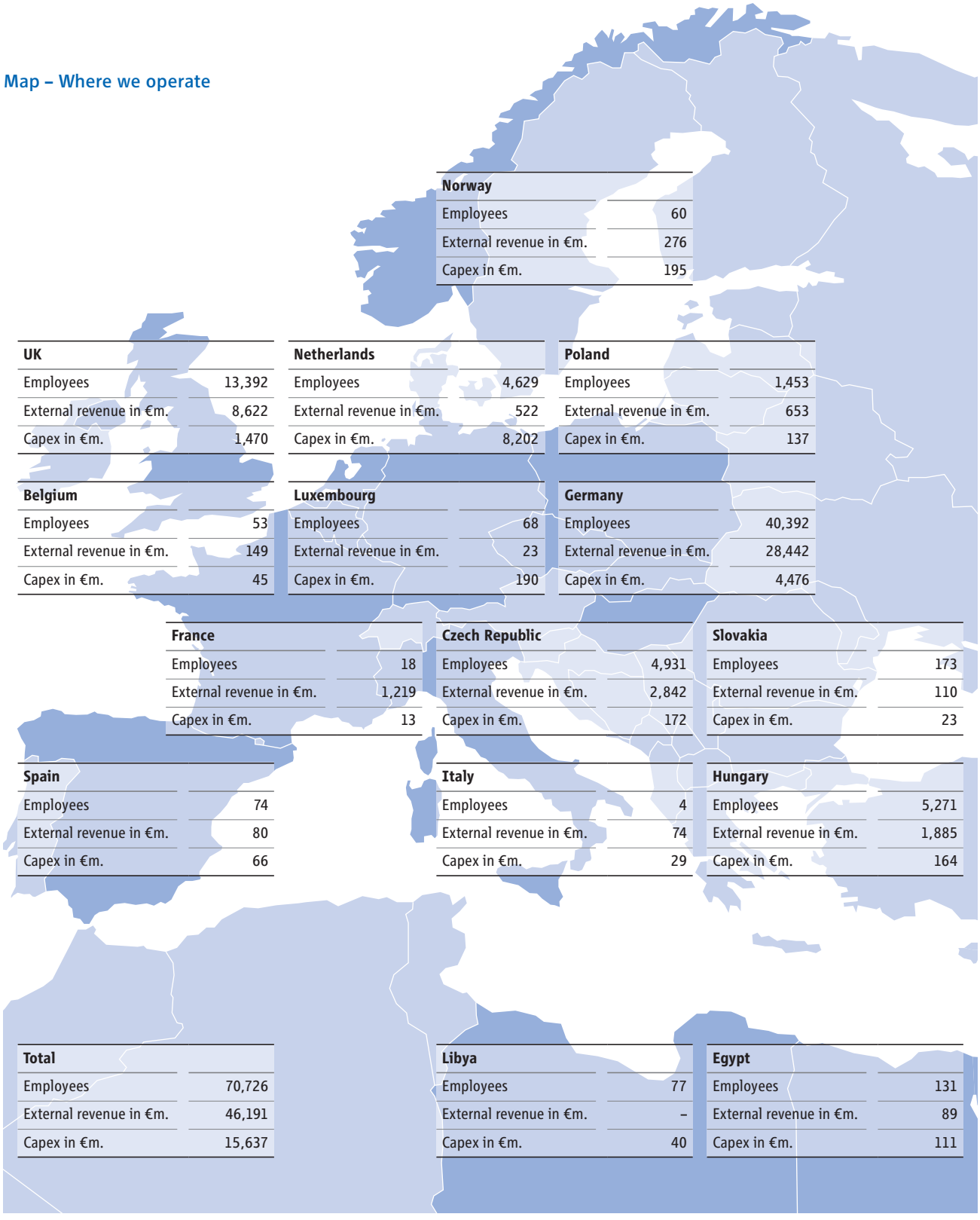
One important milestone in our pursuit of our goal was the acquisition on 30 September 2009 of Essent N.V., number one in the Dutch energy market. This has made RWE one of the largest energy utilities in the Benelux region (see p. 14). The acquisition of Essent has also improved our carbon footprint.

In pursuit of our growth targets, we have reorganised our activities to take greater account of the peculiarities of the national markets in which we operate. Our German sales and distribution network operations have been streamlined in the new RWE Vertrieb AG and RWE Rheinland Westfalen Netz AG respectively. Our energy efficiency activities are now concentrated in RWE Effizienz GmbH, a new subsidiary founded on 1 July 2009. **[03]** The disbanding of RWE Energy on 31 August 2009 led to the transfer of responsibility for all operative and regulatory business to the national companies, which will henceforth report directly to the Group Board.

The transmission system operator Amprion was launched on 1 September 2009. **[04]** Set up as an independent and completely self-sufficient company for the purposes of the Third EU Single Energy Market Package, Amprion has taken over all the operations of RWE Transportnetz Strom as well as all the RWE Group's transmission grid activities. We have thus met the requirements of the EU concerning greater autonomy for transmission grid operators within integrated energy companies. Our German gas grid operations have been transferred to Thyssengas GmbH in preparation for sale. **[05]** RWE Innogy GmbH began pushing forward the expansion of renewables as long ago as 1 February 2008. **[06]**

On the Internet
Facts & Figures (PDF) **01**
Investment projects at a glance (PDF) **02**
RWE Effizienz GmbH (German only) **03**
Amprion GmbH **04**
Thyssengas GmbH **05**
RWE Innogy GmbH **06**

Map – Where we operate



Norway	
Employees	60
External revenue in €m.	276
Capex in €m.	195

UK	
Employees	13,392
External revenue in €m.	8,622
Capex in €m.	1,470

Netherlands	
Employees	4,629
External revenue in €m.	522
Capex in €m.	8,202

Poland	
Employees	1,453
External revenue in €m.	653
Capex in €m.	137

Belgium	
Employees	53
External revenue in €m.	149
Capex in €m.	45

Luxembourg	
Employees	68
External revenue in €m.	23
Capex in €m.	190

Germany	
Employees	40,392
External revenue in €m.	28,442
Capex in €m.	4,476

France	
Employees	18
External revenue in €m.	1,219
Capex in €m.	13

Czech Republic	
Employees	4,931
External revenue in €m.	2,842
Capex in €m.	172

Slovakia	
Employees	173
External revenue in €m.	110
Capex in €m.	23

Spain	
Employees	74
External revenue in €m.	80
Capex in €m.	66

Italy	
Employees	4
External revenue in €m.	74
Capex in €m.	29

Hungary	
Employees	5,271
External revenue in €m.	1,885
Capex in €m.	164

Total	
Employees	70,726
External revenue in €m.	46,191
Capex in €m.	15,637

Libya	
Employees	77
External revenue in €m.	–
Capex in €m.	40

Egypt	
Employees	131
External revenue in €m.	89
Capex in €m.	111

Revenues not including gas tax/electricity tax. Capital expenditure (capex) on financial assets and on property, plant and equipment

1.1 Challenges of the value chain

	Production (8,950 FTE[2])	Procurement and trading[1] (1,320 FTE[2])	Power and heat generation (12,500 FTE[2])
What does RWE do?	Mining of lignite in its own opencast mines, purchase of hard coal, gas, nuclear fuels and biomass, exploration and drilling of oil and gas.	The procurement and trading of electricity, gas, coal, oil, CO_2 certificates and biomass-based renewables in physical and derivative forms, economic optimisation of facilities, long-term contracts and gas supply contracts	Operation of power stations based on lignite, coal, gas, nuclear power, renewable energies and to a lesser extent on waste and oil, use of pumped-storage power plants
	Production 2009 5 lignite opencast mines (12,189 hectares) 99.78 million tonnes of lignite 358.8 terawatt-hours (TWh) primary energy consumption[3] 2,920 million cubic metres of natural gas 2.34 million cubic metres of oil	**Trading volume in 2009[4]** 1,135 TWh electricity 415 billion cubic metres of gas 418 million tonnes of coal 662 million barrels of oil 235 million CO_2 certificates	**Electricity generation[5]** (2009: 187,2 TWh) in % **38** Lignite **24** Hard coal **18** Nuclear power **16** Gas **3** Renewables **1** Other[6]
What are the environmental and social impacts?	Impact on nature and landscape, lowering of groundwater levels, resettlement of residents	No direct impact, as particularly active in wholesale markets. Indirect impact: environmental and social aspects of the upstream supply chain	CO_2 emissions from fossil-fuel power stations, pollutant emissions, noise pollution, cooling water consumption, waste from ash/ slag, gypsum, spent fuel rods and nuclear waste, use of land and waters and hence impact on nature and landscape
What do our stakeholders (policymakers, the authorities, municipalities, customers, residents, NGOs, partners and suppliers) expect of us?	The factoring in of environmental protection and social responsibility (resettlement), sustainable recultivation and a share in the value added for the regions affected	Fairness, integrity and transparency as one of Europe's leading energy traders. Promotion of further liquidity and transparency in the global energy wholesale market. Securing a reliable energy supply through a diverse gas procurement portfolio	Swift and sustainable reductions in our CO_2 emissions, more efficient electricity generation, greater use of cogeneration (CHP) plants, the faster and more comprehensive expansion of renewables capacity, the abandonment of coal-fired power stations in some countries, the safe and low-emission operation of our plants and a share in the value added for the regions in which we operate
What do our employees expect of us?	Secure jobs and fair pay packages, a safe working environment that protects their own health and the environment, social benefits, equal		

1 RWE Trading and RWE Gas Midstream were merged to form RWE Supply & Trading on 1 April 2008
2 FTE = full-time equivalents, other employees: 8,020 FTE
3 Fossil fuels used
4 Not including Essent
5 Including electricity procured from power stations not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In fiscal 2009, this amounted to 18.3 billion kWh, of which 16.2 billion kWh were generated from hard coal.
6 Pumped-storage and oil-fired power stations and waste incineration plants

Transmission (1,740 FTE²)	Distribution (9,190 FTE²)	Sales and use (28,980 FTE²)
Operation and maintenance of an ultra-high-voltage grid (220/380 kv) with a length of 11,028 km, transmission controlled at the Brauweiler Control Centre, operation and maintenance of a natural gas transmission grid (8–100 bar) with a length of 26,060 km as well as substations	Operation and maintenance of a 391,300-km-long electricity grid (10–110 kV) with 134,240 substations and transformers as well as a 90,345-km-long natural gas distribution grid (0.02–70 bar). Operation of 14 gas storage tanks with a working volume of 5,300 standard cubic metres of gas	Supply of electricity to 16.4 million residential and commercial customers and gas to 7.9 million residential and commercial customers, supply of 95.7 TWh of electricity and 102.9 TWh of gas to industrial customers as well as consultancy
Transmission grid by operator in % (as of 31 Dec 2009) **32** Amprion **30** transpower **10** EnBW **28** 50Hertz	**Grid length by country** in % (as of 31 Dec 2009) **84** Germany **12** Hungary **4** Poland	**Supply to customers** in TWh **59** Residential and commercial customers **96** Industrial customers **94** Redistributors **34** Electricity trading
Land use and with it the endangering of birdlife, electromagnetic fields, impairment of waters	Land use and with it the endangering of birdlife, impairment of groundwater, impairment of waters, traffic	Competition for customers, traffic
Non-discriminatory third-party access, the unbundling of power generation and transmission, reliable grid operations without disruptions, protection of birdlife, environmental line maintenance, biotope management	Uninterrupted supply of electricity and gas; protection of birdlife and nature conservation, protection of soils and waters and a share in the value added for the regions in which we operate	Transparent and affordable tariffs, flexible and needs-based products, carbon-free electricity, fair customer advice and energy efficiency services, no barriers to customers wishing to switch supplier and a share in the value added for the regions in which we operate

opportunities, training and professional development, work-life balance, flexible working, career prospects, clear rules for lawful conduct.

Our electricity and gas transmission grids are now operated by completely self-sufficient companies. In 2009, our gas transmission grid operations passed to Thyssengas GmbH in preparation for sale, while the electricity transmission grid is now in the hands of Amprion, the independent transmission system operator founded in 2009. This enables us ensure the autonomous and non-discriminatory third-party grid access required by the EU's Third Single Energy Market Package (see p. 55).

1.2 Portrait Essent

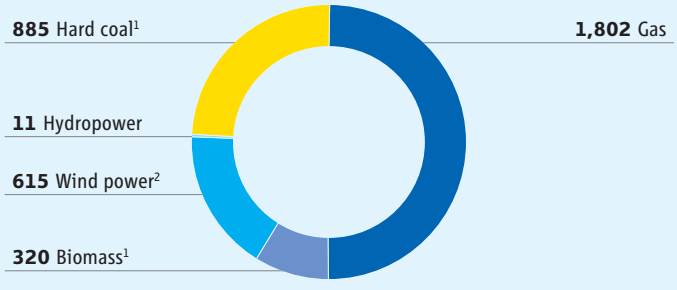
RWE completed the acquisition of Essent N.V. on 30 September 2009. As a result, RWE has advanced to become one of the largest energy utilities in the Benelux region. The takeover of Essent made an important contribution to achieving our goal to become greener, more robust and more international.

Essent is the largest energy company in the Netherlands with Belgium as our second home market. Our approx. 5,000 employees provide gas, electricity, municipal heating and energy services to our approximately 2.6 million residential and industrial customers. Essent (including its predecessors) has over 90 years' experience of generating, trading, transmitting and supplying electricity. We have also been in the business of supplying gas for 150 years.

Essent is the leading producer of renewable energy in the Netherlands and with approximately 900,000 Groene Stroom – green electricity – customers also the largest "green" retailer. Essent strives to provide energy using the most affordable, reliable and sustainable means possible and continues to seek new energy-related solutions that benefit our customers, the environment and society as a whole.

Following its first-time consolidation on 30 September 2009, the Essent Group contributed €1.2 billion to RWE Group revenue and €74 million to RWE Group income in fiscal 2009. The total generation capacity of Essent's power stations and wind farms in the Netherlands and Belgium amounts to 3,633 megawatts (MW), 946 MW of which is from renewables. Essent accounts for 23 percent of all renewable electricity in the Netherlands (2009).

Generation portfolio of Essent (2009: 3,633 MW)
in megawatt



1 The co-combustion of biomass in hard coal power plants accounts for 295 MW
2 Thereof 415 MW in Germany

Corporate responsibility

Corporate responsibility comes naturally in the way we do business at Essent. For the Netherlands' leading energy company this of course means that we pay a lot of attention to our climate strategy and sustainability. Corporate responsibility at Essent, however, goes beyond climate matters. We take our role as a corporate citizen seriously and realise that our responsibility extends beyond our core business and geographical borders. And as an employer we consider employee satisfaction, development, diversity, occupational heath and safety and employee participation in CR projects very important. None of this, however, can be done by Essent alone. We are therefore engaged in an ongoing dialogue with stakeholders ranging from Dutch and European governmental bodies to NGOs, customers and employees, whose opinions we care about deeply.

Reducing greenhouse emissions

As a leading producer and supplier of renewable energy in the Netherlands, we make a large contribution to limiting CO_2 emissions resulting from the generation of electricity. The fact that we are still a significant source of greenhouse gas emissions cannot, however, be ignored. We therefore consider ourselves bound to reduce these emissions substantially and with lasting effect. Together with our parent company RWE and 60 other major European energy suppliers,

On the Internet
Essent N.V. 07

Essent has set itself the goal of achieving a carbon-neutral power supply by 2050. In pursuit of this, we are committed to making energy generation more efficient and to increasing the use of renewables.

Renewables and energy efficiency

In 2009, 14 percent of the power we generated in the Netherlands and Belgium was from renewables. Our goal is to have sustainable energy account for 25 percent of our total power output by 2020. This change will be spearheaded by a further increase in wind power and the use of biomass.

Notwithstanding Essent's pursuit of more sustainable energy production, the reality is that we are still unable to meet our energy needs without the use of fossil fuels. We do not accept the status quo, however, and are pursuing the more efficient use of fossil fuels in order to reduce emissions.

Efficient CHP plants. Essent is one of the largest owners of Combined Heat and Power (CHP) plants in Europe. These primarily gas-fired power stations generate electricity and heat simultaneously, and this alone makes them significantly more efficient and environment-friendly than conventional power plants. Essent is building a new CHP plant in Moerdijk and investigating further opportunities in Genk (Belgium).

More efficient conventional power plants. We also put a lot of effort into making more efficient use of fossil fuels in our conventional power plants, which also reduces our CO_2 emissions. We are currently building a new combined-cycle gas turbine power plant (Claus C) at Maasbracht and are expanding our installed generation capacity with state-of-the-art technology.

Leading in biomass

The production of renewable energy is being spearheaded in part by the use of carbon-neutral biomass as an alternative fuel. Most of our biomass is pelletised sawdust, wood waste or wood chips, although it can also consist of organic residues such as rice chaff or coffee or cocoa bean shells. Over the years, Essent has gained extensive experience in the large-scale co-combustion of biomass as a substitute for coal at its Amer plant and has become a European leader in this field.

Biomass must be used responsibly. A sustainable fuel must be sustainable in origin and must not disrupt food production or lead to uncontrolled deforestation or disrespect for human rights. We therefore use the Green Gold Label to certify the sustainable origins of our solid biomass and have the entire supply chain certified by an independent third party.

Innovation

We consider innovation a matter of the utmost importance. Innovation is needed in order to meet the challenges of climate change. This calls for innovations not just in technology and in economic usage, but in our ways of thinking, too. Essent continues to innovate in all areas, including new organic fuels as a substitute for fossil fuels, the decentralisation of power generation in order to combine locally available alternative fuels with the local demand, energy products which offer efficient and sustainable alternatives and commercially viable electric vehicles.

RWE in the Netherlands

Wouter Timmermans is head of logistics coordination at the Amer power station, which at 1,245 MW is one of the largest in the Netherlands. Barges loaded with fuel – mostly hard coal, but some biomass and wood pellets as well – arrive here every day. The pellets are unloaded by suction and the stragglers swept together by bulldozer. The unloading is done by a subcontractor, but if the weather is poor or there are complications, Timmermans prefers to oversee it in person.

Since the integration of Essent in September 2009, RWE has ranked among the leading energy utilities in the Netherlands. Essent supplies electricity, gas, heat and energy services and is the largest supplier and distributor of green electricity in the Netherlands. Its focus here is on wind power and the use of biomass.

We are currently building two combined-cycle gas turbine (CCGT) power stations with a combined capacity of 1,730 MW and one 1,560-MW coal-fired power plant in the Netherlands. We are also planning to build a 300-MW offshore wind farm by 2012.

Facts and figures 2009

4,629 employees
€522 million external revenue
2.6 million customers (electricity and gas)
1,180 MW hard coal thereof
295 MW biomass in co-combustion
1,669 MW gas
236 MW renewables

Challenges

The Dutch energy market has been fully liberalised since 2004, while the transmission grid is still firmly in state hands:

- Competition in the private customer segment of both the electricity and gas market is very fierce.
- In 2009, renewables accounted for around nine percent of all the electricity generated in the Netherlands. This figure is to be increased to 35 percent by 2020.
- Both the building of nuclear and coal-fired power stations and the geological sequestration of CO_2 are controversial.

CR points of emphasis

One special focus is on the supply of green electricity and making an effective contribution to climate protection. Essent has set up a systematic CR management system based on the four Ps: "People, Planet, Profit, Power". This is now integrated in all its processes as the company reports regularly in its CR report.

On the Internet
RWE in the Netherlands 08

2.0 Sustainable Corporate Governance

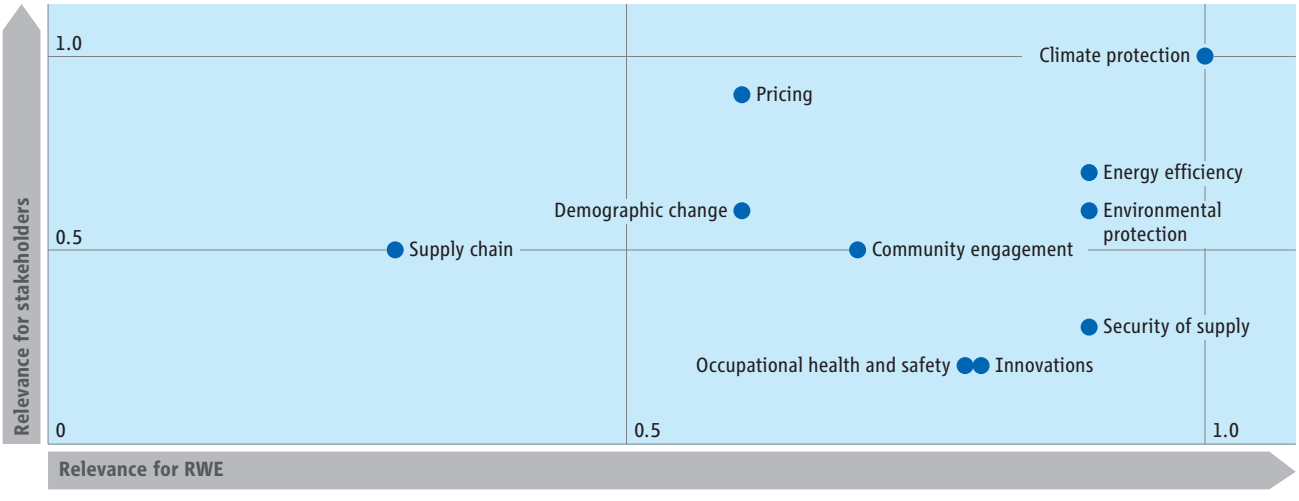
Our goal is to reconcile our actions as a business with our stakeholders' expectations. Achieving this goal is essential to our long-term success. Our CR strategy is therefore based on the challenges posed by our core business and the needs of the regions in which we operate.

When developing a CR strategy for the RWE Group, we were guided by two key principles: materiality and transparency. Our CR strategy takes up the environmental and social challenges that are relevant to RWE and ensures that these are factored into our core processes. Our subsidiaries at the same time have sufficient scope to respond to the expectations and requirements specific to their region. Our actions should be transparent and comprehensible – both to those within the Group and to the public at large. To achieve this, we defined ten areas for action which address the most important challenges facing the RWE Group and in doing so took account of both our own standpoint and our stakeholders' expectations.

Our areas for action

The ten areas for action presented in our 2007 report were defined on the basis of a wide-ranging internal survey and the results of the first RWE Dialogue Forum in the autumn of 2006. They have now been reviewed as part of an internal materiality analysis, taking into account the different relevance each area for action has both for RWE and for our stakeholders. In our view, the ten areas for action continue to address the challenges facing the RWE Group today. Issues such as nuclear energy, biodiversity and the use of biomass became more prominent in the public domain during the period under review, and are accommodated within the existing areas for action. We have also reviewed and in some cases revised our KPIs to make them more robust and more specific to our business drivers compared to 2007 (see p. 20).

Material issues



2.1 Our CR strategy

Our objectives are based both on what society expects of us as a responsible energy supplier and on those issues which in our view are crucial to our sustainability as a business. The one or at most two key performance indicators (KPIs) we have defined for each area for action are the measures by which all the most important developments will in future be gauged and followed up.

The areas for action of our CR strategy

Area for action	We are committed ...	KPI	Target
Climate protection	... to significantly reducing our power plant portfolio's CO_2 intensity. Our goal is to take physical and financial measures to lower our CO_2 exposure to the level of an average competitor in our markets no later than 2020.	Average CO_2 emissions in tonnes per megawatt-hour (MWh) of electricity generated (t CO_2/MWh)	0.45 t CO_2/MWh by 2020
Energy efficiency	... to increasing both our own energy efficiency and that of our customers.	Increase in energy efficiency in %	- RWE real estate: 5 %[1] - RWE fleet of vehicles: 20 %[1] - RWE power plant: 11 %[2] - RWE customer projects: 8 %[2]
Security of supply	... to ensuring the system security across our transmission grids at all times. ... to supplying our customers with the energy they need at all times.	- (n-1) criterion - System Availability Interruption Duration Indicator (SAIDI) in minutes per year and customer	- Compliance with the (n-1) criterion[1] - SAIDI < 25 mins.[1]
Pricing	... to having satisfied and hence loyal customers.	Customer Loyalty index (CLI)	Customer Loyalty Index of 77[1]
Community engagement	... to strengthening our regional reputation by making efficient use of resources.	Reputation Index	Best reputation of all the comparable companies in the industry
Demographic change	... to ensuring the long-term availability of sufficient numbers of appropriately skilled personnel.	Demography Index	Average position among comparable companies
Supply chain	... to avoiding reputational risks by making compliance with internationally recognised social and environmental standards an integral part of our supply contracts.	Supplier management coverage in all procurement areas in %	95 % of the procurement volume
Innovations	... to ensuring the availability of the best technical solutions for our purposes in our core processes through innovations.	Group-wide innovation management coverage in %	95 % coverage
Occupational health and safety	... to ensuring that all our own and our subcontractors' employees return home just as healthy at the end of the day as they were when they arrived for work. ... to maintaining our employees' productivity.	- Number of accidents per million working hours (LTI_F: X/1,000,000 h)[3] - Introduction of the Work Ability Index (WAI) in %	- LTI_F: 3/1,000,000 h - Most employees of companies based in Germany have access to some means of measuring their personal WAI.
Environmental protection	... to operating our plant always safely and in compliance with licensing regulations. ... to implementing our environmental management system permanently at 100 percent for supervising that our plants and grids are operated safely and in compliance with the legal requirements.	- Compliance with licensing requirements in % - Group-wide environmental management coverage in %	- 100 % compliance - 100 % coverage

1 Applies only to companies based in Germany.
2 Applies only to companies based in Germany and the UK.
3 Workplace and business travel accidents per million working hours

Our CR roadmap

The long-term goal of our approach to CR is to enable us to take a leading role as a sustainable enterprise. The roadmap we have been publishing since 2003 shows where we are coming from and what we want to achieve in future. We have achieved all the goals we have so far set ourselves and are confident of being able to do so in future.

Corporate responsibility roadmap

	Launch (1998–2000)	Structuring (2001–2005)	Implementation (2006–2010)	Role of CR driver (2011–2015)	Best in Class (2016–2020)
Strategy	Group directive environmental management	Group CR guidelines	Review of CR areas for action	Continuous updating of the CR areas for action	CR an integral part of Group strategy
		CR strategy	Anchoring of CR in all business areas		
Coordination and management	Permanent staff of environmental officers	Introduction of occupational safety management system	Key performance indicators concept for CR	CR as integral part of agreement on targets	CR an integral part of operations management
	Introduction of ERIS	Introduction of Group-wide Code of Conduct	Group-wide CR implementation	Regular reporting on KPIs	
Reporting and dialogue	1st systematic environmental report	Convention on the future of sustainable development	Institutionalised stakeholder dialogue	Industry leader in transparency	High level of acceptance in society
	Inclusion in Dow Jones Sustainability Index	1st CR report	Corporate volunteering		

External assessments

External assessments show that we are progressing well in both reporting and implementation:

Dow Jones Sustainability Index: RWE has been a member of the index since its inception in 1999, as was again confirmed in September 2009 for a further year.

Carbon Disclosure Project: September 2009 saw RWE once again included in the Carbon Disclosure Leadership Index, as it was in 2006 and 2008, too.

DAX 30 Ranking: This biennial ranking by Sustainalytics in January 2010 put RWE in eighth place among the members of the DAX 30.

Good Company Ranking: RWE was ranked fifth in Manager Magazin's CSR comparison of Europe's 90 largest public limited companies in April 2009.

CR reporting: The RWE 2007 report came fourth in a ranking of the sustainability reports of Germany's 150 largest corporations conducted by future/IÖW in November 2009.

Business in the Community: 2009 also saw RWE npower making it onto the list of UK companies with platinum-rated sustainable corporate governance.

Transparency Benchmark: In this competition organised by the Dutch Ministry of Economic Affairs, Essent came sixth out of more than 1,800 entrants and hence did better than all the other energy suppliers.

2.2 Our CR programme

The CR programme that follows describes how we intend to deliver on the objectives outlined in our CR strategy. It is an updated version of the CR programme published in 2008 and is the first to use key performance indicators (KPIs). How the programme was implemented in the 2008/2009 period under review here is explained with reference to key measures in the chapters that follow.

Areas for action	Due	Implementation status 31 Dec 2009
Climate protection: CO_2 intensity to be lowered to 0.45 t CO_2/MWh by 2020		
Annual CO_2 emissions to be reduced by 20 million tonnes by building new, highly efficient power stations and replacing old ones	2013	New power stations with a combined capacity of 11,643 MW – 6,455 MW of it gas-based – already under construction (Lingen to come on stream in April 2010); approx. 540 MW lignite capacity taken off the grid in 2009
Annual CO_2 emissions to be reduced by 5 million tonnes by adding 2,000 MW of generation capacity from renewables	2012	Status of renewables expansion: 360 MW already on stream, 400 MW under construction, 16,600 MW in planning or awaiting planning permission
CO_2 exposure of the RWE Group to be reduced by acquiring carbon credits from CDM/JI projects	2020	75.2 million Certified Emission Reductions (CERs) contractually secured as of 31 Dec 2009
Energy efficiency: 5 – 20 % segment-specific reductions in energy input		
Energy input of RWE real estate to be lowered by 5%	2014	Energy savings of approx. 1.5 million kWh from initial measures in Germany; Carbon Reduction Programme initiated in the UK
Energy input of RWE fleet of vehicles to be lowered by 20 %	2012	New green company car procurement policy with fuel-efficiency criteria introduced in early 2008
Energy input of RWE power stations to be lowered by 11 %	2013	New power stations with a combined capacity of 11,643 MW either under construction or being commissioned
RWE customers to be enabled to lower their energy consumption by 8 % on average	2012	Numerous programmes implemented to provide guidance and information and/or practical support and advice
Security of supply: compliance with the (n-1) criterion for power transmission[1] and System Availability Interruption Duration Indicator of < 25 mins. per year and customer[1]		
Sourcing of natural gas to be diversified, infrastructure for LNG imports expanded and oil and gas production doubled by 2015 compared with 2007	2015	Intergovernmental agreement for the Nabucco gas pipeline signed by transit countries; LNG terminals in planning; exploration activities stepped up and new extraction activities commenced
Power transmission grid to be expanded in line with the demand	2015	High-voltage interconnection to the Netherlands currently awaiting planning permission; 800 km of new lines under construction or in planning; no outages in our transmission grid in 2008/2009
Safety and reliability of the distribution grid to be improved still further	2019	63 % of the German distribution grid already underground; approx. €25 billion to be spent on upgrading, expanding, maintaining and operating the distribution grid; SAIDI in 2008 < 25 mins. per year and customer
Pricing: a Customer Loyalty Index in Germany > 77		
Customer Loyalty Index to be established as an indicator	2010	First annual survey conducted in 2009
Community engagement: to have the best reputation of all comparable companies in the industry		
Regional value added to be made more transparent	2010	Steps taken to ascertain regional value added
Success of our community involvement and sponsorship activities to be made quantifiable	2012	Group-wide organisation for community involvement by RWE employees (RWE Companius); umbrella organisation for Group's not-for-profit activities (RWE Stiftung); involvement in Corporate Citizenship Benchmarking projects.

1 Applies only to companies based in Germany

Areas for action	Due	Implementation status 31 Dec 2009
Demographic change: to have an average Demography Index among comparable companies		
Group's age structure to be harmonised and younger employees nurtured	2015	Strategic, forward-thinking recruitment policies for jobs that are difficult to fill; more graduate recruitment
Percentage of women among our new recruits and in management to be increased	2012	Action taken to attract women to careers in a technical field; programmes for women in senior management; rise in number of women in lower management
Supply chain: to ensure that at least 95 % of the Group-wide procurement volume meets internationally recognised social and environmental standards		
Reputational risks in connection with fuel procurement to be minimised	2010	Counterparty Risk Management introduced for assessing coal suppliers according to social and environmental criteria; guidelines for the procurement of biomass currently being drafted; purchasing guidelines for biofuels being considered
Legal and reputational risks when contracting out to subcontractors to be minimised	2010	Recognition of the principles of the UN Global Compact and compliance with environmental protection and occupational safety standards included in RWE Service GmbH procurement manual
Reputational risks in connection with standard purchasing and component sourcing to be minimised	2010	Reference to UN Global Compact included in procurement manual; energy efficiency added to the list of essential criteria for IT purchases
Innovations: to ensure Group-wide innovation management coverage of > 95 %		
New technologies to enhance plant efficiency to be developed	2012	Demonstration facility for fluidised-bed drying with waste heat utilisation (WTA) in operation since 2009; high-temperature materials undergoing trials; potential improvements in efficiency of 3–4 percentage points
Wide range of carbon capture and storage methods to be investigated	2020	Coal Innovation Centre inaugurated in 2008 (flue-gas scrubbing, algae harvesting); carbon capture being tested at Aberthaw; collaboration with American Electric Power
New power generation technologies to be developed	2015	Prototype plant for testing tidal power and wave energy; joint ventures with engineering firms
Processes for evaluating new technologies to be installed	2010	Central unit for Group-wide innovation management; joint R&D projects with universities and other companies firmly established
Occupational health and safety: to lower the accident rate and maintain our employees' productivity		
Accidents to be lowered to below 3 per million working hours (LTI_F)	2012	Programme "Sicher voRWEg" (the Energy to Lead Safely) introduced; accident rate falling steadily
Work Ability Index (WAI) to be developed	2010	Introduction in Germany already in progress
Environmental protection: Group-wide environmental management coverage and compliance with all the relevant regulations		
100 % coverage of our environmental management system to be assured	2011	Environmental management systems currently being set up in all new companies in the Group; harmonisation following Group restructuring and the acquisition of Essent in progress; regular internal audits
Group-wide minimum standards allowing for regional variations to be developed	2010	Governance of environmental management introduced; environmental management guidelines revised

2.3 Our CR management

We set up a comprehensive CR management system to enable us to implement our CR strategy. Responsibility for our various CR activities resides with the relevant departments at divisional level, while Group-wide CR coordination is handled by the Group Centre.

Steering and coordinating CR

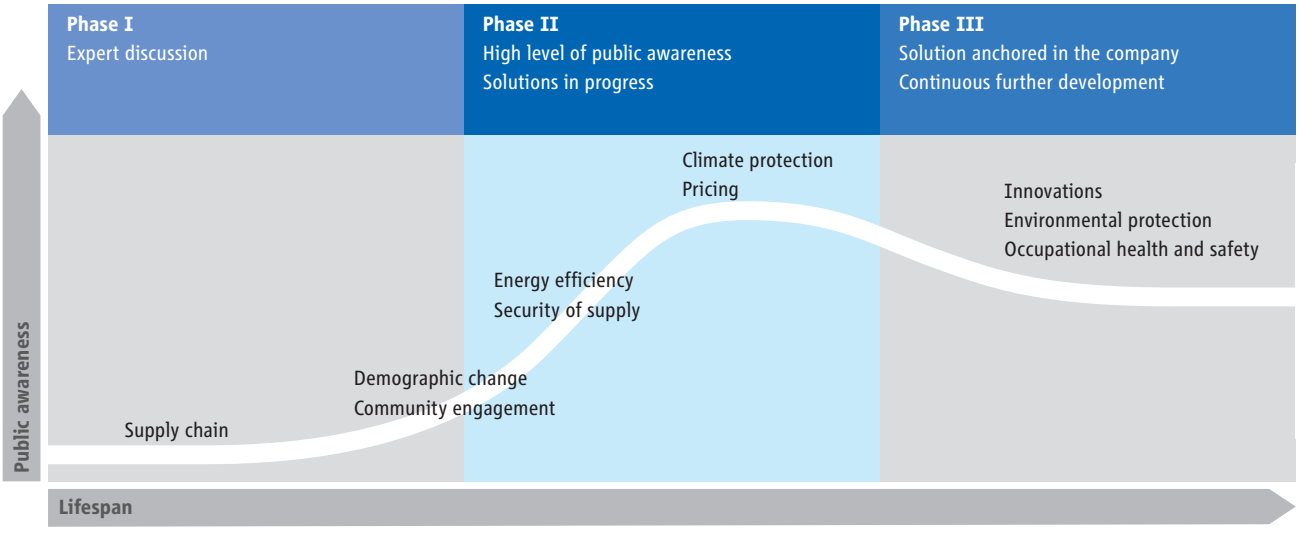
The RWE business plan assigns corporate responsibility to the remit of the HR Director. He and the Group companies' Board members responsible for CR together form the CR Coordination Committee, whose task is to define the CR strategy, to oversee its implementation and to report to the Board on the status of CR and the CR progress made throughout the RWE Group. The HR Director is supported by the Corporate Responsibility/Environmental Protection (CHZ) unit, which is directly reporting to him.

The Executive Board of RWE AG has approved the areas for action defined in our CR strategy and has decided that starting in 2010, the key performance indicators will be used to ascertain and report on the progress made, as well as any setbacks, in each area.

The areas for action are to a large extent anchored in our operations. CR issues tend to have their own life-cycle. Issues that are new on the radar have to be treated differently from "mature" issues for which there are statutory requirements already in place. CR has to be implemented not just issue for issue, but region for region as well, which in turn adds to the complexity. To ensure that our organisational structures are used to maximum effect when implementing CR, we have developed certain basic rules for cooperation between the companies in the Group and the Group Centre/CHZ. The following principles were agreed unanimously by all those concerned in early 2009:

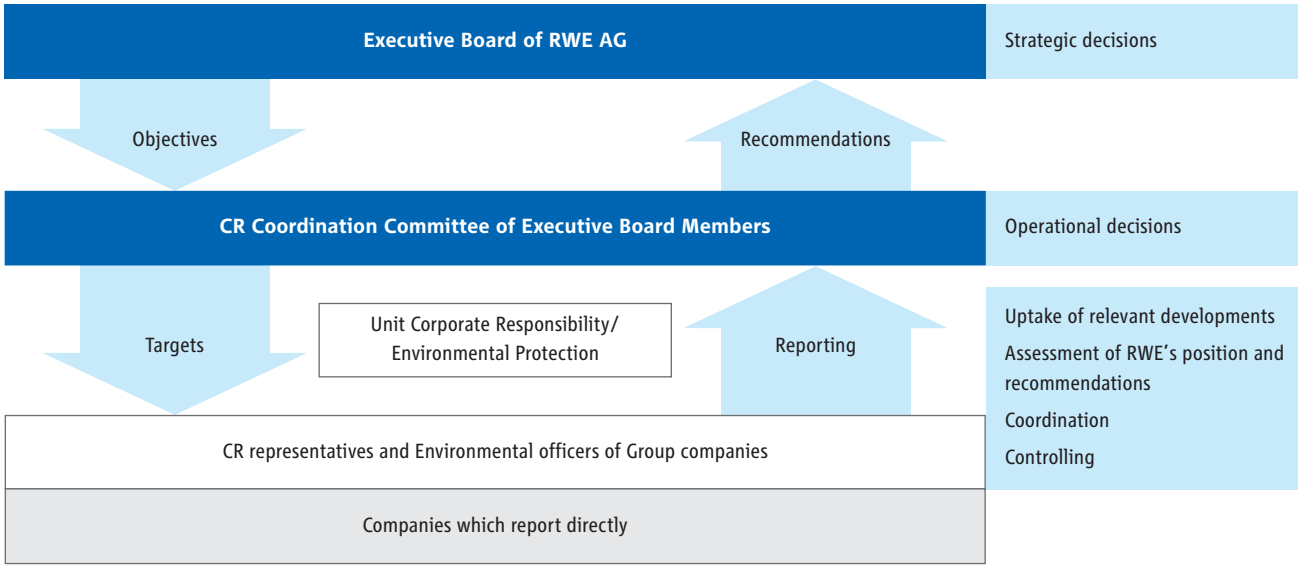
- If there is Group-wide responsibility for a given issue or process, CR management will remain there, supported by CHZ.

CR areas for action over time



CR issues have their own life-cycle. While some are new on the radar, others have long been subject to statutory regulation. Yet society's expectations can change even here.

Structure of CR Management at RWE AG



- If an issue or process is of nationwide or Group-wide importance, but responsibility for the same has not been clearly defined, CHZ is responsible.
- If a given issue or process is of regional importance only or affects only one or a few of the companies in the Group, responsibility will remain in the region or the company concerned, and CHZ informed accordingly.
- Where the question of responsibility is unclear, CHZ will ensure that a decision is made.

Management systems

We have introduced specific management systems in some areas:

Environmental protection. Our environmental management is defined by a binding Group directive and is based on the international standard for environmental management systems (ISO 14001). Compliance with the directive is reviewed in annual audits by the Group Centre (see p. 78). The companies in the Group are also required to conduct regular internal environmental audits of their own. Independent of this, our Internal Auditing Department ensures that our environmental management system is correctly structured and performing properly and provides support for the audits.

Occupational health and safety. The Group-wide competence centres Occupational Safety and Occupational Medicine/Health Care Management were established on 1 September 2009. Both report directly to the HR Director of RWE AG. The organisation of occupational health and allocation of health care management responsibilities have been adapted to the new Group structure so that the focus in future will be on the benefits of employee health. Occupational safety will henceforth be coordinated at Group level by a national and international occupational safety forum.

Anti-corruption and compliance. When we introduced our Code of Conduct in 2005, we not only defined clear principles by which our actions would be governed, but also created an internal organisation to oversee the Code's implementation and ongoing development. The compliance officers appointed by the Group companies are part of this organisation. The compliance officers are there to answer questions on ethically unimpeachable conduct and to develop guidelines for the interpretation of the Code of Conduct. Compliance has become such an important issue that in late 2009 it became an organisational unit in its own right, which as part of the Group Centre reports directly to the CEO. We also have an independent expert to act as ombudsman. The reported instances of non-compliance with the Code of Conduct reached double digits in fiscal 2009, although none of these cases was serious. In the interests of maximising transparency within the Group, an intranet database was set up on 1 January 2010 to store information and documents relating to donations, sponsorship, gifts made to holders of public office and contracts with consultants and agents. **[09]**

Innovation management. Since April 2008, the RWE Group's R&D strategy has been the responsibility of a central research and development unit which is also in charge of steering the various R&D activities. Patenting is also part of the unit's remit, while project implementation remains the responsibility of the individual Group companies.

Other principles governing our actions

Our Code of Conduct and CR strategy are defined by the principles of the United Nations Global Compact, which both RWE AG and its subsidiaries Essent (the Netherlands) and RWE Polska (Poland) have signed. **[10]** We also comply in full with all the requirements of the German Corporate Governance Code. **[11]**

Executive Board compensation

In February 2010, the Supervisory Board reviewed the previous compensation system and adapted it in order to bring it more in line with sustainable business development in light of the introduction of the German Act on the Appropriateness of Management Board Compensation. In future, payment of a 25 percent share of the bonus shall be postponed for three years. A review based on what is termed a bonus-malus factor shall be conducted at the end of this period in order to determine whether the business has been developed sustainably. The bonus-malus factor is determined based on the development of value added, the Corporate Responsibility Index, and the Group's Motivation Index over a period of three years. The Group's environmental and social activity shall be measured using the Corporate Responsibility Index. The Motivation Index recognises employee satisfaction and employee motivation. The bonus-malus factor may range between 0 and 130 percent. The Executive and Supervisory Board proposed to the Annual General Meeting 2010 that it pass a resolution on the endorsement of the system for compensating members of the Executive Board. **[12]**

Transparency as the basis of CR

We provide all interested institutions, especially rating agencies and analysts, with whatever data and information they request. Sustainability ratings and rankings in turn provide us with valuable pointers for improving our CR management. We are therefore committed to the ongoing development of meaningful transparency requirements for businesses: we supported the efforts of the Society of Investment Professionals in Germany (DVFA) to broaden the scope of corporate valuations to include ESG indicators (Environmental, Social, Governance – ESG). **[13]**

On the Internet
RWE Code of Conduct **09**
UN Global Compact **10**
Corporate Governance **11**
Invitation to the Annual General Meeting 2010 (PDF) **12**
DVFA criteria for non-financials (PDF) **13**

We also participated in the development of the Electric Utilities Sector Supplement of the Global Reporting Initiative (GRI). [14] Transparency is important to us in our dealings with policymakers and holders of public office as well. We publicly report our lobbying position (see p. 55) and will be added to the European Commission's voluntary register of lobbyists.

Verification of data

The reliability of the information we provide is essential to the credibility of our reporting. Since 2005, we have had our CR reports audited by the accountancy firm PricewaterhouseCoopers. This current report is the first to be assessed against the AA 1000 Assurance Standard. [15] In view of the importance now attached to structured stakeholder dialogue, this also requires us to take adequate account of our stakeholders' concerns and expectations in our reporting. Since this focuses specifically on materiality, we regard this standard as the most suitable auditing standard currently available. Following a recommendation arising out of the auditing of our status report 2008, however, not only do we have the CR report itself audited, but in late 2009 we initiated a project aimed at improving and safeguarding the collection, control and archiving of our CR data.

CR-relevant memberships

Our membership of econsense, the German platform for sustainability-oriented companies, is part of our effort to push forward CR in Germany, and by organising events and studies to raise public awareness of this issue. We have therefore been actively involved in shaping attitudes to sustainability ratings and rankings, believing that this will facilitate non-financial corporate valuations, whose importance in our view is increasing all the time. [16] RWE npower is a member of Business in the Community. [17] This is a UK organisation which supports and recognises companies committed to improving their impact on society and whose annual index provides RWE npower with an independent assessment of the sustainability of its business policies compared with other companies.

Stakeholder dialogue on various levels

Winning broad public acceptance is crucial to the operation of our plants and to our pursuit of new projects. That is why multi-level dialogue with our stakeholders is so important to us. In Germany we initiated an annual RWE Dialogue Forum specifically in order to facilitate strategic dialogue with representatives of important stakeholder groups, including NGOs. The third such forum was held in the summer of 2009 (see p. 71).

Local dialogue is growing in importance

In addition to national dialogue, the various discussions and events that take place at regional and local level have also gained in importance in recent years. The special interest groups that operate at this level can hold considerable sway over projects that matter to us, as we know from the suspension of our geological surveys for carbon sequestration in Schleswig-Holstein in northern Germany. Through our experience of opencast lignite mining projects, however, RWE has long been accustomed to implementing large infrastructure projects in close consultation with affected local communities for the benefit of everyone concerned. Our companies at operational level are responsible for engaging in dialogue at local level, since they are most likely to know what the local stakeholders' expectations are (see p. 70).

On the Internet
14 Global Reporting Initiative (GRI)
15 AA1000 Standard by AccountAbility
16 econsense – Forum for Sustainable Development of German Business
17 Business in the Community

RWE in the UK

Florian Würtz joined RWE Innogy after spending three years at the wind manufacturer REpower. Building on this experience, he supervised the installation of the Rhyl Flats wind farm off the coast of North Wales, which was commissioned at the end of 2009.

The UK has been our second most important market since 2002. RWE npower is one of the country's leading power generators and retailers of electricity and gas. RWE npower Renewables, RWE Innogy's UK subsidiary, is greatly expanding the use of renewables, especially on- and offshore wind power. RWE Supply & Trading operates energy trading floors in Swindon and London, while RWE Dea is engaged in oil and gas exploration and production in the UK part of the North Sea and west of Ireland.

Facts and figures 2009

13,392 employees
€8.6 billion external revenue
6.5 million customers (electricity and gas)
4,575 MW hard coal
3,026 MW gas
182 MW wind power based on our own plants
256 MW wind power from wind farms we can deploy as required

Challenges

There are four basic challenges facing RWE in the UK: moving to a low carbon economy, maintaining security of supply, keeping energy affordable and safeguarding profitability.

- To promote climate protection and security of supply, we are investing in new low-carbon generation capacity and upgrading our existing plants.
- We are also working with our business and residential customers to encourage energy efficiency.
- Being aware of the impact changing energy prices have on our customers' daily lives, we continue to develop products and services designed to help them use less energy and budget more.

CR points of emphasis

RWE npower set up a comprehensive and systematic CR management system in 2000, as is described in its own CR reports. In 2009, RWE npower was ranked as a Platinum Company in the Business in the Community (BitC) CR Index and was awarded the prestigious BitC CommunityMark in recognition of its community investment programme.

On the Internet
RWE in the United Kingdom 18

3.0 Energy and Climate

We support international aims to limit global warming to no more than two degrees Celsius by 2050. We are committed to restructuring our power generation portfolio so that most of the electricity we generate is carbon-neutral by 2050. For us as Europe's largest single emitter of CO_2, this poses major challenges. We must invest heavily in the future and push forward far-reaching innovations, while at the same time ensuring security of supply.

Our goals

Climate protection: We are committed to significantly reducing our power plant portfolio's CO_2 intensity. Our goal is to take physical and financial measures to lower our CO_2 exposure to the level of an average competitor in our markets no later than 2020.

Energy efficiency: We are committed to increasing both our own energy efficiency and that of our customers.

Security of supply: We are committed to ensuring the system security across our transmission grids at all times and to supplying our customers with the energy they need at all times.

Innovations: We are committed to ensuring the availability of the best technical solutions for our purposes in our core processes through innovations.

Environmental protection: We are committed to operating our plant safely in compliance with licensing regulations and to implementing our environmental management system permantely at 100 percent for supervising that our plants and grids are operated safely and in compliance with the legal requirements.

The United Nations Climate Change Conference in Copenhagen in December 2009 did not bring a breakthrough, although the course that all future developments must take is very clear. If global warming is to be limited to two degrees Celsius compared with pre-industrial levels without denying developing countries opportunities to advance, then in the industrialised nations in particular emissions of greenhouse gases will have to be cut drastically by 2050. RWE is committed to this goal and in March 2009 signed the EURELECTRIC Declaration for a carbon-neutral power supply by 2050. **[19]**

Regional differences

The electricity and gas supply of the future will have to satisfy a wide range of requirements. It will have to be as environmentally responsible and as climate-friendly as possible, but at the same time guarantee security of supply and be affordable for our customers. And all these requirements will have to be met while retaining our long-term profitability. The nature of the balance that will have to be struck varies from market to market.

Lignite reserves in Germany and Hungary provide both countries with a plentiful, reliable and affordable source of energy, even though opposition to the building of new coal-fired power stations is increasing all the time in Germany. In the UK, on the other hand, where domestic gas reserves are diminishing, the use of nuclear power is considered to be an option, while the continued use of coal is a source of much debate. The energy debate in Poland and Hungary is not yet as polarised as it is in Germany. The Netherlands still have copious gas reserves, while any increase in the use of hard coal for electricity generation is controversial.

In renewables, too, the regional differences are significant. Countries with long coastlines such as the UK and the Netherlands naturally have much stronger winds that does continental Europe. And although the European Union has developed common targets for the greater use of renewables, the mechanisms used to promote these vary greatly from country to country.

On the Internet
19 EURELECTRIC-Declaration on carbon-neutral power supply

3.1 Our climate protection strategy

Lowering the carbon intensity of our generation portfolio is one of the cornerstones of our corporate strategy. Between 2010 and 2013, we intend to spend a total of €28 billion on climate-friendly coal- and gas-fired power stations, on doubling our renewables-based generation capacity, stepping up our international oil and gas production and expanding and modernising our electricity and gas grids.

By the end of 2013, we want to have commissioned over 14 gigawatts (GW) of new generation capacity. Two thirds of this will be based on CO_2-free and low-CO_2 technologies. We will finance this with the robust earnings of our current generation portfolio. In turn, this means that we must be allowed to continue operating our existing fossil fuel-fired and nuclear power stations profitably so that we can obtain the substantial funds needed to achieve our planned emission reductions. The shift to a low-carbon generation portfolio will take decades and calls for a clear political framework.

Our generation portfolio today

The carbon intensity of our generation portfolio depends largely on the primary energy sources used. After weighing up all the specific advantages and disadvantages (see Table), we will develop our power plant portfolio so that the future of our business is assured.

As there is still no realistic alternative to electrical energy and the demand for electricity is more likely to rise than to fall (as electric cars become more widespread, for example), creating a generation portfolio capable of meeting future challenges is extremely important, including for reasons of security of supply. Renewables can make a significant contribution here. We are therefore investing heavily in wind farms all over Europe and in the use of biomass.

As renewables alone cannot guarantee the electricity supply required, we still need to make use of other technologies such as carbon-free nuclear power (see p. 36) and coal combustion. To make the latter as climate-friendly as possible, we are pushing forward a number of technical innovations for carbon dioxide reduction and conversion. We have bundled these at the Coal Innovation Centre based at our Niederaußem power station in Germany. **[20]** Several projects are being pursued in cooperation with part-

A comparison of our primary energy sources

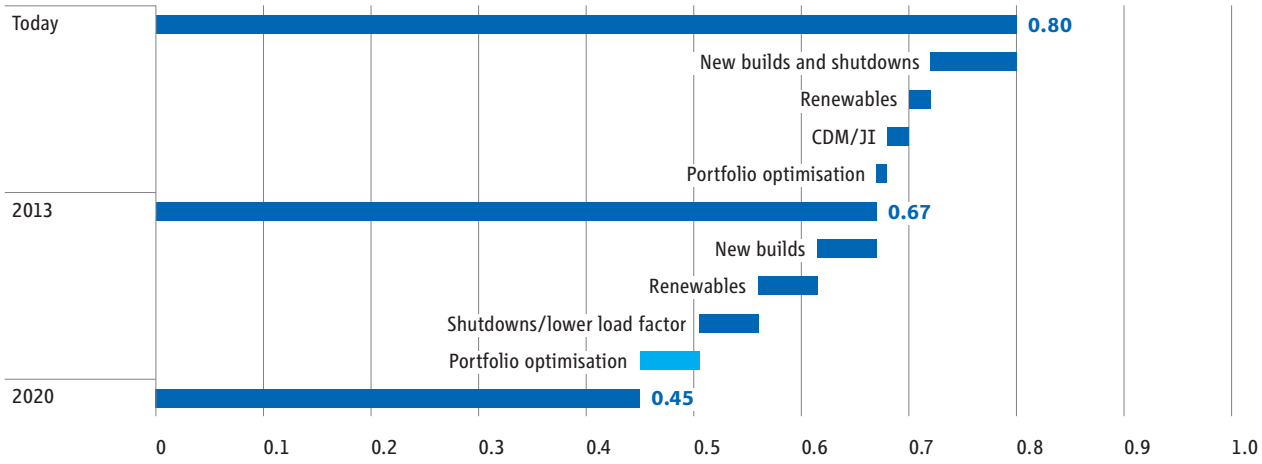
Energy source	Climate protection	Security of supply	Efficiency	Risk and success factors	Flexibility
Lignite	high CO_2 emissions*	domestic, long-term supplies available	cheap to mine, no subsidies	nature conservation and environmental protection, acceptance by society, increased efficiency, carbon capture and storage	low/ medium (increase initiated)
Hard coal	high CO_2 emissions*	long-term availability from numerous producing countries	manageable price risks	acceptance by society	medium
Natural gas	low CO_2 emissions*	limited number of producing countries	high fuel costs low capital costs	further diversification of the gas supply	high
Nuclear power	no CO_2 emissions*	uranium is easy to stockpile	low generation costs high capital costs	acceptance by society, waste disposal issues	low/ medium
Renewables	climate-neutral	available locally in most cases, predominantly inconstant supply	still dependent on subsidies in many cases, hydro capacity often stretched to the limit	grid access, storage and load management technologies, social acceptance, nature conservation and environmental protection	varies, depending on type

* CO_2 emissions from power generation only, not including upstream processes

On the Internet
Coal Innovation Centre 20

RWE climate strategy 2020

Physical and financial measures to lower CO_2 exposure in metric tonnes CO_2 per megawatt-hour (MWh) including Essent*



* Assumes the shortening of reactor service lives is revoked

ners in plant engineering, the chemical industry as well as research institutes.

Improving our emissions balance

Our long-term objective is oriented towards average carbon dioxide emissions per megawatt-hour (MWh) of electricity generated. We want to significantly reduce our power plant portfolio's CO_2 intensity. Our goal is to take physical and financial measures to lower our CO_2 exposure to the level of an average competitor in our markets no later than 2020. Our assumption is that the emission factor customary on the market will be roughly 0.45 tonnes of CO_2 per MWh in 2020. By comparison, RWE emitted 0.80 tonnes per MWh in 2009.

The core elements of our CO_2 strategy are as follows:

- modernising our power plant portfolio to increase its efficiency,
- advancing the development of clean-coal technology,
- using more combined-cycle gas turbine (CCGT) power stations,
- continuing to use nuclear power,
- making greater use of renewables,
- Clean Development Mechanism (CDM) and Joint Implementation (JI) projects.

Optimising our generation portfolio, including by swapping power plant capacity with other power generators, will enable us to lower our carbon intensity. These measures will be supported by efforts to increase energy efficiency in other areas such as our real estate, IT infrastructure and fleet of vehicles (see p. 42) and to encourage our customers to use energy more efficiently, too (see p. 52).

Increasing plant efficiency

Whether or not coal has a future as a source of electricity will depend mainly on the efficiency of coal-fired power stations, efficiency being the measure of how much of the primary fuel is converted into electrical energy. The more efficient a station is, the lower the carbon dioxide emissions per megawatt-hour (MWh) of electricity generated. Our fossil-fuel power stations

RWE new build projects 2006–2013 incl. Essent

Project	Net output	CO_2 emissions	To come on stream	Impact on deployment of old plant	
Lingen, combined-cycle gas turbine power station	887 MW	0.34 t CO_2/MWh	2010	Load factor reduction[2]	4 TWh
Neurath, lignite-fired power station	2,100 MW	0.95 t CO_2/MWh	2011	Shutdown[3]	2,160 MW
Hamm, hard coal power station	1,528 MW	0.74 t CO_2/MWh	2011	Load factor reduction[2]	10 TWh
Staythorpe, combined-cycle gas turbine power station	1,650 MW	0.35 t CO_2/MWh	2010	Load factor reduction[2]	8 TWh
Pembroke, combined-cycle gas turbine power station	2,188 MW	0.34 t CO_2/MWh	2012	Load factor reduction[2]	10 TWh
Moerdijk 2, combined-cycle gas turbine power station	426 MW	0.35 t CO_2/MWh	2011	Load factor reduction[2]	2 TWh
Claus C, combined-cycle gas turbine power station	1,304 MW	0.35 t CO_2/MWh	2012	Load factor reduction[2]	6 TWh
Eemshaven, hard coal power station[1]	1,560 MW	0.59 t CO_2/MWh	2013	Load factor reduction[2]	11 TWh
Renewables	2,000 MW	0.00 t CO_2/MWh	2013	Load factor reduction[2]	7 TWh

1 20 percent co-combustion of biomass

2 Based on the assumption that generation capacity with specific CO_2 emissions of 0.75 t CO_2/MWh is taken off the grid.

3 Lignite-fired power plant units with 1.35 t CO_2/MWh

currently have an efficiency of 37 percent on average. Our cutting-edge coal-fired stations achieve between 43 and 46 percent, while the most modern of our combined-cycle gas turbine power plants achieve between 54 and 59 percent. Engineering advances and the development of new materials, which we are currently working on, will result in efficiencies of more than 50 percent for our coal-fired power stations in the medium term. Together with our partners, we are currently testing components and materials for a 700-degree power station. We expect these tests to yield results by 2011; these will then be taken into account in the next generation of coal-fired power plant. **[21]**

The power stations currently under construction (see above) will have significantly lower specific CO_2 emissions than the old plants still in operation. They will either replace such old plants altogether, or will reduce the number of hours they are on stream. The switch to modern, fossil-fuel power stations and renewables will enable us to save up to 25 million tonnes of CO_2 annually while generating the same amount of electricity. RWE is not only investing in new power stations, but as part of its retrofit programme is modernising existing plants to reduce their carbon dioxide emissions as well. **[02]**

Lignite. Two new lignite-fired units with a combined capacity of 2,100 MW are currently under construction at Neurath in Germany. When these come on stream in 2011, the plant's annual carbon dioxide emissions will be up to six million tonnes lower than those of existing plant based on comparable power generation. The first four 150-MW units of the neighbouring Frimmersdorf power plant were shut down in the course of 2009, while all 16 of the old 150-MW units in the lignite-mining region of the Rhineland are to be taken off the grid by 2012.

Drying lignite before combustion will improve the efficiency of our lignite-fired power plants by approx. four percentage points, raising it to 47 percent in the medium term. Fluidised-bed drying with internal waste heat utilisation (WTA) is a drying method developed by RWE. The demonstration facility at our Niederaußem power station, which commissioned

On the Internet
Research project on increasing the steam parameters **21**
Investment projects at a glance (PDF) **02**

CO_2 reduction by 2013		Construction period						
relative	absolute	2007	2008	2009	2010	2011	2012	2013
-0.41 t CO_2/MWh	2 million t CO_2/a							
-0.40 t CO_2/MWh	6 million t CO_2/a							
-0.01 t CO_2/MWh	>0 million t CO_2/a							
-0.40 t CO_2/MWh	3 million t CO_2/a							
-0.41 t CO_2/MWh	4 million t CO_2/a							
-0.40 t CO_2/MWh	1 million t CO_2/a							
-0.40 t CO_2/MWh	2 million t CO_2/a							
-0.16 t CO_2/MWh	2 million t CO_2/a							
-0.75 t CO_2/MWh	5 million t CO_2/a							

2009, supplies the 960-MW unit 1 with lignite that is already 25 percent dry. This translates into savings of 240,000 tonnes of CO_2 annually.

Hard coal. The new hard coal power stations currently under construction at Hamm in Germany and Eemshaven in the Netherlands have an efficiency of 46 percent, the highest at present attainable with hard coal. They will therefore require 20 percent less hard coal to generate the same amount of electricity, and their annual carbon dioxide emissions will be more than 1.6 million tonnes lower than older plant. All new coal-fired power stations are designed so that they can be retrofitted with flue-gas scrubbing for carbon capture (see p. 33).

Advancing clean coal development

Our competitiveness depends on whether we succeed in bringing electricity generation based on fossil fuels – especially coal – in line with the goal of protecting the climate. One of the keys is the capture and storage of carbon dioxide when producing electricity. **[22]**

Integrated coal gasification. One focus of our development work is on the building of a 450-MW lignite-fired integrated gasification combined-cycle (IGCC) plant in Hürth near Cologne in Germany, which will convert coal into hydrogen and CO_2. The idea is to use the hydrogen to fire a gas turbine for electricity generation and to take the captured CO_2 away by pipeline for storage in underground geological formations. As Germany does not yet have a legal framework for geological sequestration, however, we are not making any progress on this project at present. **[23]**

CO_2 flue-gas scrubbing. Another method of producing climate-friendly electricity based on coal besides IGCC is the removal of carbon dioxide from flue gas (CO_2 scrubbing). The advantage of post-combustion CO_2 scrubbing is that many existing power stations can be retrofitted for this purpose. In August 2009, RWE Power, BASF and Linde commissioned a pilot plant at the lignite-fired Niederaußem power station in Germany, where we are testing newly developed CO_2 scrubbing agents for large-scale application. Our objective is to put the method to commercial use by 2020. To give us a number of technological options, we have joined forces with Shell subsidiary Cansolv to build another pilot plant for testing different scrubbing agents at our hard coal power station at Aberthaw in the UK. October 2009 saw the commissioning of yet another process for flue-gas scrubbing and CO_2 storage in a demonstration plant which RWE, together with US power utility American Electric Power (AEP) and the plant engineering company Alstom, is now testing at the Mountaineer power plant, a 1,300-MW hard coal power plant operated by AEP in New Haven, USA. **[24]**

On the Internet
22 Advancement of clean coal technology
23 IGCC power plant
24 CO_2 scrubbing process

Carbon transport and storage. Carbon transport and storage infrastructure naturally has to be developed parallel to CO_2 removal technologies. Whereas gas pipelines are a tried and tested technology, geological formations suitable for carbon sequestration have yet to be explored. Our years of experience in the storage of natural gas in pore storage facilities is proving a great asset here. In northern Germany where we wanted to explore possible storage facilities, however, opposition to underground carbon sequestration is very strong, which is one reason why Germany's planned CCS legislation has been put on hold. **[25]**

Pilot algae harvesting plant. In addition to carbon sequestration, we are also looking into ways of putting CO_2 to good use. The algae harvesting plant commissioned at our Niederaußem power plant in November 2008, for example, uses CO_2 from the flue gas to "feed" algae. Various potential uses for the algae biomass produced in this manner are being explored, including its use as biofuel.

Expansion of CCGT power stations

Modern combined-cycle gas turbine (CCGT) power stations emit less than half the CO_2 emitted by modern coal-fired power stations. Our acquisition of the Dutch utility Essent and new builds of five large CCGT power stations with a combined capacity of more than 6,000 MW will increase our gas-based generation capacity. The 890-MW plant at Lingen in Germany is to come on stream in April 2010. Two other CCGT power stations with a combined capacity of 3,800 MW are currently under construction at Staythorpe and Pembroke in the UK and once commissioned in 2010 and 2012 will contribute to a secure energy supply. Two other CCGT power stations with a combined capacity of 1,730 MW are being built in the Netherlands; these are the Moerdijk 2 and Claus C power stations due to come on stream in late 2011 and mid-2012 respectively.

Combined heat and power plant. The highest energy usage is that obtained by combined heat and power (CHP) plant which utilise the heat produced by the generation process. Given the importance of a consistently high demand for the heat produced, CHP plants tend to be operated mainly together with industrial partners. The cogeneration plants already in our generation portfolio between them generate 1,975 MW of electricity, while the acquisition of Essent has further strengthened our position in this area (see p. 15). Our biomass power plants are also designed as cogeneration plant as a rule. To add to the potential areas of application, we are currently developing a high-temperature heat storage facility which would enable the much more flexible use of cogen plant in line with requirements.

Nuclear power

Carbon-free nuclear power is an important part of our generation portfolio. Whether or not the service lives of our existing nuclear power stations in Germany can be extended will depend on the energy policy which the German government intends to develop in the course of 2010. We are involved in nuclear power plant projects only in countries in which there is political support for them. Our main focus at present is on the UK, where in November 2009, we secured two sites for possible nuclear power generation facilities on the Cumbrian coast. We have also set up a joint venture with E.ON and secured development land for two new nuclear power plants at Wylfa and Oldbury.

RWE, together with five other European companies, is involved in the planning of units 3 and 4 of the nuclear power station at Cernavodă in Romania, in which we hold a stake of 9.15 percent. In October 2009, however, we decided to end our involvement in the Belene nuclear power plant in Bulgaria, it having become clear that the necessary financing had not been secured. **[26]**

On the Internet
Carbon transport and storage **25**
Power plant project Cernavodă (German only) **26**

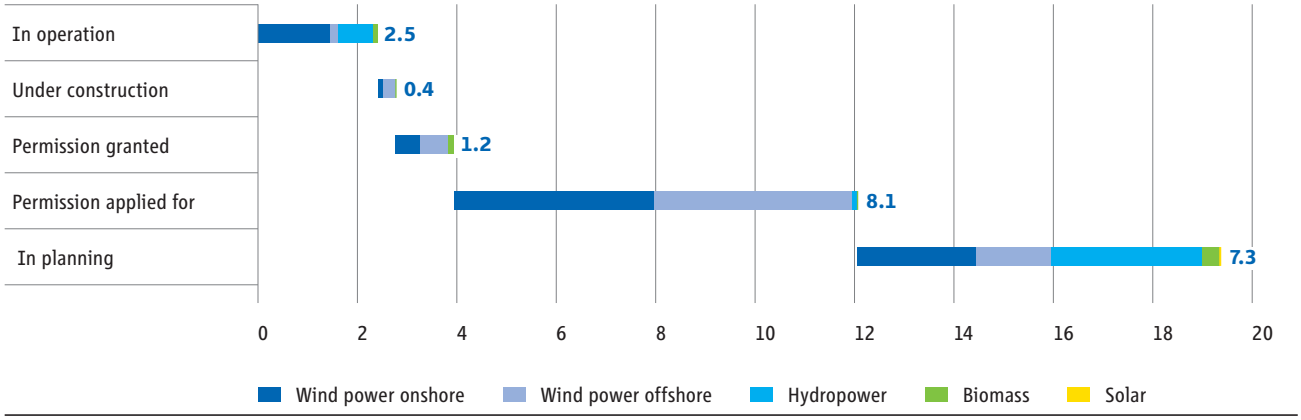
Making greater use of renewables

We want to increase our generation capacity from renewable sources as fast as possible. To achieve this, we have concentrated our activities in this area in RWE Innogy, a new subsidiary founded on 1 February 2008. Our goal is to have at least 4,500 MW of renewable capacity either in operation or under construction by 2012, and to increase this figure to 10,000 MW by 2020. We are making good progress towards this goal. If the 651 MW we took over with Essent are included, RWE had 2,500 MW of renewable capacity in operation and a further 400 MW under construction at the end of 2009. We are also developing projects with a combined output of more than 16,600 MW. **[27/28]**

Wind power. While our main focus here is still on onshore wind farms, much of our expansion in this area will be offshore. We commissioned wind farms with a total capacity of 199 MW during the period under review, among them the 60-MW Little Cheyne Court, the UK's largest onshore wind farm, and the 40-MW Suwalki wind farm in Poland. Meanwhile, our stake in the Spanish wind farm operator Danta de Energías (130 MW) has been increased to 98.65 percent. Offshore, we currently operate two wind farms with a combined capacity of 150 MW, one of which is the 90-MW Rhyl Flats off the coast of North Wales that was commissioned in December 2009. In May 2009 we bought a 26.7 percent stake in the development of the first Belgian offshore project at Thornton Bank, which upon its completion in 2013 will have an output of 300 MW, 30 MW of which is already installed. In early 2010, we decided to invest in a 295-MW wind farm north-west of the German island of Heligoland. The UK government at the same time selected us to develop offshore wind farms on the Dogger Bank and in the Bristol Channel, which together will have a capacity of 4,000 MW. To prevent any unnecessary delays in construction, we placed a €100-million order for two construction vessels at the end of 2009. Completion is scheduled for 2011.

Biomass. We had five biomass power plants with a total capacity of approx. 200 MW either under construction or in planning at the end of 2009. With Essent, Dutch leader in the use of biomass to generate electricity, we have acquired an additional 450 MW

Expansion of Renewables (as of 31 Dec 2009)
in gigawatt



On the Internet
27 RWE Factbook Renewable Energy
28 Overview of investments in renewables

of generation capacity in this area. Essent uses biomass mainly for co-combustion in thermal power stations and intends to extend this practice in future. Biomass will also make up 20 percent of the fuel used at the 1,560-MW power station now being built at Eemshaven in the Netherlands. We are also stepping up co-combustion in the UK and Hungary, as well as investing in the construction of new biomass-fired power stations in the UK.

Hydropower. About two percent of the electricity we generate comes from run-of-river power stations in Germany, the UK, France, Portugal and Switzerland, which together have a capacity of 700 MW. As Central Europe has hardly any undeveloped hydropower sites left, our focus is on enlarging existing ones. The expansion of the run-of-river power station at Albbruck-Dogern on the High Rhine, which with a capacity of 104 MW is now the largest of its kind, was completed at the end of 2009. One option for the future is to make greater use of the sea. By 2012, we intend to build the world's first commercial tidal power plant with a capacity of 10 MW off the coast of Anglesey in North Wales. Meanwhile, the Siadar Wave Energy Project currently in planning off the coast of Scotland is set to become the world's most powerful wave power plant with 4 MW.

Solar power. Unlike Western and Central Europe, Southern Europe and North Africa in our view have great potential as a source of solar energy. In October 2009, therefore, we established the Desertec Industrial Initiative (Dii) together with eleven other companies. **[29]** The Dii's objective is to develop framework conditions for the investments required to supply Europe, the Middle East and North Africa with large amounts of solar and wind power. If the project progresses successfully, North African generation capacity may suffice to cover approx. 15 percent of Europe's demand for electricity in 2050. Solar thermal power plants are intended to play a key role in this. The Andasol 3 project in the Spanish province of Granada is much more advanced and September 2009 saw the commencement of construction work on this 50-MW solar power plant, in which RWE holds a 12.8 percent stake.

Integration of renewables. Expanding installed renewable energy generation capacity poses new challenges. In future, electricity feed-ins will fluctuate more and more. To compensate these, our conventional power plants will have to be used more flexibly. We are therefore investing heavily in CCGT power stations which can be regulated much more easily in line with demand (see p. 36). When modernising our coal-fired power stations, we install new control technology to permit swift load adjustments as and when these are needed. In addition, the Vianden pump storage plant in Luxembourg in which we hold a minority stake of 40 percent is to be enlarged by the installation of an additional turbine by 2011. This will increase its capacity to 1,300 MW, as well as opening up additional storage capacity.

New kinds of power storage facilities will also have to be developed. Our focus here is on pressurised-air storage facilities, which can generate electricity on demand by releasing pressurised air from underground storage sites. In January 2010, we signed an agreement with General Electric, Züblin and the German Aerospace Centre for the development of such a system. Our first step will be to conduct a feasibility study with the aim of building a pilot plant with at least one gigawatt-hour of storage capacity from 2013 onwards. **[30]** In Germany, we have to transport the energy generated by wind farms in northern Germany to the main centres of consumption. We will therefore continue enlarging our transmission grid over the next ten years (see p. 53).

On the Internet
Desertec Industrial Initiative **29**
Pressurised-air energy storage **30**

CDM and JI projects

Participation in climate protection projects under the United Nations' Joint Implementation (JI) and Clean Development Mechanism (CDM) is a key element of our climate protection strategy. These mechanisms permit the purchase of carbon credits from climate protection projects in countries that have undertaken to reduce their emissions (JI) and in developing countries (CDM). Verified emissions reductions are UN-certified and enable companies that participate in the EU Emission Trading System (ETS) to meet their emissions certificate obligations in part using carbon credits from CDM/JI projects. RWE is allowed to use Certified Emission Reductions (CERs) from CDM/JI projects to cover a maximum of 100 million tonnes of emissions by 2020. [31]

We are currently participating in more than 130 climate protection projects, including in Egypt, China, India, South Korea and Vietnam. This means that we are either buying carbon credits, developing projects of our own or investing in third-party projects. By 31 December 2009, we had contractually secured a total of 75.2 million CERs, which after factoring in the project risks we expect to yield 43.9 million CERs. We believe that ensuring the future of such CDM and JI projects will be an important aspect of any post-Kyoto treaty.

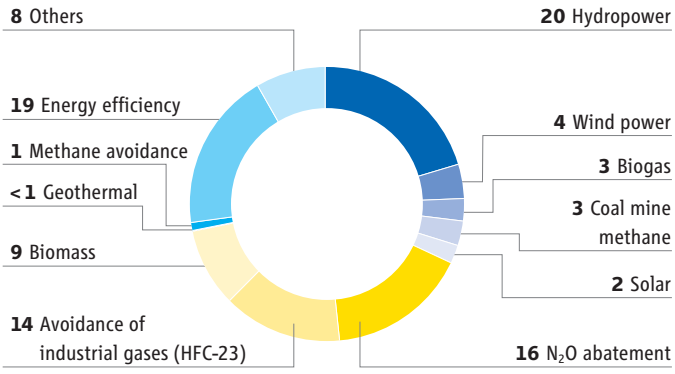
Developing our own projects

One focus of our project development work is on nitrous oxide abatement. As Nitrous oxide (N_2O) has 310 times the global warming potential of CO_2, reducing this greenhouse gas makes good sense. Our retrofitting of the nitric acid plant at the Abu Qir Fertilizer Company in Egypt with innovative catalytic converter technology, for example, will save more than one million tonnes of CO_2 equivalents annually.

During the period under review, we launched a new initiative in China to use the methane given off by mining operations to generate electricity. Our own mining experience has proved to be a great asset. The first such project in the province of Shanxi is expected to prevent some 1.5 million tonnes of CO_2 equivalents entering the atmosphere over the next ten years, which for RWE will translate into a commensurate number of carbon credits.

Another project to combat uncontrolled logging in Zambia developed in collaboration with Climate Inter-Change AG and project partners in Zambia is expected to avoid some 1.5 million tonnes of CO_2 by 2020. The ultra-efficient cooking stoves that RWE is financing require far less fuel than conventional stoves and can be run on finely chopped firewood instead of charcoal. Some 30,000 households and hence some 300,000 people will be cooking on these stoves by the end of 2010. Besides protecting Zambia's forests, the project is also lowering the households' fuel costs and so helping to combat poverty.

CDM and JI projects by technology
in percent



On the Internet
31 CDM and JI projects

3.2 Security of supply

Our goal is to guarantee a reliable and affordable supply of electricity and gas for our customers at all times. We are therefore concentrating our efforts on three areas:

1. expanding and diversifying our gas supply portfolio,
2. the long-term use of lignite and hard coal,
3. the increased use of renewables.

Gas procurement. The most urgent need for action is in the supply of natural gas. Gas is comparatively climate-friendly, but brings with it the risk of dependency. Europe buys most of its gas from Russia, whereas our own gas production covers only some 15 percent of our gas needs. This is something we want to change. We therefore intend to more than double our oil and gas production by 2015. This will enable us to cover a larger share of our own gas requirements, while at the same time providing a hedge against price fluctuations. RWE Dea is already engaged in oil and gas exploration in Europe and North Africa and we have plans to team up with other players with a view to tapping new capacities in Central Asia as well.

Gas transport. One of the most important European infrastructure projects for securing gas supplies is the planned Nabucco gas pipeline in which we hold a 16.6 percent stake. This 3,300-km pipeline could give European customers to access to new sources of gas in the Caspian region and the Middle East via a new route and so promote competition on the international gas market. Gas supplies are scheduled to start flowing through Nabucco in 2014. On final completion, the system will have a size of up to 31 billion cubic metres per annum. Two major milestones were passed in 2009: one was the creation of a legal framework for gas transit and the other the commencement of talks with development banks on how the project is to be financed. Another improvement in the gas supply that RWE is planning will entail laying a 740-km east-west gas pipeline from the Czech Republic to Belgium. Now that the preliminary planning of this new pipeline has been completed, we are currently seeking concrete declarations of intent from potential users.

Liquefied natural gas (LNG) is also important to our efforts to secure a reliable gas supply. Once the necessary infrastructure has been created, we will be able to feed gas from our LNG terminals into the grid as and when it is required. Following our acquisition of Essent, we are now involved in the planning and construction of two LNG terminals in the Netherlands. The first is the Gate Project at Rotterdam which is to have an annual regasification capacity of twelve billion cubic metres and is due for completion in 2011. The second could come on stream at Eemshaven by 2015, although no final investment decision has been made yet.

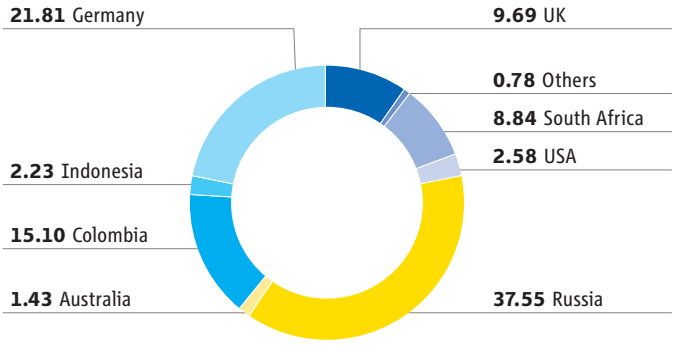
Together with Excelerate Energy, a US corporation in which we hold a 50-percent stake, we are now operating eight LNG vessels, seven of which are equipped with onboard regasification technology and hence have no need of conventional, land-based regasification plant. To serve the German market, we are planning to install a comparatively low-priced terminal for this special technology at the North Sea port of Wilhelmshaven.

Lignite and hard coal. Lignite is our most secure fuel source. Since all our lignite comes from our own opencast mines, we are not exposed to geopolitical influences. RWE has legally secured access to approx. 3.5 billion tonnes of lignite in Germany's Rhineland. Assuming an annual extraction rate of 100 million tonnes, we therefore have enough lignite to cover our requirements until mid-century – and at stable

prices, too. The situation is similar in Hungary, where RWE mines some 8.5 million tonnes annually and has mining concessions for several decades to come. We obtain our hard coal both from domestic sources and on the world market. Because hard coal is mined in several different countries, the delivery risks can be spread and we expect a secure supply in the medium term.

Uranium. Uranium is available in sufficient quantities and is mined in many different countries. The German Economic Affairs Ministry estimates that at the current rate of consumption of 70,000 tonnes of uranium per annum, the world's known reserves will last for around 200 years. Rising uranium prices have created an incentive to find new deposits, with the result that the past two years alone have seen a 15 percent increase in economically exploitable reserves. The steady rise in demand will accelerate this process. Unlike other fuels, moreover, we keep sufficient stocks of nuclear fuels to be able to continue operating our nuclear power plants for several years to come. We therefore regard the uranium supply risks as very low indeed.

Hard coal purchases by country of origin
in percent



Biomass. Thanks mainly to agreements with landowners in Germany granting us long-term rights to forest waste and international supply contracts in the Netherlands, we now have sufficient quantities of biomass for the generation capacity currently available to us. January 2010 saw the launch of a strategically important project that will enable us to increase our use of biomass still further. This is the world's largest and most modern factory for the production of biomass pellets, which we intend to build in the US state of Georgia. The plant will have an annual output of 750,000 tonnes of pellets when it commences operation in 2011. We are aware that using biomass leads to conflicts over environmental and land-use issues. As a company which has been sourcing biomass on a global scale for several years now, our Dutch subsidiary Essent has introduced a Green Gold Label whose sustainability criteria are binding on the whole value chain. [32] More than 70 percent of the biomass used to generate green electricity in 2009 met the requirements of the Green Gold Label. The various rules governing the use of biomass currently in force throughout the RWE Group are to be standardised in the course of 2010.

On the Internet
32 Green Gold Label

3.3 Reducing our own energy consumption

The RWE Group's greatest contribution to climate protection is of course that resulting from the reconfiguration of our generation portfolio. The impact of efforts to lower our own energy consumption is bound to be small by comparison, but crucial to our credibility.

Green company car policy

With around 10,000 vehicles, RWE operates one of Germany's largest company car fleets, which is to be modernised over the next few years to improve its environmental credentials. RWE has therefore become the first German corporation to base its vehicle procurement policies on the EcoTest standard of the German automobile association ADAC. What this means in practice is that all the vehicles we purchase must have an ADAC EcoTest four-star rating or higher. The aim is to cut our vehicle emissions by 20 percent over the five years from 2007 to 2012. In pursuit of the same goal, our drivers are being given extra training in safe and environment-friendly driving techniques. The Technische Überwachungsverein (TÜV) Süd has awarded us its Green Fleet Award in recognition of our efforts in this area.

Energy-efficient building management

RWE Supply & Trading's new building in Essen, Germany, provides workspace for 830 people and was built to very high energy-efficiency standards. Heating consumption, for example, is almost two thirds lower than the upper limit stipulated by Germany's new energy-saving regulations for buildings (EnEV), while the air-conditioning system uses only half the energy required by a standard system. The installation of separate lights for each desk, moreover, has lowered power consumption for lighting by 25 to 30 percent. Our objective in adopting efficiency measures such as these in our buildings in Germany is to make savings of up to five percent by 2012. In 2007, RWE in Poland launched an internal campaign "Conscious Energy" to raise awareness of the importance of saving electricity with the result that in just one year, consumption there fell by nearly 24 percent.

Green IT

Our IT infrastructure accounts for a substantial proportion of our own energy consumption. Using blade systems and virtual servers can significantly reduce the number of computers required and the loads they have to bear. Blade servers share components such as power and storage space, which in turn reduces their energy needs by about a third. Virtualisation, meanwhile, makes it possible for applications that normally require their own separate server to be brought together in a single computer. The combined use of blade servers and virtualisation technology can reduce energy consumption rates in this area by about 95 percent. We have already been able to save one million kilowatt-hours annually.

The more than 60,000 desktop computers in use throughout the Group are being successively replaced by computers that meet the ENERGY STAR standard, a label which confirms that they use considerably less energy than conventional computers. In the absence of any user activity, ENERGY STAR computers automatically switch to stand-by mode, meaning that the processor and hard-disk are switched off. The standard screens in use at RWE meet the stringent energy-saving and environmental requirements of both the TCO 03 label and the EPEAT gold rating.

3.4 Environmental protection and natural conservation

Environmentally responsible conduct is vital if we are to win broad public acceptance for our actions, including the operation of our opencast mines, power stations and grids. It is our policy always to comply with statutory regulations and with planning and operating conditions. If problems nevertheless arise, we endeavour to find the best solution for everyone concerned.

Managing our environmental impact

Our power stations and installations are designed and operated so that they comply with both national and European air quality and water quality regulations at all times. Our German power stations did not require any major retrofitting during the period under review. In the UK, however, we retrofitted our Aberthaw power station with a flue-gas desulphurisation unit in 2009, our aim being to lower the sulphur dioxide (SO_2) emissions in compliance with the European Large Combustion Plant Directive (LCPD) and so secure the long-term operation of the plant. Optimising the operation of the planned CO_2 flue-gas scrubbing unit could necessitate further reductions in SO_2 concentrations in future. The REAplus pilot plant now in operation at our Coal Innovation Centre at Niederaußem, Germany, was set up to test the various methods available to further reduce SO_2. **[33]**

Particulate matter (PM) emissions are mainly an issue for our opencast mines. Although not the principle cause of particulate pollution, they are certainly a measurable source. We are therefore doing everything technically possible to reduce our PM emissions. The authorities were satisfied that we had met our obligations during the period under review. The measures we have adopted to minimise noise pollution include the erection of noise barriers at our opencast mines and the provision of proper housing for our drive stations and transformers.

The challenge of biodiversity

Our power generation activities invariably have an impact on the natural world – whether it is mining lignite, erecting wind turbines, operating run-of-river power stations, maintaining transmission grids or producing oil or gas. Protecting the landscape and preserving local flora and fauna are therefore high on our environmental agenda. **[34]** Our aim is to meet the targets of the 1992 Biodiversity Convention. In May 2008, we were among the sponsors and exhibitors at the Diversity Plaza organised by the Deutsche Bundesstiftung Umwelt together with the German government to coincide with the UN Biodiversity Conference in Bonn.

Recultivating opencast mines. The greatest challenge in biodiversity is to recultivate the land used for opencast mining at least to the same quality as it had before. Our extensive experience in this field has won us international recognition. The holistic approach we have developed takes account of nature conservation as well as the interests of farming and forestry. When recultivating disused mines close to populated areas, we also try to provide recreational opportunities for local residents, for example through the creation of lakes and ponds. The recultivated land is in most cases more varied and supports more plant and animal species than it did before it was mined. More than 3,500 species of flora and fauna have so far been identified in the recultivated areas of the Rhineland and the past five years alone have seen the arrival of more than 300 species of plant that were not there before. Many of these are on the International Union for Conservation of Nature (IUCN) Red List of Threatened Species, including

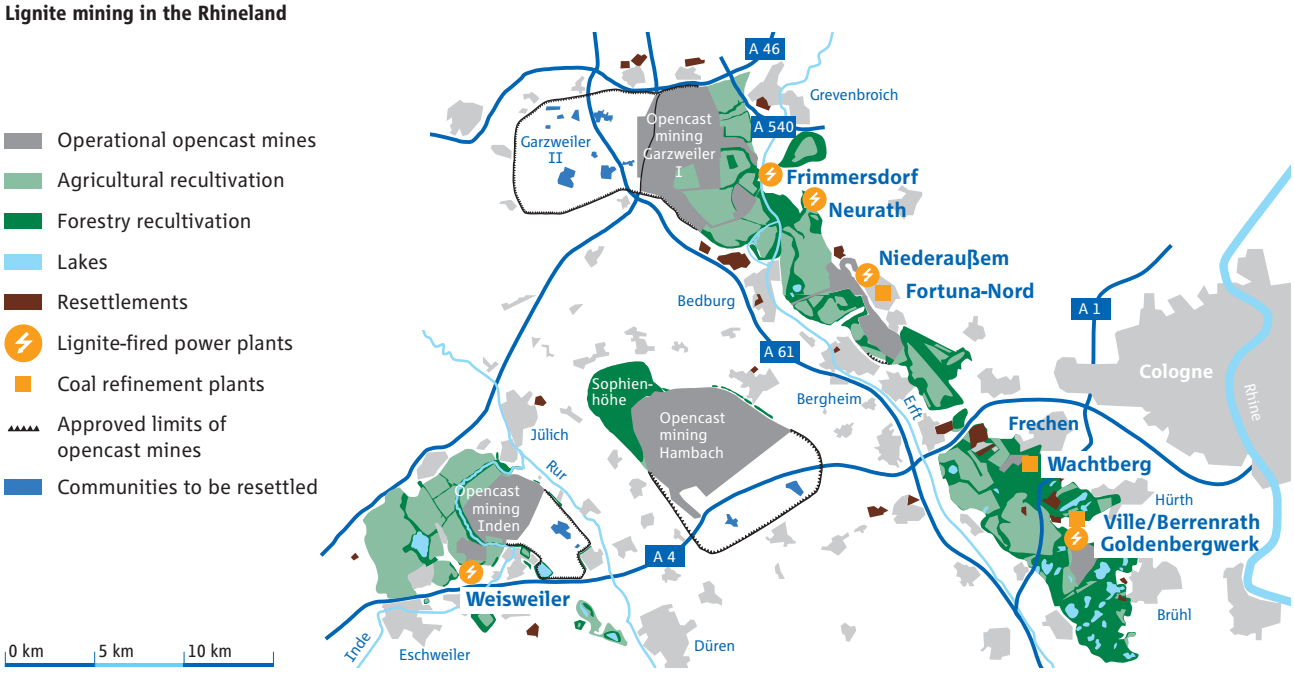
On the Internet
33 REAplus pilot plant
34 Biodiversity

some which are at risk of extinction in the Lower Rhine Basin. We have recultivated 200 square kilometres of land in Germany since lignite mining first began. Agricultural land accounts for about half this total, while 80 square kilometres are forest or parkland and a further eight square kilometres lakes and rivers. Our recultivation activities in the Rhineland are monitored by a research institute which RWE finances for this purpose. **[35]** The institute provides professional guidance as well as planning and organising specific measures. Responsibility for implementing these lies with the recultivation department of RWE Power, which has its own ecology taskforce. Recultivation is also an integral part of operations at our two opencast mines in Hungary.

Protection of wetlands. To keep our opencast mines dry, we have to pump off large amounts of water from wells situated both in the mine itself and all around it. We offset the effects of this by returning copious quantities of water back into the groundwater over a large land area – in some cases using a seepage system. This is especially important where there are ecologically valuable wetlands nearby. The outcome of these measures is monitored continuously at some 3,900 control points – including 350 in the wetlands themselves – and the results assessed by the local authorities and communities affected. Thanks to this practice, we have been able to secure an adequate water supply to protect the wetlands of the Schwalm-Nette Valley.

Nature conservation in the Wadden Sea. We have been extracting oil from Germany's most important oil reserves in the Wadden Sea off the coast of Schleswig-Holstein for more than 20 years. Being acutely conscious of the fact that the Wadden Sea is an exceptional habitat for numerous species of flora and fauna, we have adopted comprehensive safeguards which effectively prevent any contamination.

Lignite mining in the Rhineland



Status: 2009

On the Internet
Research institute recultivation (German only) **35**

These have set standards for the entire industry and still count as the international benchmark. Independent research institutes have been monitoring our operations since 1987 to examine and assess their impact on the environment. According to them, the drilling platform is not having any seriously detrimental impacts on the character of the Wadden Sea.

The importance of providing proper protection increased greatly when the Wadden Sea was declared a UNESCO World Heritage site. Because it is a national park, any economic activity there has always been subject to severe restrictions. In compliance with the statutory requirements, therefore, we have agreed with the authorities that we will apply first for the necessary test drillings inside the Wadden Sea National Park, but will confine any later extraction activities either to the existing Mittelplate platform or to sites outside the park. As in the past, we will continue to implement all the safeguards necessary so as not to jeopardise the ecologically unique Wadden Sea. **[36]**

Environmental power-line maintenance. As Germany's pioneer in power-line maintenance, we developed alternatives to what used to be the standard practice of clear-cutting as long ago as the 1990s. Today, all the land under our power lines – an area totalling more than 105 square kilometres – is maintained according to a special biodiversity management concept. The heath, bogland and grassland that are allowed to develop all provide an important habitat for insects, reptiles and birds, including such rare species as smooth snakes, dice snakes and hazel grouse.

Protecting birdlife. Overland lines and pylons present many hazards for birds. To prevent collisions with overland lines and protect birdlife, we have therefore introduced special markings for those parts of our ultra-high voltage grid that tend to be frequented by large birds. When erecting new high- and ultra-high voltage lines, moreover, we try to steer well clear of areas that migratory birds use for stopovers or for wintering. We are also fitting the masts of our medium-voltage lines with bird-safety devices and intend to have this work completed by 2012. Storks and osprey, for example, are a special concern of our subsidiary envia Mitteldeutsche Energie AG (envia M), which operates mainly in the Spreewald, home to Germany's largest stork population. Working together with local conservationists, too, enviaM tries to encourage breeding by installing nesting perches on its pylons. **[37]**

Protecting fish. Hydroelectric stations often constitute an insurmountable barrier for fish swimming upriver to spawn. We therefore fit our hydro plants with what are known as salmon ladders. When enlarging our run-of-river power station at Albbruck-Dogern on the Upper Rhine in Germany, for example, we created just such a natural bypass channel (more than 800 metres long and up to 15 metres wide in places) so that salmon and other fish would still be able to swim upstream. The Eel Protection Initiative on the river Moselle is another good example of our efforts to protect fish. Together with scientists, we have been looking into ways of boosting the river's eel population without disrupting our plant operations.

On the Internet
36 Oil production from Mittelplate
37 Nature conservation and landscape preservation along high-voltage transmission lines

RWE in Germany

Prof. Dr Rüdiger Kiesel of the University of Duisburg-Essen is building up a new chair of energy trading and financial services which RWE Supply & Trading is supporting with €2 million in funding. Prof. Kiesel took some of his students to visit Europe's largest and most modern trading floor.

Germany is not just our most important market; it is also where we have our historical roots and where our Group headquarters is located. RWE Power mines lignite and operates its own fossil-fuel and nuclear power stations with a combined capacity of 23,330 megawatts. RWE Vertrieb and five regional sales subsidiaries supply private and commercial customers with electricity and gas. RWE Rheinland Westfalen Netz operates our distribution networks. The electricity transmission grid is operated by the independent electricity transmission system operator Amprion. RWE Innogy is pushing forward the expansion of renewables, while RWE Dea is engaged in oil and gas production and operates gas storage facilities. RWE Supply & Trading is responsible for energy sourcing and trading and for trading in energy derivatives. RWE Effizienz develops new products and services for the efficient use of energy.

Facts and figures 2009

40,392	employees
€28.4	billion external revenue
7.9	million customers (electricity and gas)
11,000	km ultra-high voltage grid
329,850	km distribution grid
9,288	ha. opencast mines
13,100	MW lignite and hard coal
4,169	MW gas and combined heat and power (CHP)
6,295	MW nuclear power
721	MW renewables

Challenges

Our business in Germany is shaped by the ever greater challenges of climate protection and debate on how the energy supply should be structured:

- To reduce our high carbon intensity, we are investing heavily in new coal- and gas-fired power stations and in renewables.
- A dependable energy supply and grid tend to be taken for granted, yet both need heavy investments to maintain.
- New power stations and carbon sequestration have met with fierce resistance among some policy-makers and members of the public.

CR points of emphasis

Over the past few years, we have built up a systematic CR management system centred on our core business. We engage in dialogue with our stakeholders at both regional and national level. RWE has an umbrella organisation to facilitate its employees' community involvement. A massive increase in renewables has already been initiated.

On the Internet
RWE in Germany 38

4.0 Marketplace

Our chief concern is to provide our industrial, commercial and residential customers with an energy supply that is both reliable and good value. We also want to help protect the climate by offering our customers energy efficiency products and services. Fairness and integrity shall govern our dealings with all market players.

Our goals

Energy efficiency: We are committed to increasing both our own energy efficiency and that of our customers.

Security of supply: We are committed to ensuring the system security across our transmission grids at all times and to supplying our customers with the energy they need at all times.

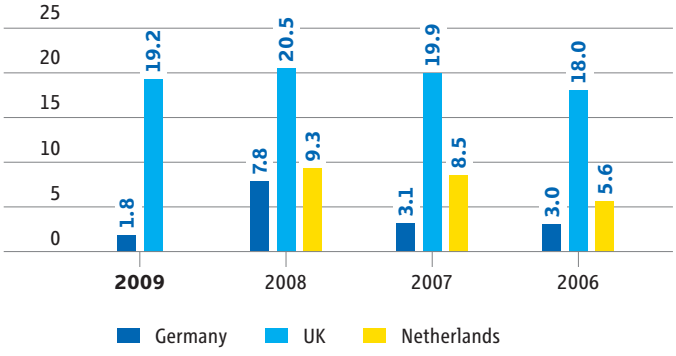
Pricing: We are committed to having satisfied and hence loyal customers.

The companies that make up the RWE Group (see p. 93) supply 16 million customers with electricity and 8 million customers with gas, making RWE the fifth largest energy utility in Europe. In 2009 we were Germany's second largest electricity and third largest gas utility. We also hold a leading position in the UK, Hungary, the Czech Republic and – following the takeover of Essent in September 2009 – in the Netherlands. RWE has not been spared the knock-on effects of the banking crisis and recession. 2009 saw reduced production that led to a fall in demand of approx. 20 percent among our industrial customers. At the same time, public criticism of energy suppliers' pricing policies has led to an increase in scrutiny from government and regulators both in Germany and more widely in Europe.

Customer expectations in the regions

In recent years, rising electricity prices have been a contentious issue in both Germany and the UK – and not just for industrial customers, but for small businesses and private households, too. The focus of attention in the UK, where customers switch supplier more frequently, is therefore on providing good customer service and fair pricing. In Germany, on the other hand, such switches of supplier have remained at a relatively low level when averaged over recent years. With liberalisation still in its infancy in Poland, the Czech Republic and Hungary, electricity prices for small businesses and private households are still fixed by the state. While an uninterrupted electricity supply is high up the list of expectations among customers in Poland, the profits that utilities in Hungary have been guaranteed following privatisation have become a target of public criticism.

Customers switching supplier in Germany, UK and the Netherlands
in percent



4.1 Our responsibility to our customers

Germany is still our largest single market, followed by the UK and, since September 2009, the Netherlands. Liberalisation of the energy markets is already far advanced in all these countries and even in Germany, more and more private and commercial customers are beginning to switch to the best supplier.

Products and tariffs

We have developed a range of new products and tariffs to take account of our customers' very varied demands. In Germany, for example, our ProKlima product, which offers customers a three-year price guarantee with the right to cancel at the end of each year, has proved especially popular. ProKlima electricity comes from hydro and nuclear power stations and is therefore almost completely carbon-free. Essent is the Netherlands' leading provider of green electricity. Some 900,000 customers purchase Groene Stroom from Essent, most of which comes from the co-firing of biomass and wind turbines in the Netherlands. Essent also supplies Groen Gas, most of which is biogas. For customers in Germany, RWE has developed eprimo, which is a discount brand sold primarily via the Internet. **[39]** In April 2009, eprimo became the first nationwide energy supplier to have its customer service certified by the Technische Überwachungsverein (TÜV) Süd.

Innovative products

In 2009, we again held three electricity auctions at which a total of 6.4 billion kilowatt-hours (kWh) of power went under the hammer and industrial customers were able to meet their energy needs on fair and transparent terms. **[40]** More and more of our industrial customers are now asking for carbon-free electricity, too – especially those who are concerned about their carbon footprint and so want to make full use of every available potential for reduction. Key accounts in Germany, the UK and the Netherlands are therefore offered products tailored to their specific needs. The first supply contracts for carbon-free electricity in Germany, for example, were signed at the end of 2009.

Our GEKKO concept is an innovative procurement model developed specifically for our municipal partners in Germany. The concept enables them to buy into the new hard coal power station being built at Hamm in Germany in line with their needs, and so puts them on a par with independent plant operators. In the first six months of 2009, 23 municipal utilities from four German states between them bought a 350-MW stake in the new generation capacity at Hamm. Temporary supply contracts will tide over the period before the new plant comes on stream. The Green GECCO concept for which we have set aside a budget of €400 million up to 2012 is similar, but applies to capacity from renewables. **[41]**

Customer service and social responsibility

Our second largest market, the UK, is a very competitive market where customers switch supplier frequently. As good customer service and affordability are our customers' primary concerns, RWE npower has made improving customer satisfaction a key element of its strategy.

Furnished with a budget of approx. €1.7 million per year, RWE npower's Health through Warmth programme supports some 8,000 households annually. **[42]** It provides energy measures for those people whose health is at risk because they live in cold or damp houses. In 2009, RWE npower spent over €19.8 million on helping the most vulnerable. The greater part of this sum went towards supporting the over 100,000 customer accounts registered on the social tariff in 2009.

On the Internet
eprimo (German only) **39**
RWE electricity auctions **40**
GREEN GECCO (German only) **41**
RWE npower initiative Health through Warmth **42**

Price developments in the period under review

To minimise our sales and price risks, almost all the output of our power plants is sold forward. Our electricity tariffs for small businesses and private households in Germany rose only slightly in 2009 compared with 2008. This was because most of our sales subsidiaries had already met their electricity needs and their procurement costs had been influenced by the previous years' rise in wholesale prices. Our industrial customers, on the other hand, which generally buy their electricity at much shorter notice, were able to profit from the fall of around 40 percent in base prices on the European Energy Exchange (EEX) in 2009. Gas prices, meanwhile, were down approx. 30 percent on the previous year. Although wholesale prices in the UK were still higher than in 2007, RWE npower cut its electricity prices for all its residential customers by eight percent on average in 2009.

Reputation and customer satisfaction

We commission regular surveys to monitor RWE's reputation. Our most recent survey in early 2009 entailed telephone interviews with 1,500 existing and potential private customers in eight regions of Germany. The results showed that in Germany, RWE is not viewed any differently from the other big utilities. RWE and several of its competitors all received a mid-scale rating. The only utility to do significantly better than the others was one that supplies green energy only.

A customer survey commissioned by our sales department found that our customer services are now rated more positively than in previous years and better than public perceptions might lead one to suppose. Inquiring into three categories – value for money, customer satisfaction and customer loyalty – the survey found that the RWE sales brand is among the leaders in all three categories and tops the league in customer loyalty; RWE's discount brand eprimo was found to be among the best in all three categories.

Market position of the RWE Group in terms of sales

		Electricity	Gas
Germany		No. 2	No. 3
UK		No. 3	No. 4
Netherlands		No. 2	No. 1
Eastern Europe	Hungary	No. 2	Leading position
	Slovakia	No. 3	No. 2
	Czech Republic	Presence	No. 1
	Poland	No. 6	–
Total Europe		**No. 3**	**No. 6**

4.2 Energy efficiency for customers

Promoting energy efficiency helps customers lower their costs and is one of the cornerstones of our climate protection strategy. Our new Dortmund-based subsidiary RWE Effizienz GmbH was founded in July 2009 with the specific aim of bundling our efforts to promote greater efficiency and developing new service products. [03]

RWE Effizienz has also taken over the projects launched under our €150-million energy efficiency initiative of 2007, its focus here being on advice, analysis and the implementation of efficiency measures. In the course of this initiative, 2,100 Energy Performance Certificates have been issued, 24 hospitals inspected in search of potential energy savings, 45,000 streetlamps refitted and RWE energy management software installed at 250 small and medium-sized enterprises at no extra charge for customers. Our 250 projects in schools have enabled us to reach 300,000 people and through them have led to savings of more than two million kilowatt-hours (kWh) of electricity.

Installing smart meters, using computer systems to control domestic energy consumption (smart home), pushing forward the electro-mobility business and energy consultancy are all high up on the agenda at present. In both Germany and the UK, we support and advise households on how to save energy as well as helping industrial customers reduce their electricity consumption. In Germany, we have set up an Internet platform providing information on all aspects of energy conservation. **[43]**

Smart metering

To ascertain the viability of smart metering, we are currently conducting large-scale trials with 116,000 smart meters in private households in the German city of Mülheim an der Ruhr. **[44]** The new meters, which will be in place by the end of 2011, will make it easier for customers to monitor and hence control their energy consumption. In the medium term, smart metering could help us level out generation peaks which in turn would lower costs. Smart home takes this idea one step further, the ultimate goal being the fully automated, energy-efficient control of all household appliances and supply systems. December 2009 saw RWE signing a cooperation agreement with a partner that specialises in home automation so that together we can prepare RWE smart home for market launch.

Electro-mobility

The switch to electro-mobility, which RWE is now pursuing together with partners from various industries, will tap the huge carbon reduction potential in road traffic and is thus another cornerstone of our climate protection strategy. The creation of the necessary infrastructure offers a promising business for RWE and in the medium-term future could provide a solution to the problem of fluctuating grid feed-in from renewables. **[45]**

By mid-2010, we want to have provided Berlin, several other German cities and the Polish capital of Warsaw with publicly accessible charging stations. As we would like to see an open system to which all users have unrestricted access, we committed ourselves right from the start to a Europe-wide standard for both the plugs and information interfaces. To promote market penetration, we are working closely with strategically important partners in the automotive sector such as carmakers of renown, Germany's ADAC as Europe's largest automobile club, a leading car rental company and Europe's largest car park operator.

On the Internet
RWE Effizienz GmbH (German only) **03**
Internet platform on saving energy (German only) **43**
Mülheim zählt (German only) **44**
RWE E-Mobility **45**

4.3 Security of supply

A reliable power supply is essential to keep the economy running. Security of supply requires both the long-term availability of energy sources (see p. 40) and a safe and reliable infrastructure for transmission and distribution.

Transmission grid

RWE operates a large electricity transmission grid in Germany. Since 1 September 2009, this has been the responsibility of Amprion GmbH (see p. 10), which with its transmission grid and grid control centre at Brauweiler, Germany, regulates current flows and balances generation and consumption and so makes an important contribution to security of supply in both Germany and Europe. As almost all cross-border power supplies in Western Europe flow through Amprion's ultra-high voltage grid, disruptions can have dramatic consequences all over Europe. Such disruptions have been successfully prevented in the past, nor were there any serious disruptions caused by our grid during the period under review. **[04]**

Over the next ten years, a total of €3 billion is to be spent on modernising the transmission grid to improve security of supply and provide the additional capacity needed to accommodate the steady rise in renewables, including adding 800 kilometres of new power lines and installing 25 new transformers. The transmission capacity of the 60-km 3,800 MW high-voltage connection to the Netherlands, for example, is to be expanded by a further 1,000 to 2,000 MW. This line is central to Europe-wide energy trading and so delivers both grid stability and competition.

Power outages in our German distribution grid totalled approx. 24.7 minutes per customer in 2008, making us a world leader in grid reliability. Since we want to make our distribution grid even more resistant to outside influences, however, we began increasing our investments in underground distribution lines as early as 2007. Overland lines are especially at risk in wooded areas, as a storm in early 2007 (Kyrill) demonstrated. We therefore plan to spend some €25 billion on renewing, upgrading, maintaining and operating our distribution network by 2019.

Virtual power plants and smart grids

Virtual power plants and smart grids are two new approaches to supply energy and make use of intelligent coordination of decentralised capacity. The better renewable energy sources can be flexibly and centrally coordinated in a single virtual power plant, the greater security of supply will be – even to the point of being able to use renewables to cover base-load requirements. The first virtual power plant operated by Siemens and RWE came on stream in October 2008 and in a first step brought together nine hydropower stations with a combined capacity of approx. 8.6 MW. Being able to sell this power en bloc on the energy exchange has enabled RWE to optimise the profitability even of these small plant.

On the Internet
04 Amprion GmbH

4.4 Fair competition

Fair play, integrity and transparency are essential to our efforts to win broad acceptance for our actions. Our Code of Conduct lays down the principles that guide us in the way we work with competitors, customers and suppliers. This also means cooperating fully and constructively with the antitrust authorities.

Transparency in the market

RWE Supply & Trading is one of Europe's leading energy traders, acting in such key marketplaces as the European Energy Exchange (EEX) in Leipzig, Germany, and Nord Pool in Oslo. At the EEX, RWE Supply & Trading is a market maker. What this means in practice is that we act as both buyer and seller at any time and so safeguard market liquidity and transparent pricing. Furthermore, the larger trading volumes on these markets are, the more scope there is for us and the other market players to diversify the risks. We are committed to fair energy trading with as many products and trading partners as possible; our constructive engagement with the most important decision-making bodies at European level is part of this. We therefore call for a level playing-field on all markets and for the same discrimination-free market access for all traders.

To promote transparency and ensure that all market players are in possession of the same information, we have started publishing real-time data for our conventional and renewable generation capacity in Germany on the Internet. The information provided includes details of unscheduled outages and slumps in output of more than 100 MW per unit. **[46]**

Code of Conduct

Our Code of Conduct and the Group Directives specifying how it is to be implemented provide RWE with binding rules for responsible business conduct, including its relations with business partners and policymakers. This is part of our drive to prevent corruption wherever possible (see p. 26). These principles are applied just as rigorously to our procurement of merchandise, which covers contracts worth some €2.5 billion annually. RWE Service applies an internal double-check to all its purchasing activities and has had the efficacy of this method verified by external auditors. RWE Supply & Trading also applies strict controls to its trading activities.

Antitrust proceedings

Our business activities are monitored by the relevant authorities to ensure that we do not contravene antitrust law. We therefore welcome the decision, made in 2009, of the European antitrust authorities not to pursue their proceedings against us in the gas and electricity sectors. We see this as confirmation of our view that in all essential respects, we have indeed abided by the rules of fair competition.

Antitrust fine. The EU Commission concluded its proceedings against the paraffin wax cartel with the imposition of a fine in October 2008. The companies suspected of having operated a cartel between 1992 and 2005 included our subsidiary Dea Mineralöl AG, which was sold to Shell in 2002. RWE Dea was therefore required to pay the fine of €37.4 million levied on its former subsidiary.

Gas market. In March 2009, the EU Commission declared our undertaking to sell RWE Transportnetz Gas GmbH to an independent third party to be legally binding and thereupon dropped its investigations into charges of unlawfully blocking access to the German gas transmission system. Although we took the view that the accusations were unfounded, we agreed to the proposed settlement in order to avoid protracted litigation. We have since transferred the relevant operations to Thyssengas GmbH, a subsidiary which is to be prepared for sale in the course of 2010.

On the Internet
RWE transparency drive 46

Breakdown of RWE Group according to country and corruption risk 2009
in compliance with Transparency International*

Risk of corruption	very low CPI 10–8.5	low CPI 8.4–7.0	medium CPI 6.9–5.5	high CPI 5.4–4.0	very high CPI <4.0
Countries	Denmark, Finland, Netherlands, Norway, Sweden, Switzerland	Austria, Belgium, Germany, Ireland, Luxembourg, UK, USA	France, Portugal, Spain,	Czech Republic, Hungary, Italy, Poland, Slovakia, Turkey	Bulgaria, Egypt, Russia, Serbia
Share of Group revenue	3.8 %	80.7 %	2.8 %	12.1 %	0.6 %
Share of investments	54.4 %	40.5 %	0.5 %	3.4 %	1.2 %

* 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).

Electricity market. The EU Commission dropped its investigations of our operations in the electricity sector in October 2009, having been unable to find any evidence of misconduct on our part. To underscore our commitment to an independent electricity transmission grid, however, we opted for the "third way" envisaged by the EU's package of proposals for a Single Energy Market and in September 2009 transferred our electricity transmission grid operations to Amprion GmbH, a new company with 850 employees based in Dortmund. Although a 100-percent subsidiary of RWE, Amprion has been set up as a completely self-sufficient company and is fully independent of the other companies in the Group; it reports directly to the Board of RWE AG. The setting up of Amprion ensures the independent, non-discriminatory and reliable electricity transmission that the EU demands of us. [47]

Our position in political discourse

We believe that companies should be able to lobby for their interests just as other interest groups do. What is important is that this is done transparently and in a way that everyone can understand. We therefore make public the positions we hold both in our own right and as a member of various industry associations:

- We see climate change as a threat brought on primarily by a manmade rise in CO_2 emissions and want to do our part towards achieving Europe's climate protection targets.
- We regard nuclear power as an important interim technology en route to a low-carbon future. We are therefore in favour of extending the service lives of our nuclear power stations in Germany and are ready to help build new nuclear power stations outside Germany.
- We are in favour of the continued use of lignite, supplies of which are plentiful and readily available to us in our opencast mines, and intend to make our lignite-fired power plants as climate-friendly as possible.
- We urge policymakers to accelerate the passage of the planned legislation on carbon capture and storage (CCS) to provide us with a reliable legal framework for the development of this important technology for low-carbon coal-fired power plants.
- We are committed to the ongoing liberalisation and integration of the European electricity and gas markets and are firmly convinced that only through greater transparency and the creation of equal conditions for all member states can all the objectives of the European Single Energy Market be achieved.

On the Internet
47 Non-discriminatory grid operations


RWE
6.43
23.6.43

RWE in the Czech Republic

Stefan Pecko and his two colleagues at RWE Transgas are responsible for the safe and continuous operation of the gas transfer station at Hora Svaté Kateřiny, a village on a ridge of the Erzgebirge mountains. The station is a key hub for the West European gas grid.

The main focus of our activities in the Czech Republic is on transporting, distributing and selling gas. RWE Transgas and four regional sales subsidiaries sell gas imported exclusively from Russia and Norway all over the Czech Republic. The independent natural gas transmission company RWE Transgas Net (from March 2010: NET4GAS) is responsible for transporting the gas to customers both within the Czech Republic and all over Western Europe, while RWE Transgas Storage operates gas storage depots. RWE also operates a biomass power station and is planning six separate wind farm projects with a combined volume of approx. 100 MW.

Facts and figures 2009

4,931	employees
€2.8	billion external revenue
2.3	million customers (gas)
3,636	km gas transmission grid
63,869	km gas distribution grid
6	gas storage depots
17	MW biomass

Challenges

The Czech energy market has been fully liberalised since 2007 and competition is increasing all the time.

- The Czech Republic currently meets six percent of its electricity needs from renewables. This figure is to increase to 13 percent by 2020. Its installed renewables capacity at present amounts to less than 100 MW.
- Per capita energy consumption here is higher than the European average.
- Demographic change is hitting the Czech Republic harder than most European countries. The working population is set to shrink by between 12 and 19 percent by 2030.

CR points of emphasis

The focus is on environmental protection and nature conservation. In addition to classical environmental protection, RWE Transgas Net has teamed up with the Czech nature conservation organisation CSOP, which is using nature trails to open up natural sites to local visitors and green tourism. Many of these sites are in the vicinity of our gas pipelines.

On the Internet
RWE in the Czech Republic 48

5.0 Workplace

To meet the challenges posed by demographic change it is crucial that we position ourselves as an attractive employer. Offering employees a healthy and safe working environment is just as much part of this endeavour as training and professional development. Both are essential to upholding our employees' productivity and retaining their knowledge and experience inside the Group.

Our goals

Demographic change: We are committed to ensuring the long-term availability of sufficient numbers of appropriately skilled personnel.

Occupational health and safety: We are committed to ensuring that our own and all our subcontractors' employees return home just as healthy at the end of the day as they were when they arrived for work and to maintaining our employees' productivity.

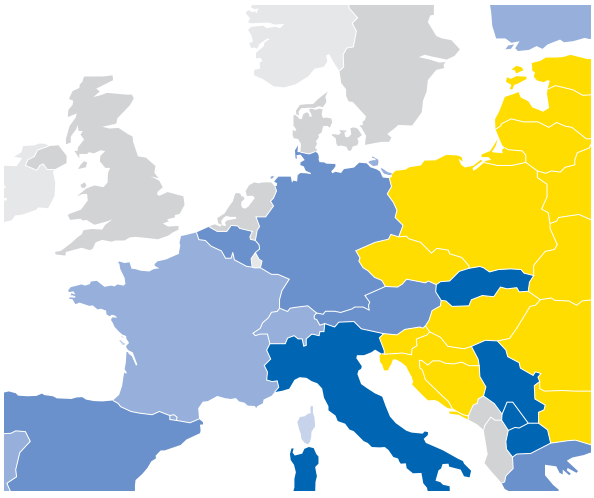
As large parts of our business are heavily technical or require specialist know-how that few people possess – at RWE Supply & Trading, for example – we need employees with special qualifications and experience. On-the-job training often takes several years and like recruiting is an ongoing challenge for strategic, forward-thinking HR management. In 2005, RWE Power developed an analytical tool to help us predict where and in which professions shortages of qualified staff are likely to occur in future. The tool therefore allows us to make timely adjustments to our HR strategy. Further improvements can be expected from changes to the way we monitor our skills pool now being implemented all over Germany.

Demographic change in the regions

Since more than half our employees in Germany are aged between 40 and 55, we must expect a disproportionately large number of retirements in the foreseeable future. Young recruits to replace them are at the same time becoming scarce. In both Germany and the UK, fewer and fewer people with a technical or engineering background are entering the job market. This is not just a result of falling birth rates; it also relates to a shift in people's interests and the decline in the popularity of technical subjects and engineering.

Although the situation in Poland, the Czech Republic and Hungary is not yet as critical, in the long run we are likely to face a similar skills shortage in these countries as well. Demographic change, moreover, will cause the populations of these countries to fall by up to 20 percent by 2050. The population of Germany is expected to shrink by up to five percent by that date, whereas further growth is forecast for both the UK and the Netherlands.

Demographic development in Europe 2005 – 2050
in percent



Source: United Nations Population Division, 2004

5.1 Perspectives and potential

With competition for qualified personnel becoming tougher all the time, it is important that we proactively nurture the skills we need, providing both development opportunities and flexibility to win our employees' loyalty. We must also support young people even during their training and support the development of a diverse workforce.

Arousing interest

Aware of the impending shortage of expertise, especially in technical professions and engineering, we are making an effort to get young people interested in what we do. We have begun by visiting schools, which after all is where the first career choices are made. RWE npower employees, for example, regularly visit schools to raise awareness of the oportunities in science and engineering. **[49]** A total of 1,249 employees took part in this education programme during the period under review. We are also a regular participant in Germany's Girls' Day, which gives us an opportunity to show girls just how exciting a career in a technical field or IT can be.

Training beyond our needs

Traditionally, we have always trained more young people in Germany than the Group itself needs, regarding this as part of the responsibility we bear to the regions in which we operate. At the end of 2009, nearly 3,000 young people were learning a trade at RWE – a figure that represents 7.1 percent of the total workforce. Having analysed our future HR needs, we decided in 2007 to start taking on more of our own trainees. Collective bargaining with representatives of German labour in December 2008 then led to an agreement in which RWE undertook to recruit at least 225 of its trainees every year for a period of five years – around a third of the young people who complete their training with RWE every year. We recruited 320 of our trainees in 2008 and as many as 421 in 2009.

Student programmes

Our graduate recruitment programmes essentially pursue two aims: one is to provide training for a wide range of graduates, the other to enhance our own standing as an attractive employer by making ourselves known on campus and supporting professorships in disciplines relevant to our core business. Cultivating a good reputation as an employer for the brightest and best graduates in each year is very important in view of the competition we are now facing.

Student sponsorship. Our two student sponsorship programmes, RWE Fellows and Power Engineers, were created specifically to attract engineering students or students in other technical fields to our company right at the outset of their career. Both programmes provide a combination of financial support and mentoring. Some 40 managers from all the companies in the Group are involved in the mentoring provided as part of the RWE Fellows programme. The students in the Power Engineers programme are supported by senior engineers at RWE Power. The two programmes provided a total of 70 students with a monthly stipend of €500 each in the year 2009. The first graduates of the RWE Fellows programme have already signed a trainee contract. **[50]**

RWE Future Prize. The first RWE Future Prize for outstanding dissertations by graduates in engineering and the sciences was awarded in November 2009. The subject, which attracted more than 60 entries, was the technologies that will define the energy

On the Internet
RWE npower Education Programme **49**
RWE student sponsorship (German only) **50**

supply of the future. The winners were four young engineers who will now share the prize money of €35,000 presented to them by RWE Future Prize patron Alwin Fitting at a special ceremony attended by the eight finalists. The RWE Future Prize is to be awarded every two years. [51]

Professorships. In disciplines we are most interested in, we have had to create or improve the structures that are necessary for students to receive proper training. Drawing on a budget of €5.7 million, we created two fixed-term endowment-supported chairs and together with other companies co-financed a further five professorships and courses in energy-related subjects during the period under review.

Recruitment and professional development

We have established an International Graduate Programme (IGP) with which to attract the most talented graduates in each year. The programme is aimed at graduates from all disciplines interested in a career in management and offers them the chance to shape their own career prospects. During the 18-month programme, they are put to work on specific projects both at home and abroad so that having gained an insight into various aspects of the business, they can make an informed choice about where they wish to go. The IGP is supplemented by the trainee programmes offered by the various companies in the Group. [52] We also offer our managers plenty of opportunities for professional development, including the International Leadership Programme with the ILP classic (launched in 2003) and ILP plus (launched in 2008), which since the summer of 2009 have been held at Schloss Paffendorf in Bergheim in Germany.

The Development Centre established at RWE AG in September 2009 guarantees the availability of broad, needs-based training and development opportunities at all levels. By bundling the programmes available throughout the Group and taking charge of the Group's executive development programmes, the centre offers a comprehensive catalogue of opportunities for skills development.

Careers for women

To be able to meet our skills and management needs in future, we want to attract more women to the Group. Ensuring that women are offered the same career opportunities as their male colleagues is therefore one of the chief concerns of our diversity management and our commitment to supporting an acceptable work-life balance (see p. 62).

Our diversity officer has initiated a Senior Women's Network to enable the 90 women in senior management to pool their ideas and experience more easily. Mentoring programmes in which senior mentors provide coaching and support for a one-year period are also an integral part of the advancement of women at RWE. Around 40 women at RWE have so far taken part in such a programme and some of them have since taken the next step up the career ladder. Although these measures cannot increase the number of women in top management overnight, the fact that RWE npower in the UK was included in The Times Where Women Want to Work Top 50 for the second consecutive year is certainly a positive sign.

On the Internet
51 RWE Future Prize (German only)
52 Graduate programmes

5.2 Employee satisfaction and retention

Our corporate culture supports employee motivation and retention. We want to encourage employees to take individual responsibility for their actions. This is the declared goal of our Code of Conduct, which is intended to provide all employees with clear guidance in everything they do. It encourages us to esteem the dignity and personality of each and every individual, to treat every individual with respect and to promote equal opportunities and diversity.

Diversity management

The purpose of our diversity management is to ensure that we value difference and diversity within the Group and that the Group benefits from a diverse workforce. RWE employs some 70,000 people: men and women of different ages with different perspectives, different cultural backgrounds, different physical and intellectual skills and qualities and of different sexual orientation. As the customers in our markets are similarly heterogeneous, diversity is an issue for all companies and all divisions. **[53]**

Our Group-wide diversity management came into being with the signing of a Diversity Charter in 2006 in which we undertook to value and promote diversity throughout the Group. **[54]** The focus of our diversity work since 2006 has been on supporting women and employees from different ethnic backgrounds. In the UK, for example, RWE npower takes care to maintain an ethnically diverse workforce so that it can understand and respond to its similarly heterogeneous customer base. The same is true of Essent in the Netherlands.

Work-life balance

Working arrangements that make it easier to combine children and a career are increasingly important not just to women, but to men as well. The options now available include flexible working hours, job sharing, home office arrangements and assistance with childcare. As Germany still has a lot of catching up to do here, we began implementing the requirements of the "berufundfamilie" (career and family) standard in 2006. **[55]** By the end of 2009, eight RWE companies representing approx. 60 percent of our German workforce had become involved in the process and others are set to follow in 2010.

During the period under review, we initiated a pilot project to extend the range of childcare options close to the place of work. The first such facility with a concept combining pedagogical excellence with flexible opening hours is to open in Essen in 2010. The childcare provided will not be restricted to RWE employees. One fifth of the places in the facility will be offered to local residents. Similar projects in other places are being considered.

One increasingly important issue that companies these days must address is the care of dependents who are elderly or in need of nursing care. RWE responded with the Elder Care programme it set up in 2007 to provide employees with a wide range of advisory services on issues relating to the care of dependents.

Integration and re-integration

Providing jobs for the severely disabled and the chronically sick is also a matter of course for RWE. The companies in the RWE Group have all signed integration agreements and are committed to facilitating the employment of people with disabilities. They are supported in this endeavour by the Group's own Severely Disabled Lobby, first formed in 2004.

On the Internet
Diversity Management **53**
Diversity Charter (German only) **54**
Audit "berufundfamilie" (German only) **55**

February 2006 saw the signing of an Integration Management agreement in which RWE committed itself to supporting the re-integration of people who have suffered prolonged periods of poor health. The agreement also extends to employees who are prevented by health problems from remaining in their present position, in which case the integration management team endeavours to find alternative employment for them.

Social security contributions

Almost all our employees are based in Western and Central Europe where certain minimum standards of social security are guaranteed by national legislation, even if the benefits actually provided vary considerably. We supplement these with a raft of additional benefits such as sick pay, company pensions and savings schemes that vary from country to country. The voluntary package of benefits we provide for employees in the Middle East assures them an adequate standard of social security, too.

Industrial relations

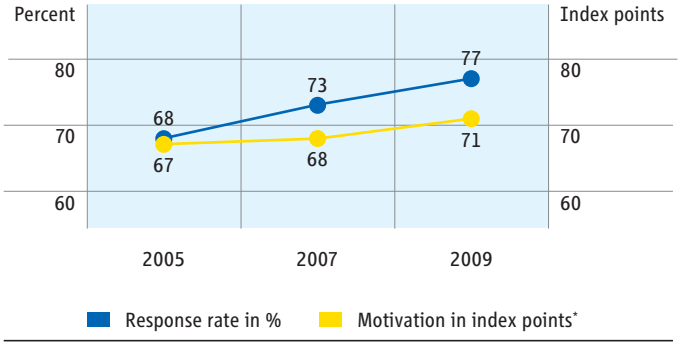
Maintaining good relations with our labour representatives is one of the cornerstones of the RWE Group's HR policy. We are committed to the core demands of the International Labour Organization (ILO) and to the values relating to working conditions enshrined in the UN Global Compact. **[56]** Pursuant to Germany's Co-determination Act, half the members of our Supervisory Board are representatives of labour. The recent formation of a Europe-wide works council takes account of the growing importance of cross-border cooperation in this area. The forum, which held its first meeting in Essen in November 2009, brings together representatives from eight different countries and so represents the majority of the Group's workforce.

Employee satisfaction

Employee surveys tell us a lot about how staff view their work situation and their managers and so provide valuable pointers for improvements. We have been conducting these Group-wide surveys on a regular basis since 2005. The most recent survey was that of 2009, in which most of the companies in the Group took part. The companies directly affected by the restructuring of the Group to create a "new RWE" that came into effect on 1 September 2009 decided to postpone the survey until the first quarter of 2010.

The survey conducted in 2009 had a response rate of 77 percent and the results obtained show that overall satisfaction has once again risen. Cooperation and working atmosphere were rated especially highly and there were good marks for management, too.

Employee survey



* Figures based on 13 questions on the management and work situation standardised for the whole Group

On the Internet
56 International labour standards of the ILO

5.3 Occupational health and safety

Providing safe and healthy working conditions is a key concern of RWE, as is borne out by the Group-wide occupational health and safety policy introduced in 2006. [57] It was in pursuit of this policy that in 2007 we launched the Group-wide campaign "Sicher voRWEg" (The energy to lead safely).

Our vision is to become a "zero accident" enterprise and to achieve that aim, we intend to lower the Lost Time Incident Frequency (LTI_F) to below three per million working hours and to prevent serious injuries and fatalities altogether by 2012. Our aim is to be best in class in occupational safety. This can be achieved only by raising awareness of health and safety issues among both employees and management.

After intense planning and preparation, the Occupational Medicine/Occupational Health Care Management and Occupational Safety departments were established on 1 September 2009 as Group-wide competence centres. Both the organisation of occupational health and safety and the allocation of responsibilities have therefore been adapted to the new Group structure.

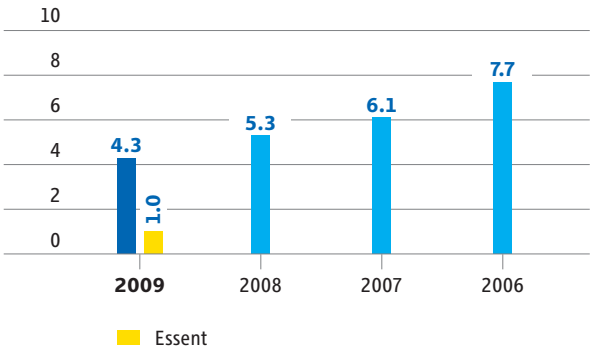
Safe working conditions

The main leverage for better health and safety is a change in the prevailing culture, which in turn can be done only by raising health awareness in each and every individual. Management has a duty to provide motivation and set an example here, which is why we have held more than 200 workshops to sensitise our executives and managers to the importance of occupational safety and health management. A number of additional workshops were held with the aim of involving our works council members, who after all are important partners on health and safety issues. The measures to promote occupational safety are defined at company level and their implementation overseen by the chief safety engineers of the various companies in the Group.

Despite many improvements, the 2008/2009 period under review to our great regret was not without fatalities: 17 workers lost their lives, including five employees of RWE and twelve of our subcontractors' employees.

Thinking ahead. Demographic developments and changes in the world of work pose a number of challenges for occupational safety at RWE. People are working longer and retiring later and this is raising the risk of health problems, the need for sick leave and the possibility of health impairments preventing an employee from doing certain types of work, such as shift work. We have adopted a number of forward-thinking measures to meet these challenges. Programmes have been developed to meet the special

Accident rate*



* Workplace and business travel accidents per million working hours (LTI_F)

On the Internet
RWE Health and Safety at Work Policy 57

needs of older employees who do physically demanding tasks or regular shift work. The aim is to reduce their workloads and provide working conditions more suitable for people of their age.

Inclusion of subcontractors in our safety management. Improving occupational safety among our subcontractors is another important focus of attention. Our guiding principle is that all our, and our subcontractors' employees should return home at the end of the day just as healthy as they were upon arrival. The action plan we have developed to ensure that this is so envisages a raft of measures, including certifying our occupational safety management, introducing a ratings system for our suppliers, the use of safety passes, regular reviews of our risk assessments and the proper follow-up of all accidents.

One key measure is the installation of electronic terminals at the entrances to all RWE Power's large construction sites, power stations and opencast mines. These will ensure that no subcontractor can enter an RWE site without first undergoing a safety briefing and answering a set of safety-related questions – all of which are provided in 17 different languages. Our prevention-based approach is not confined to technical issues, but includes a detailed assessment of individual conduct as well. This holistic approach is already beginning to bear fruit: the number of accidents among our subcontractors has fallen.

Accident follow-up. We help our employees and their families to cope in the aftermath of a serious accident by providing post-trauma counselling and psychological support. The accident follow-up system in place in Germany and the UK, which covers employees of both RWE and its subcontractors, was extended to all the countries in which we operate in the course of 2009.

Systematic health management

The competence centre for occupational health care management develops minimum standards, strategic goals and concepts for optimising the health and productivity of employees at all our German-based companies. Targeted Group-wide measures to promote health are just as much a part of this endeavour as are health education and training. Controlling and reporting at Group level support the analysis and evaluation of both the demand and the efficacy and cost-effectiveness of the measures implemented. Regular check-ups by the works medical service as well as diet, exercise and mental performance are the main focuses of the occupational health management provided by RWE in Germany.

Stress management. Our counsellors in Germany, who provide counselling for some 3,000 employees annually, have reported a clear increase in stress levels. Stress will therefore be an area of focus in our future health management. The measures we will adopt in response to this challenge include the introduction of a Work Ability Index in Germany, scheduled for 2010.

Responding to pandemics. As security of supply might be jeopardised if too many of our workers were off sick at the same time, preparing for possible pandemics is an important responsibility. The outbreak of the so-called swine flu in the spring of 2009 was just such a challenge. Drawing on the experience acquired when there were fears of an outbreak of avian flu some years ago, we systematically prepared ourselves for this latest pandemic by working hand in hand with national and international health bodies and by introducing Group-wide measures to contain the spread of the disease. Fortunately, the swine flu pandemic proved to be much less severe than had been feared and very few working hours were lost. The smooth operation of our plant was therefore never in jeopardy. In Germany alone, more than 5,000 employees were vaccinated by the works medical service.


Latarnię
ufundowała
Fundacja RWE

RWE in Poland

Aleksandra and Zofia are among the Warsaw schoolchildren who now make their way to school along better lit and hence safer streets. The Enlightened Warsaw programme by the RWE foundation in Poland, RWE w Polsce, entailed installing a total of 100 new streetlamps in what were previously poorly lit parts of town.

RWE has been active in Poland since 1991. While RWE Polska supplies greater Warsaw with electricity, the distribution grid is operated by RWE Stoen Operator. Through RWE Polska Contracting RWE also has a stake in the heating supply and owns a combined heat and power plant at Bedzin, while RWE Dea is engaged in oil exploration. Together with a Polish partner, RWE is also considering building a new hard coal power station at Wola in Upper Silesia. RWE Renewables Polska is planning to build wind farms with a total capacity of 300 MW by 2015, making it a major player in the Polish renewable energy market.

Facts and figures 2009

1,453	employees
€653	million external revenue
900,000	customers (electricity)
14,880	km distribution grid
5,953	transformer substations
41.4	MW wind power
78	MW combined heat and power plant
450	MW district heating

Challenges

Poland is the largest market in Central and Eastern Europe and the only one not yet completely privatised.

- Over 80 percent of electricity sales and 60 percent of electricity generation are still in state hands, which explains the lack of funding available for urgently needed investment in efficient modern power stations and renewables.
- Poland's generation portfolio is 95 percent coal-based and hence highly carbon intensive.
- Rising demand and heavy investment in additional capacity and climate protection could lead to a significant increase in electricity prices.

CR points of emphasis

RWE Polska launched the RWE w Polsce foundation in 2005. Enlightened Warsaw, the promotion of young football players, "RWE Conscious Energy", an educational programme for children about the safe handling of electricity and a campaign to raise awareness of the importance of saving energy are among the projects it has pioneered to date, working in cooperation with both the Polish Economics Ministry and regulators. The foundation is also committed to promoting science and supporting engineering students.

On the Internet
RWE in Poland 58

6.0 Community

Our community engagement activities help us to win trust and understanding of our actions among all the social groups affected by them. This is essential to our long-term success. We recognise that our operations have an impact on the local community and believe it is our responsibility to be a good neighbour.

Our goals

Community engagement: We are committed to strengthening our regional reputation making efficient use of resources.

Supply chain: We are committed to avoiding reputational risks by making compliance with internationally recognised social and environmental standards an integral part of our supply contracts.

Our operations often affect large sections of the population. The experience of recent years shows that our stakeholders can be very critical of infrastructure projects and technological advances. Our planned investments are meeting increasingly with regional and local opposition, which impacts directly on licensing procedures. The people affected by our plans must therefore be involved in the decision-making process as early as possible to ensure that they understand our plans and benefit from our activities. We want RWE to be a positive presence in all the regions in which we operate and to use our community engagement to build relationships which can help to win back society's confidence.

Dialogue with our stakeholders

Dialogue with our stakeholders is an important strategic instrument which helps us to address society's expectations and develop convincing solutions. We engage in dialogue at national, regional and local level in all the countries in which we operate (see p. 11). The stakeholders of relevance to us are local residents, municipalities, citizens' action committees, the authorities, NGOs, policymakers, media representatives, analysts, investors and scientists. One major challenge for us is the fact that the goals these groups are pursuing vary from country to country, as does the importance they attach to the issues we are addressing.

Regional differences in attitudes to CR issues

In the UK, there has been significant NGO resistance to the building of new coal-fired power stations and there are no such power stations under construction at present. While the UK government is preparing to build new nuclear capacity, the German government's idea of extending the service lives of existing nuclear plant has met with fierce opposition in some quarters. These differences stem from the two countries' different carbon avoidance priorities.

The big issue in Poland, the Czech Republic and Hungary is security of supply. The top priority in the Netherlands is renewables, while the building of new coal-fired power stations remains controversial.

6.1 Dialogue with our stakeholders

Below we describe what we have been doing during the period under review to promote dialogue with our stakeholders, to keep them informed and hear their views.

Regional and local dialogue

Our employees engage in stakeholder dialogue on several different levels. At local level especially, we discuss problems caused by our operations and endeavour to find the best possible solutions for everyone concerned.

Opencast mines. Our opencast mining operations frequently necessitate the resettlement of entire communities, which is of course a major upheaval for the people affected. Although RWE compensates them for the value of the properties they have to leave behind, the fact is they are still losing their home. We therefore do everything we can to ameliorate the impacts of resettlement far beyond the provision of financial compensation. Working together with municipalities and their residents, we design new villages tailored to their wishes and needs so that existing social structures can be retained intact. Resettling a community takes ten years as a rule and we make sure that the people affected are involved in the planning and design of their new home throughout that period. The resettlement of three villages (Otzenrath, Spenrath and Holz) belonging to the municipality of Jüchen in the German state of North Rhine-Westphalia was completed in 2008. More than 80 percent of the approx. 2,400 residents chose to move to the new villages, demonstrating a very high level of acceptance for the solutions we found through consultation with them.

Opencast mining often necessitates changes of infrastructure which can impact on local residents. Being aware of this, we explain our plans well in advance and welcome any feedback we receive, even during implementation. When the Hambach railway line had to be rerouted in 2009, for example, we invited local residents to approach us with their inquiries, suggestions and criticisms either in person or using e-mail or our special hotline. We also created a special project web site to provide regular updates on how the work was progressing. **[59]** Yet our main concern was not just to inform local residents, but to protect them and their environment, too. We therefore built special roads to prevent our excavators and lorries impeding ordinary road traffic and created a 100-hectare green space to compensate for the land claimed for the new railway.

Power plant projects. The planning and building of new power stations is invariably preceded by intensive dialogue with residents and municipalities, and this is how we approached our projects at Pembroke and Wylfa in Wales and at Eemshaven in the Netherlands during the period under review. In Pembroke we have held extensive discussions with the local community as part of the planning and construction process. In Wylfa, two separate events held in June 2009 gave people an opportunity to share their views on the proposed nuclear power station, while a hotline was set up to answer inquiries from members of the public. Our power station project at Eemshaven in the Netherlands has been flanked by dialogue with the neighbouring community on the island of Borkum, which is concerned about the possibility of negative impacts for tourism. In November 2009, we set up a neighbours' forum at the site of our largest lignite-fired power plant at Niederaußem in Germany to facilitate an exchange of views with and between the various players in the region.

Carbon sequestration. RWE Dea had planned to survey some geological formations in northern Germany to ascertain their suitability for carbon sequestration. However, latent concerns about the dangers of geological sequestration compounded by other strong views

on energy issues led to resistance on a massive scale, the dynamism of which took us by surprise. Citizens' action committees protesting against the carbon sequestration sites also led to a delay in the passage of new legislation on carbon capture and storage originally planned for mid-2009 (see p. 36). [25]

National dialogue

The past few years have seen society becoming increasingly polarised on energy issues. Whereas RWE attaches equal importance to climate protection, profitability and security of supply, many other players regard CO_2 avoidance as paramount. Many of the speeches made by shareholders at our 2009 Annual General Meeting, including some by investment fund representatives, expressed criticism of RWE. Although it is becoming more challenging, we remain committed to an ongoing exchange of views on the energy supply of the future, regarding it as a chance to hear our stakeholders' views and as an opportunity to discuss the different standpoints with them.

Our third Dialogue Forum was held at our power station in Hamm, Germany, in July 2009. What interested us most at this event was hearing what our stakeholders expect of the energy supply of the future and the scope for action this leaves us. Among those present were several senior RWE managers, scientists, customer and econsense representatives. For the first time, the NGO representatives who until then had attended all our Dialogue Forums decided unanimously not to attend.

Instruments of stakeholder dialogue

Our stakeholders	Their concerns	How we communicate	Issues 2008/2009
Local/regional dialogue			
Residents	Environmental protection, involvement	Information events, cooperation on local projects	Opencast mining operations, building of new power stations, building and operation of transmission and distribution grids, regional value creation
Municipalities	Regional development		
Citizens' action committees	Environmental and climate protection		
Authorities	Compliance with regulatory requirements	Discussions and correspondence in the course of licensing procedures, reports	Particulate emissions, new power station projects
National dialogue			
NGOs	Environmental and climate protection, upholding of social standards	Dialogue Forum, one-on-one discussions	Climate protection strategy, generation portfolio, building of new power stations, pricing, competitive conduct
Policymakers	Energy and climate policies	One-on-one discussions, lobbying	
Media	Reporting	Print and online reports, press information, interviews	
Analysts	CR management and performance	By responding to surveys, print and online reports	
Investors	CR risks and opportunities	Investors' meetings	
Scientists	Energy supply of the future	By responding to surveys, print and online reports	

On the Internet
25 Carbon transport and storage

6.2 Responsible value creation

Residents and municipalities increasingly want to know how they and their regions will benefit from our actions in the long run. We tend to be not just one of the largest investors, but also one of the largest employers and taxpayers in the regions in which we operate.

It is because we feel committed to these regions that we provide training far in excess of our own needs, for example. We also provide interesting and secure jobs, because unlike many other lines of business, power generation is tied to the regions in which the necessary resources are available and cannot relocate at will. During the period under review, therefore, a large part of our total expenditure, including labour costs, flowed into the regions in which we operate. We are one of the largest single foreign investors in Eastern Europe, for example, and in 2009 invested a total of €371 million in this region (compared with €366 million in 2008), most of it in electricity and gas grid infrastructure.

Contribution to regional economies

A study commissioned by RWE together with other corporations showed that around 42 percent of the additional jobs created as a result of the building of the new coal-fired power stations at Neurath and Hamm in North Rhine-Westphalia will remain in that state. **[60]** Every new power station built generates five times the number of jobs created to run it.
A similar study at our sales subsidiary Mitteldeutsche Energie AG (enviaM) showed that in fiscal 2008, approx. 83 percent of the value added and 84 percent of the procurement volume (not including energy) remained in the region in which it operates.

Supply chain responsibility

Relations with all suppliers throughout the RWE Group are governed by the RWE Code of Conduct and hence by the ten principles of the UN Global Compact (see p. 26). These are implemented in keeping with our Group-wide procurement structures. Primary fuels and electricity are procured through RWE Supply & Trading. To meet the requirements of our Code of Conduct, we have installed mechanisms to ensure that our trading partners act in accord with the principles of the UN Global Compact. If violations are discovered and a satisfactory resolution proves impossible, business relations with the supplier in question are terminated.

The strategic steering and bundling of the Group's other procurement activities is the responsibility of RWE Service, which in this capacity handles volumes of approx. €6.5 billion annually. Our Code of Conduct and the principles of the UN Global Compact provide the necessary guidelines for these activities, too. Implementation varies depending on the procurement category and region. What this means in practice is that the environmental requirements and work safety standards to be met by the supplier vary depending on the product and service. We make use of both our own and external databases for assessing and tracking these criteria.

On the Internet
Study of sectoral and regional employment effects (German only) **60**

6.3 Regional commitments

We want to contribute to the development of the regions in which we operate in ways that extend beyond the economic benefits of our presence there. This is also the key to strengthening our ties with stakeholders, understanding their concerns and winning their confidence in our business.

Community involvement. RWE Companius is an initiative of the RWE Group aimed at promoting its employees' community involvement activities. Founded in 2007, it has since then become an important ambassador of RWE's social responsibility, as expressed in the RWE Companius slogan "People make it possible". **[61]** At the start of 2009, RWE Companius became the Group-wide umbrella organisation for all the community involvement activities of the employees in the Group. RWE Companius supports the voluntary work they do in their own spare time by providing funds of €500 or as much as €2,000 per project. The only precondition is the personal involvement of the employee applying for funding. RWE Companius also organises team-building projects and personal development activities.

The scheme's achievements to date are impressive. Since it was first established, it has sponsored nearly 4,000 projects, and in 2009 alone provided funds totalling €2.33 million for nearly 2,300 different projects. By year's end 2009, some seven percent of all RWE employees and more than 10,500 external helpers had taken part in various projects. More and more clubs and initiatives as well as individual volunteers who are not employees of RWE are now applying to RWE Companius for funding. They are eligible for such funding as long as an employee of RWE is appointed as project mentor. RWE Companius has also teamed up with the Bertelsmann Foundation and supports the social marketplace method, which brings together private enterprise and not-for-profit organisations.

Sponsorship. As a company with a strong heritage that has been based in Essen for more than a century, we feel a special commitment both to the city itself and to the whole region. We are therefore one of the five main sponsors of RUHR.2010 – European Capital of Culture, in which Essen is playing a key role on behalf of the entire Ruhr Metropolitan Region. Our own projects for this event are grouped together under the heading EnergieKulturRuhr and are intended to encourage visitors to think more about energy and climate protection. **[62]** Another important sponsorship project for us was our support of the IdeenExpo 2009 in Hannover, Germany. This nine-day event held in September 2009 gave some 283,000 visitors, among them numerous parties of schoolchildren from all over Germany, an ideal opportunity to experience the fascination of science and technology at first hand. **[63]**

Donations. We make charitable donations only to not-for-profit organisations. Our Code of Conduct strictly forbids contributions to political parties or affiliated institutions. To be able to monitor compliance with the Group guidelines more effectively, all donations and sponsorship activities must be reported and with effect from 1 January 2010 must without exception be entered in the compliance tool on the RWE intranet.

Foundations. The new RWE Stiftung, successor to the old RWE Jugendstiftung, got down to work in early 2009. **[64]** Furnished with an endowment of €56 million, the new foundation serves as the umbrella organisation for all the Group's not-for-profit activities in education, the arts and social projects. The Fundacja RWE w Polsce in Poland founded in 2005 is pursuing similar goals, while a separate scheme in Norway set up ten years ago enables talented young musicians from Norway to travel to Germany to study, thus strengthening ties between the two countries.

On the Internet
61 RWE Companius
62 EnergieKulturRuhr
63 IdeenExpo 2009 Hannover (German only)
64 RWE Stiftung (German only)


M100

RWE in Hungary

Project manager Csaba Simon oversaw the assembly of the bucket-wheel excavator at Bükkábrány opencast mine in north-eastern Hungary, which supplies the Mátra power station. It took eight months to set up the world's largest compact bucket-wheel excavator, which has a capacity of 6,700 cubic metres per hour. The 130 fitters involved in the project completed it in July 2009.

Mátrai Erőmű ZRt. (Mátra) is a power station operator in which RWE has held a 51 percent stake since 1995. Mátra generates approx. 12 percent of Hungary's electricity needs using lignite from its two integrated opencast mines. Lignite is the only fuel of which Hungary has plentiful supplies of its own. ELMŰ-EMASZ are a traditional power distribution company with supply areas in greater Budapest and northeast Hungary and sales activities in both the regulated and in the free market. RWE is also active in the Hungarian gas industry with two minority stakes in Főgáz (Budapest region) and in Tigáz (northeast Hungary).

Facts and figures 2009

5,271	employees
€1.9	billion external revenue
2.3	million customers (electricity)
814	MW from lignite, biomass and gas
6.3	TWh/year gross electricity generation
7.9	million tonnes of lignite production
47,000	km distribution grid (2008)

Challenges

The Hungarian electricity and gas markets have been fully liberalised since 2007 and 2008 respectively.

- Approx. 40 percent of all the electricity generated in Hungary comes from the Paks nuclear power station; 40 percent comes from gas and the remaining 20 percent from lignite and renewables.
- Since Hungary is heavily dependent on energy imports, it must diversify its sources of natural gas while at the same time broadening its generation portfolio.
- Renewables currently account for nearly five percent of the total. This figure is to be increased to 13 percent by 2020.

CR points of emphasis

To reduce CO_2 emissions, various steps have been taken to increase the efficiency of the Mátra power station, including the installation of two upstream gas turbines. The co-combustion of biomass from the surrounding area is also being stepped up. In our opencast mining operations, great importance is attached to recultivating disused mines, protecting waters and reducing noise. In 2007, we set up a new industrial estate at the Mátra power station to promote regional development. This has since created 300 new jobs.

On the Internet
RWE in Hungary 65

7.0 Data and Facts

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.

The printed report brings together those facts and figures which we 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 2007 (Our Responsibility. Report 2007) and 2008 (Our Responsibility. Status 2008) left off. The consolidation principles applied are the same as those informing the Annual Report. Our reporting takes account of all 100 percent affiliates, but not of those companies which are accounted for using the equity method in the consolidated financial statements (see p. 93).

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. **[66]** The extent to which these are covered is apparent from the index on page 97. We have also taken account of the requirements of the Sector Supplement for Electric Utilities, in the GRI's drafting of which RWE had a key role to play. **[67]** The information required by the GRI is also published on the Internet in the form of a GRI record, in which our approach to the management of each area of responsibility is also explained in detail. **[68]** Our aim is to facilitate comparisons of our performance with that of other energy utilities.

DVFA criteria. Our report also takes account of the criteria of the Society of Investment Professionals in Germany (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. **[13]**

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 is also provided on page 100. The communication on progress can also be called up on the Internet. **[69]**

Changes during the period under review. The most important change was our acquisition of the Dutch company Essent N.V., which came into effect on 30 September 2009. Pro rata data for Essent were not available to us in every case. We have therefore flagged the data in question and have quoted the data for Essent for all of 2009 wherever possible. Our aim was to give the reader a better impression of the impact the takeover of Essent has had. There were two important launches during the period under review: RWE Innogy GmbH on 1 February 2008 and RWE Effizienz GmbH on 1 July 2009. Both companies are included in full in this report. The restructuring of the RWE Group did not lead to any major changes in the content of our reporting, nor did the geographical focus of our business activities change significantly during the period under review.

Further information: We report in detail on our business development both in our Annual Report and in our quarterly reports. This information can also be accessed on the Internet. **[70]** The annual RWE Personnel Report which is also available on the Internet **[71]** provides a more detailed account of human resources issues. Both RWE npower and Essent publish their own CR report. **[72/73]**

On the Internet
66 GRI G3 guidelines
67 GRI Sector Supplement for Electric Utilities
68 GRI Record 2009
13 DVFA criteria for non-financials (PDF)
69 Communication on Progress on the UN Global Compact (PDF)
70 RWE Annual Report 2009 (PDF)
71 RWE Personnel Report (PDF)
72 RWE npower CR Report (PDF)
73 Essent CSR Report (PDF)

7.1 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. The Human Resources Director, Alwin Fitting, is the Board member responsible for corporate responsibility (CR) and environmental protection and the Corporate Responsibility/Environmental Protection unit reports directly to him. Operational responsibility is incumbent both on the Group companies and on the specialist units.

Control and reporting. The CR Coordination Committee supports the HR Director with the Group-wide coordination and implementation of CR and meets once a year for this purpose. The Board of RWE AG has decided that starting in 2010, reports on the progress of CR strategy implementation based on the key performance indicators (see p. 20) will be published annually. For several years now, we have had an Environmental Reporting and Information System (ERIS) in place to monitor our environmental management system and to collect all the relevant data, which as in the past are the main focus of our reporting. For the other data, we have recourse to established systems such as our Group-wide accounting and the data collected by HR.

Environmental management implementation in the RWE Group
Audit results 2007 – 2009 Workforce coverage in percent

Audits and certification. 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. These annual internal audits have led to steady progress in the scope and effectiveness of the environmental management system throughout the RWE Group. While the restructuring of the Group and founding of new subsidiaries slowed the pace of implementation in 2009, the relevant responsibilities have been defined almost everywhere, meaning that the other components of our environmental management system will soon follow.

External certification, especially of our environmental and quality management systems, is sought wherever our operations and hence our customers are likely to benefit from it. Both Mátra in Hungary and two enviaM companies, for example, had their environmental management systems certified for the first time to the international standard ISO 14001 during the period under review.

Compliance. The cases of non-compliance with the RWE Code of Conduct reported to the compliance officer during the period under review were in the lower double-digit range. None of the cases that came to light were serious.

Any fines, penalties and investigative proceedings for shortcomings in environmental protection, competition and antitrust law, product liability, information obligations and data protection are reported by the companies in the Group on an annual basis. With the exception of the antitrust proceedings against RWE Dea described in the chapter Marketplace, there were no serious cases of this nature during the period under review.

Sustainability ratings and rankings. oekom research [74] awarded us a grade of C+ in its most recent rating, while the Sustainalytics rating agency – formerly Scoris – put RWE in eighth place in its most recent sustainability ranking of the companies in the DAX 30 in December 2009. [75] Meanwhile, the French rating agency Vigeo rated us better than the industry average or at least just as good on most scores.

RWE has been listed on the Dow Jones Sustainability Index (DJSI) since its inception in 1999; the same is true of DJSI STOXX, which was launched a year later. This rating is based on a detailed survey conducted by the SAM Group. [76]

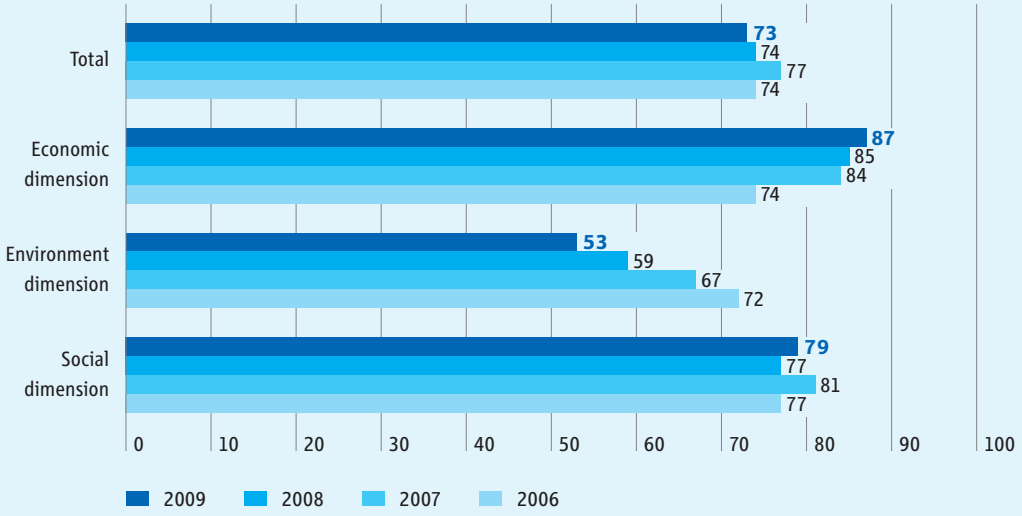
On the Internet
oekom research 74
Sustainalytics 75
Dow Jones Sustainability Index 76

External certification in the RWE Group (as of 31 Dec 2009)

		Environ. management (ISO 14001/EMAS)	Quality management (ISO 9001)	Occupational health and safety management (OHSAS and others)
	Full-time equivalents	Workforce coverage in percent		
RWE Power	15,346	37 %	19 %	95 %
RWE sales and distribution network companies, Germany	33,605	20 %	9 %	17 %
RWE Poland, Hungary, Czech Republic	11,289	24 %	1 %	0 %
RWE Netherlands, Belgium	4,695	0 %	0 %	0 %
RWE npower	12,225	100 %	0 %	0 %
RWE Dea	1,279	75 %	75 %	75 %
RWE Supply & Trading	990	0 %	0 %	0 %
RWE Innogy	980	0 %	0 %	0 %
RWE IT, Service, Consulting	2,736	0 %	45 %	0 %
RWE AG, Amprion	1,554	0 %	0 %	0 %
Group	**70,726**	**36 %**	**14 %**	**47 %**

Our transparent reporting earned us a place in the Carbon Disclosure Leadership Index of the Carbon Disclosure Project (CDP) in 2009. RWE's responses to the CDP questionnaire can be viewed on the Internet. [77] In a ranking of the sustainability reports of Germany's 150 largest corporations conducted by future e.V. and the Institut für ökologische Wirtschaftsforschung (IÖW) in November 2009, our 2007 report was accorded fourth place and judged the best report in the industry.

Results of the evaluation for the Dow Jones Sustainability Index 2006–2009
as percentage of maximum score



On the Internet
77 RWE CDP Report

Business development

External revenue. In 2009, the RWE Group generated €47.7 billion in external revenue. This was two percent less than in the previous year despite the first-time consolidation of Essent. The main reason was that we sold less in-house generation. Currency exchange rates also had a negative impact on the revenue trend.

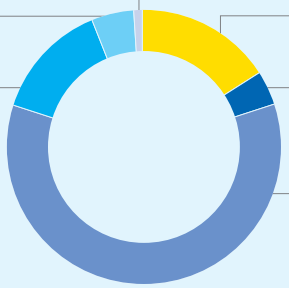
Operating result. The RWE Group's operating earnings improved further in 2009. EBITDA rose by four percent to €9,165 million and the operating result also rose by four percent to €7,090 million. Net of currency effects, both these figures were six percent higher year on year.

Equity development. On 31 December 2009, RWE AG had a subscribed share capital of €1,440 million. This took the form of 523.4 million bearer common shares and 39.0 million preferred shares. The 28,846,473 no-par value shares held by RWE AG account for €73,846,970.88 of the company's share capital (5.13 percent of the subscribed capital). Ninety-four percent of the shares are owned by institutional and private investors.

External revenue €million

	2009	2008	+/- %
Germany	19,386	18,606	4.2
Power generation	1,056	1,093	-3.4
Sales and distribution networks	18,330	17,513	4.7
Netherlands/Belgium	1,799	-	-
United Kingdom	7,843	8,618	-9.0
Central and Eastern Europe	5,254	5,776	-9.0
Renewables	245	269	-8.9
Upstream gas & oil	1,208	1,765	-31.6
Trading/gas midstream	6,937	8,663	-19.9
Other, consolidation	5,069	5,253	-3.5
RWE Group	**47,741**	**48,950**	**-2.5**
of which: Electricity revenue	31,225	31,359	-0.4
Direct electricity tax	1,041	964	8.0
Gas revenue	12,443	13,768	-9.6
Oil revenue	1,024	1,164	-12.0

Shareholder structure of RWE AG



1 % Employee shareholders
5 % Own shares
14 % Private shareholders

80 % Institutional shareholders
16 % RW Energie-Beteiligungsgesellschaft
4 % BlackRock
60 % Other institutional shareholders

by region
36 % Germany
17 % USA/Canada
12 % UK/Ireland
13 % Continental Europe excluding Germany
2 % Other countries

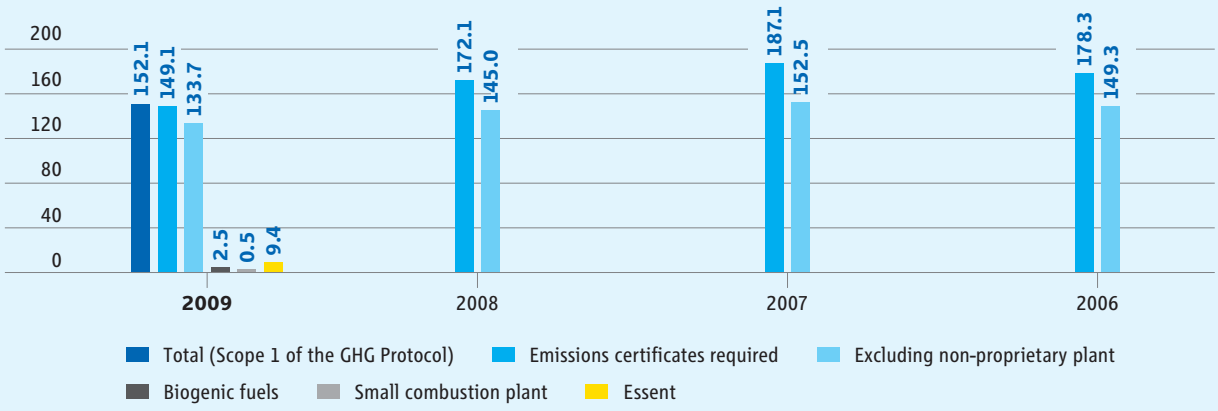
Energy, climate, environment

CO_2 emissions. This report is the first to report our carbon dioxide emissions broken down according to the Greenhouse Gas (GHG) Protocol accounting tool. [78]

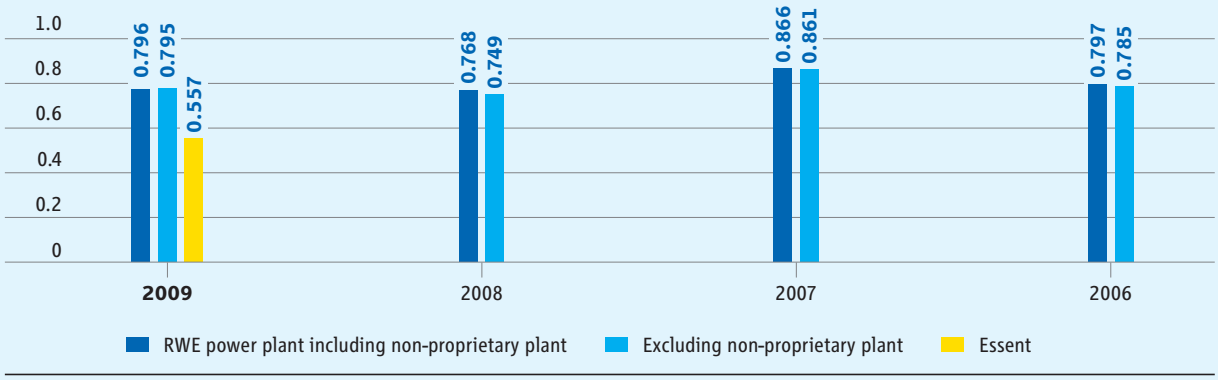
According to the statutory regulations for emissions trading, our direct CO_2 emissions (Scope 1) fall into three categories. The overwhelming majority of them are emissions for which emissions certificates are required. Owing to their economic significance, these emissions are reported in the Annual Report as well. No certificates, on the other hand, are required for emissions from the co-combustion of biofuels or from the operation of small plant with a combustion capacity of less than 50 megawatts (MW). These two groups of emissions are presented here for the first time.

The fall in our absolute emissions is attributable primarily to our lower electricity output. The carbon intensity of our power generation portfolio has remained more or less constant – albeit subject to certain fluctuations – over the past few years. It is determined first and foremost by the availability of our various primary energy sources such as carbon-free nuclear power. The massive expansion of renewables began to take effect only in the course of 2008, and our new power stations with much lower CO_2 emissions were still either under construc-

CO_2 emissions from RWE power stations in million metric tonnes



Specific CO_2 emissions from RWE power stations* in tonnes per megawatt-hour



* Based on the power generated, not including emissions from biogenic fuels

On the Internet
78 Greenhouse Gas Protocol

Emissions balance by country in million metric tonnes of CO_2	Germany*		Netherlands/ Belgium		United Kingdom		Central and Eastern Europe		RWE Group	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
CO_2 emissions	123.3	140.9	2.7	–	16.6	24.8	6.5	6.4	149.1	172.1
Free allocation of CO_2 certificates	83.1	84.9	2.4	–	14.9	14.9	4.8	4.8	105.2	104.6
Shortage of CO_2 certificates	40.2	56	0.3	–	1.7	9.9	1.7	1.6	43.9	67.5

* Includes power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In the year under review, these produced 15.4 million metric tonnes of CO_2 and were allocated certificates for 19.8 million metric tonnes.

tion or being commissioned at the end of 2009. We therefore do not expect our carbon intensity to fall significantly until 2011/2012. The CO_2 emissions from our fleet of vehicles, which likewise belong to Scope 1, are so marginal in relation to our total emissions that we decided not to list them separately.

Our opencast mining operations account for the lion's share of the indirect emissions linked with the generation of electricity, district heating and steam (Scope 2). As the electricity required to operate our opencast mines is procured exclusively from our own power stations, however, the relevant emissions are already included in our Scope 1 emissions. Detailed information on the energy consumption of our office buildings is still lacking.

Our Scope 3 emissions comprise all indirect greenhouse gas emissions attributable to our business operations, including CO_2 emissions from the electricity we purchase and the gas we sell, which in 2009 amounted to 138.5 million tonnes.

Power plant capacity. At the end of fiscal 2009, the RWE Group had a combined power plant output of 49.6 gigawatts (GW). Hard coal accounts for the largest share of this total at 31 percent, followed by lignite at 22 percent, gas at 18 percent and nuclear power at 13 percent. Renewables make up some five percent of the total output.

Power plant capacity by primary energy source as of 31 Dec 2009 in MW*	
Hard coal	15,540
Lignite	10,925
Natural gas	9,144
Nuclear	6,295
Renewables	2,532
Pump storage, oil, other	5,146
Total	**49,582**

* Including capacities (8,712 MW) of power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements.

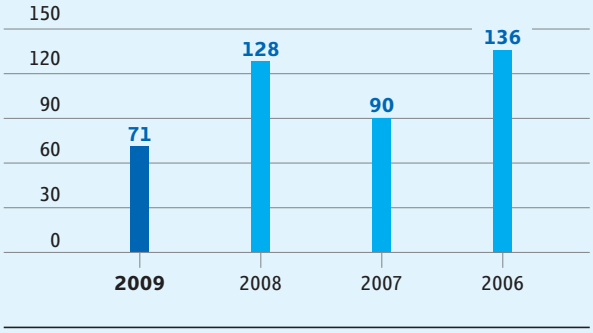
Power plant efficiency. The efficiency of our coal-fired power stations is still determined mainly by old plant, which in the coming years will be replaced by new, more efficient facilities. At the end of 2009, all but one of our gas-fired power plants in Germany was a conventional plant and hence not as efficient as the modern, combined-cycle gas turbine (CCGT) plants. Our first CCGT station in Germany was still being commissioned as per 31 December 2009. Taking into account the power stations that were still under construction in early 2010, we expect our fossil-fuel power stations to have an efficiency of approx. 44 percent by the end of 2013; this compares with the 36.8 percent they had at the end of 2009.

Efficiency of our fossil-fuel power stations in 2009* in percent	
Lignite	
Germany	33.01
Hungary	32.56
Total	**32.98**
Hard coal	
Germany	36.45
United Kingdom	35.39
Netherlands	37.38
Total	**36.07**
Natural gas	
Germany	38.90
United Kingdom	53.84
Netherlands	37.49
Total	**42.73**

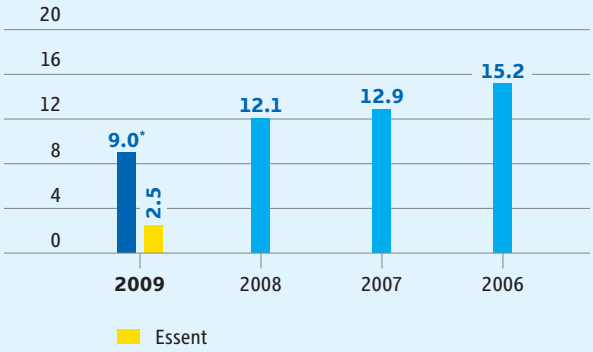
* Not including plant that are deployed primarily to generate steam

Fuels. The drop in demand for electricity in 2009 led to a fall in the amount of fuel used, the size of the decrease depending on the type of fuel. Whereas there was a decrease of nearly 26 percent in total electricity generated, hard coal use fell by more than 30 percent and hence more than any other fuel. Gas and lignite, meanwhile, fell by no more than approx. five percent each. The relative shift in favour of gas can be attributed at least in part to the fall in gas prices. Because our lignite-fired power plants are used to generate base-load electricity, they had to pick up some of the shortfall resulting from temporary stoppages at the Biblis A and Biblis B reactors. The use of biomass both in small cogen plant and for co-combustion in conventional power plant has grown continuously over the past few years. Essent has long been using biomass on a large scale, most of it for co-combustion.

Use of nuclear fuels in RWE power stations in metric tonnes

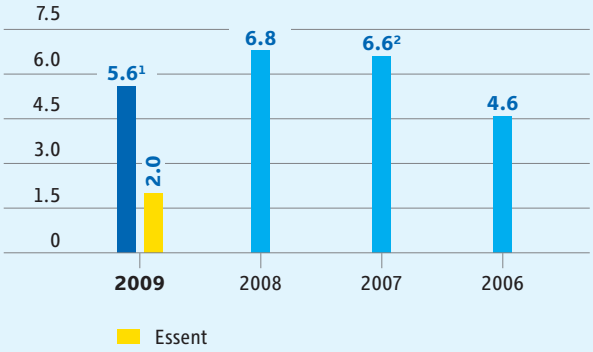


Use of hard coal in RWE power stations in million metric tonnes



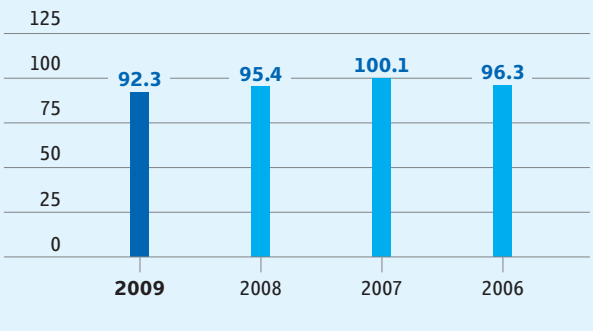
* Not including the consolidated portion accounted for by Essent

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

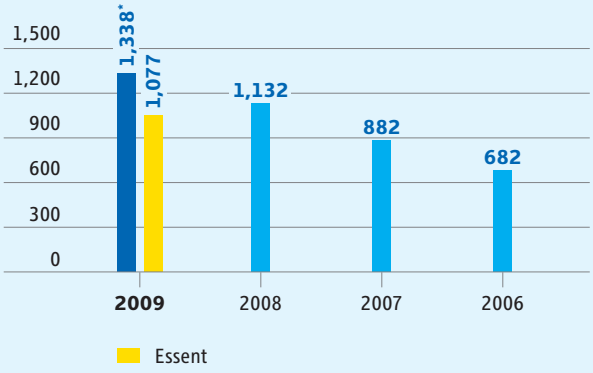


1 Not including the consolidated portion accounted for by Essent
2 Adjusted since the 2007 report

Use of lignite in RWE power stations in million metric tonnes

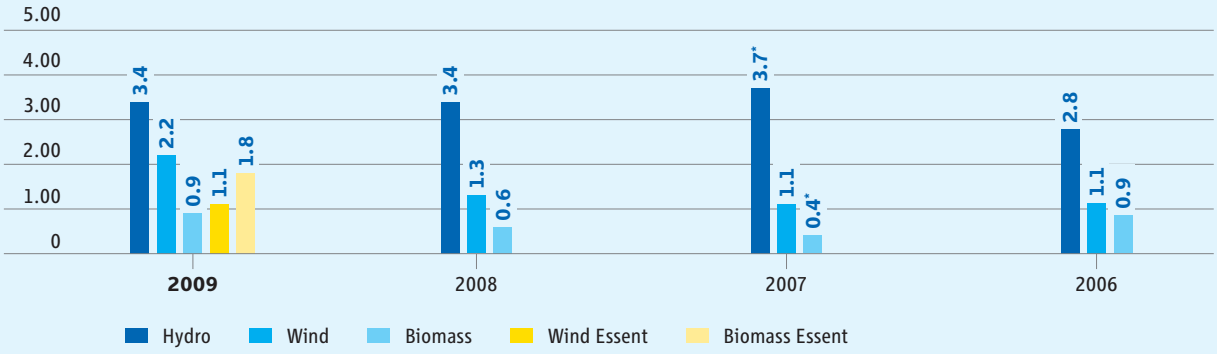


Use of biomass in RWE power stations in thousand metric tonnes



* Not including the consolidated portion accounted for by Essent

Annual output of renewables in terawatt-hours

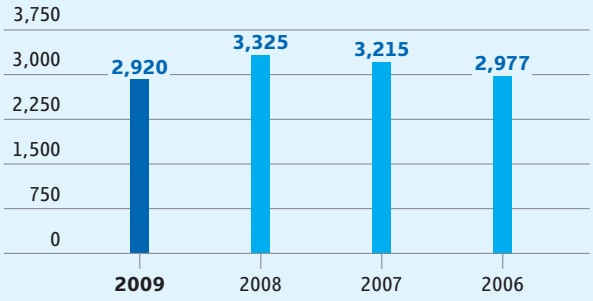


* Adjusted since the 2007 report

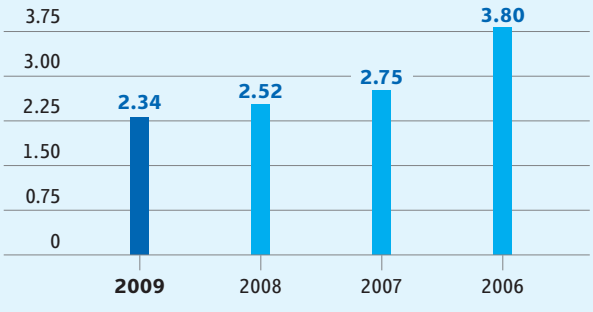
Renewables. A total of 6.5 billion kilowatt-hours (kWh) of electricity was generated from renewables in 2009. Renewables therefore accounted for 3.5 percent of our total electricity output, 0.9 percent more than in 2008. We had 2.53 gigawatts (GW) of installed capacity as at 31 December 2009, 0.65 GW of it from Essent's renewables portfolio and 0.36 GW from new generation capacity. The massive increase in renewables – in wind power especially – which commenced in early 2008 is gradually taking effect, as is our acquisition of Essent, of course, which has made us Germany's largest wind-turbine operator.

Exploration and production. We extracted 2,920 million m^3 of gas and 2.34 million m^3 of oil during the period under review. Our extraction of natural gas therefore fell by twelve percent. The fall in production from the UK's North Sea gas fields was especially pronounced, as these reserves will soon be exhausted. Our gas production in Egypt was also down, whereas that in Norway increased. Crude oil production by RWE Dea was down seven percent on 2008, as our German and Danish oil fields are nearing exhaustion. Production in Denmark, moreover, had to be interrupted for repairs, although the volumes extracted in Norway increased during the same period.

Natural gas production in million cubic metres

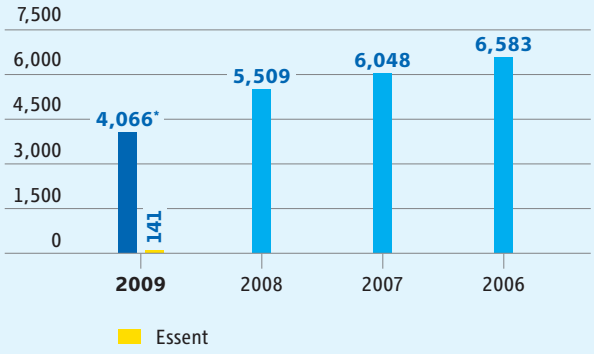


Crude oil production in million cubic metres



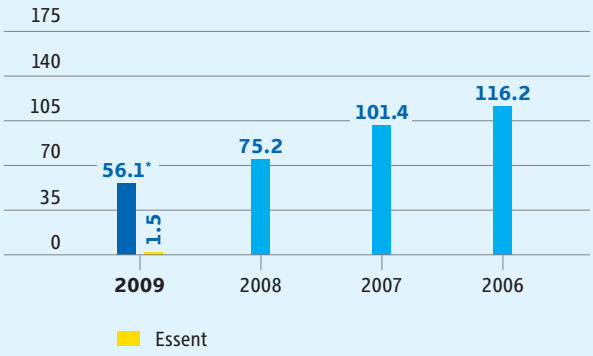
Pollutant emissions. Our emissions of sulphur dioxide (SO_2), nitrous oxide (NO_x) and dust fell owing to a decrease in the use of fossil fuels. The new flue-gas desulphurisation plant commissioned at our Aberthaw power plant in the UK in early 2009 also contributed to the lowering of SO_2 emissions, however, as is evident in the reduction in our specific SO_2 emissions from the firing of hard coal.

Particulate matter emissions from RWE power stations
in metric tonnes



* Not including the consolidated portion accounted for by Essent

SO_2 emissions from RWE power stations
in thousand metric tonnes



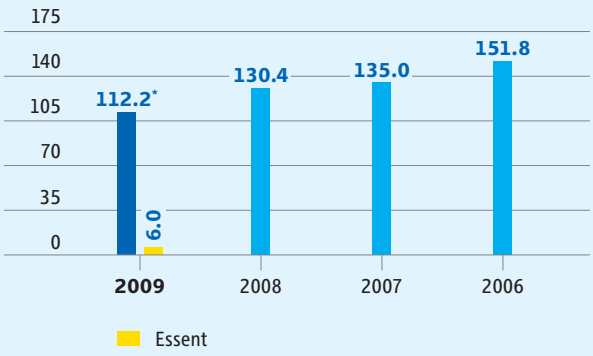
* Not including the consolidated portion accounted for by Essent

Specific emissions in grams per kilowatt-hours

	2009[1]	2008	2007
Lignite			
SO_2 emissions	0.35	0.32	0.42
NO_x emissions	0.80	0.80	0.86
Hard coal			
SO_2 emissions	0.90	1.35	1.88
NO_x emissions	1.51	1.62	1.61
Natural gas[2]			
SO_2 emissions	<0.01	0.07	0.05
NO_x emissions	0.32	0.39	0.37

1 Not including the consolidated portion accounted for by Essent
2 Not including plant fired by gas from blast furnaces

NO_x emissions from RWE power stations
in thousand metric tonnes

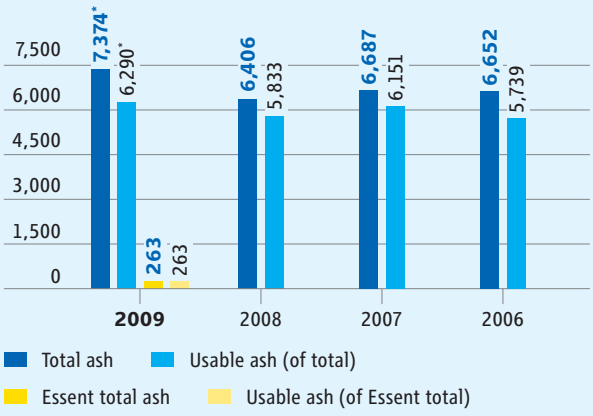


* Not including the consolidated portion accounted for by Essent

Waste. Most of the waste produced by the RWE Group, at least in terms of volume, is ash from coal-fired power stations. The waste from our lignite-fired power plants is landfilled on special sites or 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. All told, we are able to recycle approximately 85 percent of our annual output of ash, while the remainder is disposed of as required by law.

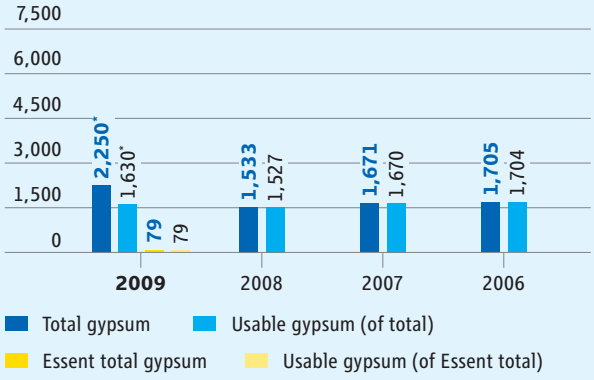
Our handling of radioactive waste from our nuclear plants is subject to rigorous monitoring by the authorities. The spent fuel rods are packed in licensed containers at the power plant, registered and taken to accredited temporary storage facilities.

Ash totals in thousand metric tonnes



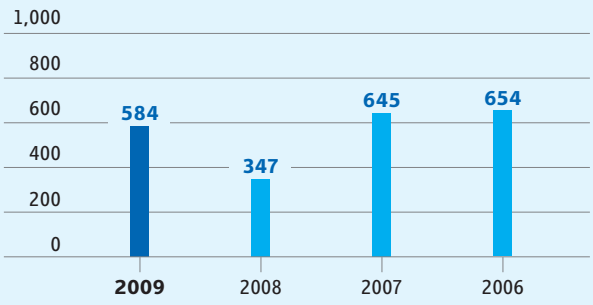
* Not including the consolidated portion accounted for by Essent

Gypsum totals in thousand metric tonnes

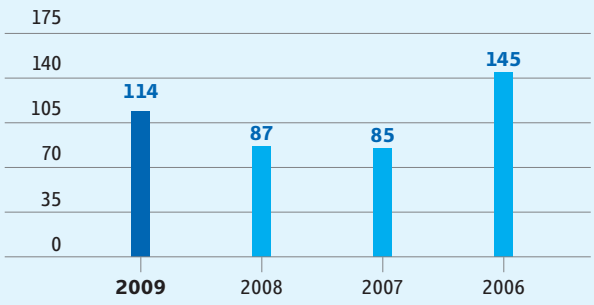


* Not including the consolidated portion accounted for by Essent

Nuclear waste from power stations in metric tonnes



Spent fuel elements in metric tonnes



In compliance with German government policy, they will remain there until Germany has an accredited long-term storage facility. The entire process of radioactive waste disposal is monitored by the Federal Office for Radiation Protection.

Water management. To keep our opencast mines dry, we have to pump off large amounts of groundwater. To prevent this having a detrimental impact, especially on ecologically valuable wetlands, we return copious quantities of water to the relevant areas – 70 million m³ in 2009.

Thermal power plants require huge quantities of water for cooling. Our lignite-fired power plants use water pumped out of our opencast mines for this purpose, while our other power plants draw the cooling water they need from nearby rivers. Our reactors at Biblis in Germany are cooled directly by water from the Rhine, while two of our coal-fired power stations in the UK are fitted with a cooling system that uses water straight from the sea.

Use of cooling water (net) in thousand cubic metres

	2009	2008	2007
RWE Power	260,258	263,267	274,833
RWE npower	13,014	23,765	23,299

Reportable incidents at our nuclear power stations

		2009		2008		2007		2006	
		INES 0	INES 1	INES 0	INES 1	INES 0	INES 1	INES 0	INES 1
Biblis	Unit A	7		10		5		8	1
	Unit B	14		6		9		12	
Emsland		8		1		9		7	
Gundremmingen	Unit B	1		3		5		5	
	Unit C	3		4		4		5	
Total		**33**	**0**	**24**	**0**	**32**	**0**	**37**	**1**

Most of the water removed for cooling is returned to surface waters after use. Our net water consumption therefore consists of evaporation losses from our cooling towers and process water passed to treatment plant. The sharp fall of 45.2 percent at RWE npower is attributable mainly to its scaling back of power generation from hard coal.

Reportable incidents at our nuclear power plants. There were no safety-relevant incidents at our nuclear power plants in the years 2008 and 2009 under review here. What events there were, were all below-scale or out-of-scale events belonging to Level 0 on the International Nuclear Event Scale (INES), and hence of little or no safety relevance.

Environmental costs. We committed €2,229 million to protecting the environment in 2009. This sum includes climate protection measures such as building new and more efficient power plants intended not to increase generation capacity, but to replace older, less efficient plants. More than half our expenditure took the form of investments in climate protection. Our efforts to reduce air pollution, which included retrofitting our hard coal power plant at Aberthaw in the UK with the flue-gas desulphurisation plant that went into full operation in early 2009, 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, spending on pollution control, including the operation of flue-gas desulphurisation plant, was the largest single item.

Environmental expenditure in €million	Costs		Capital expenditure		Total	
	2009	2008	2009	2008	2009	2008
Clean air	242	265	103	88	345	353
Nature and landscape conservation	75	79	12	15	87	94
Water conservation	105	192	22	15	127	207
Waste disposal	172	168	–	8	172	176
Noise abatement	5	12	5	2	10	14
Brownfield sites, soil contamination	5	5	1	–	6	5
Climate protection	162	98	1,320	1,168	1,482	1,266
Total	**766**	**819**	**1,463**	**1,296**	**2,229**	**2,115**

Marketplace

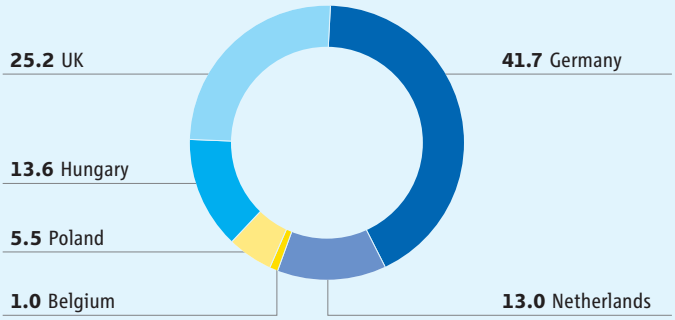
Customer structure. Nearly 50 percent of our electricity customers are in Germany, while in the gas business we have more customers in the UK, as well as a sizeable customer base in the Czech Republic. Industrial and corporate customers, which in 2009 accounted for 95.7 billion kWh in electricity sales or 33.8 percent of the total, are our most important segment. Among distributors, we have been able to gain new customers and extend existing supply contracts so that this segment now accounts for 33.2 percent, followed by private and commercial customers at 21 percent. In the gas business, our private and commercial customers are our most important segment, accounting for 37.9 percent of total sales.

External electricity sales volume in billion kilowatt-hours

	2009	2008	2007
Private and commercial customers	59.3	58.8	60.4
Industrial and corporate customers	95.7	100.6	98.2
Distributors	93.9	87.6	79.3
Electricity trading	33.9	70.1	68.5
Total*	**282.8**	**317.1**	**306.4**

* Incl. sales of the "Other, consolidation" segment (primarily Amprion)

Distribution of our customers in the electricity business
in percent (16.45 million customers*, 31 Dec 2009)



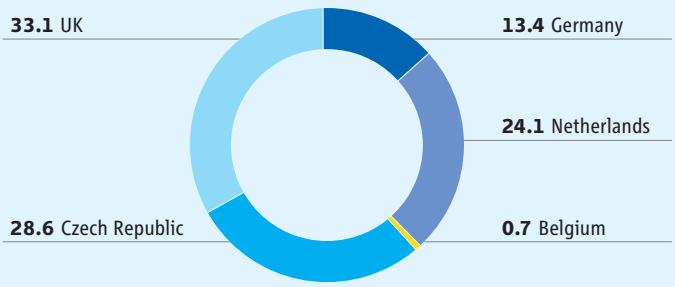
* Without minority stakes

External gas sales volume in billion kilowatt-hours

	2009	2008	2007
Private and commercial customers	125.7	114.2	110.3
Industrial and corporate customers	102.9	111.6	116.6
Distributors	103.4	102.0	108.1
Total	**332.0**	**327.8**	**335.0**

Customer numbers. We expanded our customer base in Germany by 87,000 to 6,863 million during the period under review. Our electricity discounter eprimo had contracts with 626,000 customers at the end of 2009, nearly 50 percent more than in the previous year. In the UK, on the other hand, fierce competition led to a slight fall in customer totals. RWE npower was supplying 4.147 million residential customers and small businesses with electricity at the end of 2009, two percent fewer than at the end of 2008.

Distribution of our customers in the gas business
in percent (7.97 million customers*, 31 Dec 2009)

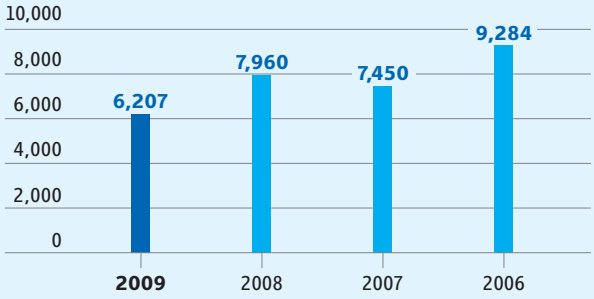


* Without minority stakes

Workplace

Recruitment. The RWE Group had a workforce of 70,726 full-time equivalents as per 31 December 2009. Of the 4,948 employees gained through takeovers, 4,287 were acquired as employees of Essent on 30 September 2009, while 480 came to us through RWE npower's takeover of the Superior Plumbing Installations Group. Operational changes resulted in the loss of 1,108 jobs among our foreign subsidiaries, while 978 new jobs were created in Germany during the same period. Most of the recruiting was done by RWE Power and RWE Innogy. Adjusted for acquisitions, the total number of employees at RWE fell by 0.2 percent in 2009.

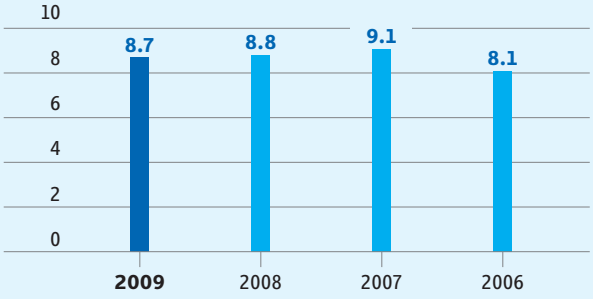
Total number of hirings in employees



Workforce structure. Of the 70,726 employees working at RWE as per 31 December 2009, 89.1 percent were full-time and 10.9 percent part-time. While 94.9 percent were on permanent contracts, 5.1 percent had been hired on temporary contracts.

Fluctuation. 2009 saw a fall in the fluctuation rate, which was 8.7 percent on average. As before, RWE npower's rate of 19.9 percent is well above the average for the Group as a whole. This is mainly attributable to the UK's more dynamic labour market. In sales and service in particular, many employees tend to be young and flexible and hence more likely to change job. The average period of employment was 15.2 years for the RWE Group as a whole, and was highest in power generation at 20.5 years.

Fluctuation rate as a percentage of full-time equivalents



Pay. A total of €3,762 million was spent on wages and salaries in 2009, 3.6 percent more than in the previous year. Spending on social security and pensions totalled €849 million or 6.8 percent more than in 2008. RWE employees in Germany are able to buy employees' shares at favourable rates. In 2009, 21,900 employees, or 52 percent of those entitled, availed themselves of this option and bought a total of 406,000 shares.

Staff costs in €million

	2009	2008	2007
Wages and salaries	3,762	3,633	3,277
Cost of social security, pensions and other benefits	849	782	674

Social security. 99.7 percent of our employees are employed in European 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 national legislation. The companies in the Group therefore provide programmes specific to the needs of the countries in which they operate, including top-up pension funds. 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 full-time equivalents

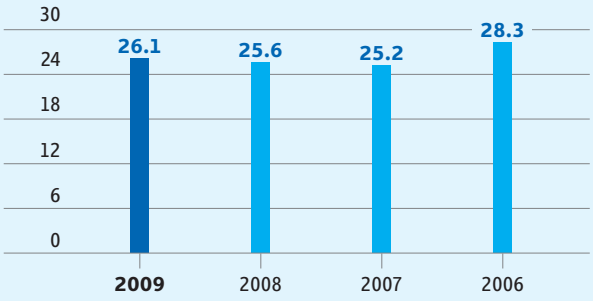
	2009	2008	2007
Germany	40,392	39,220	38,283
UK	13,392	13,847	12,837
Netherlands/Belgium	4,682	429	335
Central and Eastern Europe	11,828	12,083	11,717
Other	432	329	267
RWE Group	**70,726**	**65,908**	**63,439**

Trainees. RWE in Germany hired more than 1,000 young people as trainees in both 2008 and 2009, the two years covered by this report. We had nearly 3,000 trainees working for us all told, meaning that we provide three times as many traineeships as we need to cover our own requirements. This policy is part of our effort to open up career prospects for young people, while at the same time ensuring that the Group's own HR needs are met. As there is no comparable system of training in the other countries in which we operate, the figures here apply only to Germany.

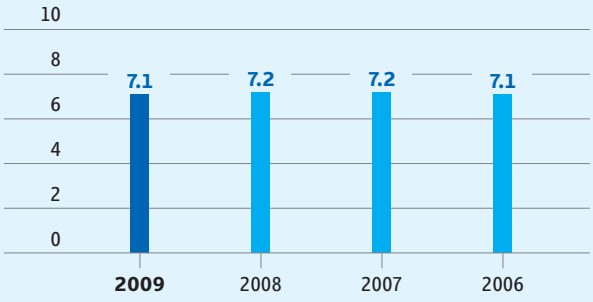
Further training. As the further training of our employees tends to be organised at company rather than Group level, we do not have any figures for the Group as a whole. The statistics for Germany, however, indicate that in 2009 there were 4.8 days of training per employee and year, compared with 4.6 and 4.2 days per employee and year in the two previous years.

Equal opportunities. The proportion of women in the workforce traditionally tends to be low among energy suppliers. The emergence of new professions and our efforts to interest girls in a career in technical fields have nevertheless enabled us to report a slight improvement in recent years. The proportion of women in the workforce rose from 25.6 to 26.1 percent in

Proportion of women working at RWE
as a percentage of the workforce

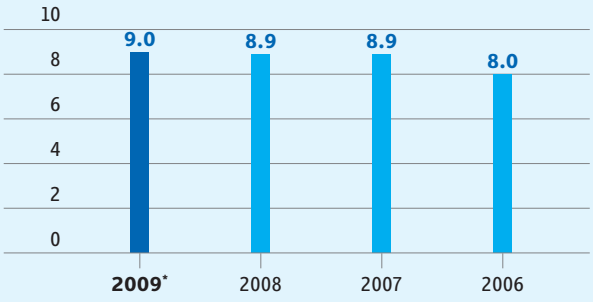


Ratio of trainees in Germany
as a percentage of full-time equivalents*



* Switch to full-time equivalents in 2009. The previous years' figures have been adjusted accordingly.

Proportion of women in senior management
as a percentage of the total



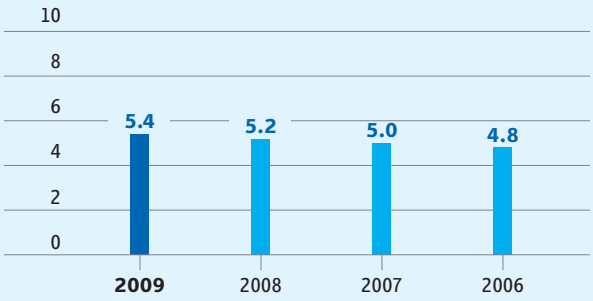
* Not including the consolidated portion accounted for by Essent

2009. It will still take a while for this development to percolate through to managerial level. Women accounted for just nine percent of our management level employees (not including Essent) in 2009, while there were very few women at senior executive and Board level. The principle of equal pay for equal work irrespective of gender and origin is enshrined in the RWE Code of Conduct. Allocation to pay scales is done solely on the basis of qualifications and performance.

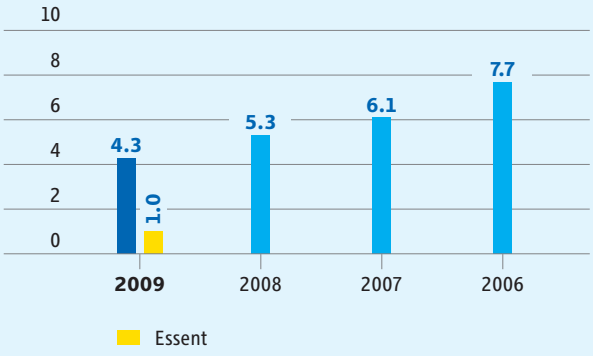
Careers for the disabled. RWE in Germany exceeded the five percent disabled employment quota required of it by law with a quota of 5.4 percent in 2009. Its highest quota is in power generation, where disabled employees account for 8.3 percent of the total. As not all opportunities for employing people with disabilities have been tapped, however, this issue will be accorded even more attention in the coming years.

Occupational health and safety. Our success at reducing accidents continued during the period under review. The number of accidents per million hours worked fell by approx. 19 percent in 2009, and has therefore been in decline for eight years running. We report all lost time incidents (LTI) either at work or when travelling to and from work according to the international standard Lost Time Incident Frequency (LTI_F). The fall in the number of serious accidents is especially welcome. They fell sharply from 48 in 2006 to eight in 2009, providing clear proof of an increasingly safety-conscious corporate culture at RWE. To our great regret, however, the years 2008 and 2009 were not without fatalities. A total of 17 people, twelve of them employees of our subcontractors, lost their lives.

Ratio of employees with disabilities in Germany
as a percentage of the workforce



Accident rate*



* Workplace and business travel accidents per million working hours (LTI_F)

Community

Distribution of value added. After deducting material costs, we were left with a value added of €15.629 billion in fiscal 2009, from which our employees, shareholders and society at large profited. Some 30 percent of this total went to our employees, where the impact of additional hirings was particularly noticeable in 2008 and 2009. Nearly 46 percent went to our creditors and shareholders, while 22 percent went to the state in the form of taxes on gas, electricity and earnings. The RWE Group pays taxes where the value added is generated.

Distribution of value added in €million	2009	2008	2007[1]	2006[2]
Value added	**15,629**	**13,112**	**12,834**	**15,933**
Distribution				
To employees (wages, salaries, benefits)	4,610	4,415	3,951	4,620
To the government (taxes[3] and duties)	3,499	2,484	2,424	2,838
To creditors	3,689	3,337	3,568	4,796
To minority interests	260	318	224	166
Net income	3,571	2,558	2,667	3,847
of which to shareholders	1,867	2,388[4]	1,772	1,968

1 Adjusted as per the Annual Report 2008
2 Adjusted by discontinued operations (American Water)
3 Only the taxes actually paid are included, not tax expenditure.
4 Adjusted as per the Annual Report 2009

Community involvement. The RWE Stiftung commenced work in 2009. The new foundation provides an umbrella organisation for the Group's not-for-profit activities as well as continuing the work of the RWE Jugendstiftung. Furnished with an endowment of €56 million, its primary focus is on education, arts and culture, and the social integration of young people. Our RWE Companius programme set up to support our employees' community involvement is now a Group-wide organisation and in 2009 provided €2.33 million in funding for some 2,300 different projects. One of the Group's largest sponsorship projects was Ruhr.2010 – European Capital of Culture, which it supported with funds of €2.5 million.

Supply chain. Nearly 88 percent of our net material costs in 2009 (€29.838 billion in total) were incurred for electricity and gas purchased from third parties, grid fees payable to other operators, taxes on oil and gas, operating costs and other expenses not directly related to the supply of goods and services. These items are not covered by supply chain management. Some €6.2 billion and hence about 13 percent of RWE's sales revenues can be attributed to goods and services. RWE purchases most of its merchandise from states which belong to the Organisation for Economic Cooperation and Development (OECD) in which compliance with our minimum social and environmental standards can be assumed. We estimate the risk of non-compliance with minimum social and environmental standards to be higher for our procurement of fuels than for our procurement of standard products, catalogue goods and services. A recent analysis revealed that less than five 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.

Affiliates

(As of 31 December 2009)

RWE Aktiengesellschaft, Essen

Power generation, Germany
RWE Power Aktiengesellschaft, Cologne and Essen
Kernkraftwerke Lippe-Ems GmbH, Lingen (Ems)
Kernkraftwerk Gundremmingen GmbH, Gundremmingen
Rheinbraun Brennstoff GmbH, Cologne

Sales and distribution networks, Germany
Emscher Lippe Energie GmbH, Gelsenkirchen
Energis GmbH, Saarbrücken
envia Mitteldeutsche Energie AG, Chemnitz
envia Netzservice GmbH, Kabelsketal
envia Verteilnetz GmbH, Halle (Saale)
eprimo GmbH, Neu-Isenburg
EWV Energie- und Wasser-Versorgung GmbH, Stolberg
Koblenzer Elektrizitätswerk und Verkehrs-Aktiengesellschaft, Koblenz
Lechwerke AG, Augsburg
LEW Verteilnetz GmbH, Augsburg
MITGAS Mitteldeutsche Gasversorgung GmbH, Halle (Saale)
rhenag Rheinische Energie Aktiengesellschaft, Cologne
RWE Beteiligungsgesellschaft mbH, Essen
RWE Effizienz GmbH, Dortmund
RWE Gasspeichergesellschaft mbH, Dortmund
RWE Kundenservice GmbH, Bochum
RWE Rheinland Westfalen Netz Aktiengesellschaft, Essen
RWE Rhein-Ruhr Netzservice GmbH, Siegen
RWE Rhein-Ruhr Verteilnetz GmbH, Wesel
RWE Vertrieb Aktiengesellschaft, Dortmund
RWE Westfalen-Weser-Ems Netzservice GmbH, Dortmund
RWE Westfalen-Weser-Ems Verteilnetz GmbH, Recklinghausen
RWW Rheinisch-Westfälische Wasserwerksgesellschaft mbH, Mülheim an der Ruhr
Stadtwerke Düren GmbH, Düren
Süwag Energie AG, Frankfurt am Main
Süwag Netz GmbH, Frankfurt am Main
VSE Aktiengesellschaft, Saarbrücken

Netherlands/Belgium
RWE Benelux Holding B.V., Hoofddorp/Netherlands
Essent Energie Productie B.V., 's-Hertogenbosch/Netherlands
Essent Energie Verkoop Nederland B.V., 's-Hertogenbosch/Netherlands
Essent Energy Trading B.V., Eindhoven/Netherlands
Essent Retail Energie B.V., 's-Hertogenbosch/Netherlands
Essent Trading International SA, Geneva/Switzerland
RWE Energy Nederland N.V., Hoofddorp/Netherlands

United Kingdom
RWE Npower Holdings plc, Swindon/UK

Central and Eastern Europe
Budapesti Elektromos Müvek Nyrt. (ELMŰ), Budapest/Hungary
ELMŰ Hálózati Elosztó Kft., Budapest/Hungary
ÉMÁSZ Hálózati Kft., Budapest/Hungary
Észak-magyarországi Áramszolgáltató Nyrt. (ÉMÁSZ), Miskolc/Hungary
Jihomoravská plynárenská, a.s., Brno/Czech Republic
JMP Net, s.r.o., Brno/Czech Republic
Mátrai Erömü Zártkörüen Müködö Részvénytársaság (MÁTRA), Visonta/Hungary
RWE Energie, a.s., Ústí nad Labem/Czech Republic
RWE Gas International B.V., Hoofddorp/Netherlands
RWE GasNet, s.r.o., Ústí nad Labem/Czech Republic
RWE Gas Storage, s.r.o., Prague/Czech Republic
RWE Polska S.A., Warsaw/Poland
RWE Stoen Operator Sp z o.o., Warsaw/Poland
RWE Transgas, a.s., Prague/Czech Republic
RWE Transgas Net, s.r.o., Prague/Czech Republic
Severomoravská plynárenská, a.s., Ostrava/Czech Republic
SMP Net, s.r.o., Ostrava/Czech Republic
VCP Net, s.r.o., Hradec Králové/Czech Republic
Východočeská plynárenská, a.s., Hradec Králové/Czech Republic

Renewables
RWE Innogy GmbH, Essen/Germany
Agrupació Energías Renovables, S.A.U., Barcelona/Spain
AERSA Group with 9 subsidiaries in Spain
RWE Npower Renewables Ltd., Swindon/UK
RWE Innogy Cogen GmbH, Dortmund/Germany

Upstream gas & oil
RWE Dea AG, Hamburg/Germany
RWE Dea Norge AS, Oslo/Norway
RWE Dea Suez GmbH, Hamburg/Germany

Trading/gas midstream
RWE Supply & Trading GmbH, Essen/Germany

Other subsidiaries
Amprion GmbH, Dortmund/Germany
RWE Finance B.V., Hoofddorp/Netherlands
RWE Service GmbH, Dortmund/Germany
Thyssengas GmbH, Dortmund/Germany

7.2 Independent Assurance Report

To RWE AG, Essen

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft has performed a moderate assurance[1] engagement on the German version of the Sustainability Report and issued an independent assurance report, authoritative in the German language, which has been translated by RWE AG as follows:

We have been engaged by RWE AG, Essen to perform an independent assurance engagement to attain moderate assurance[1] in respect of observing the AA1000 AccountAbility principles and in respect of sustainability information in the Sustainability Report "Our Responsibility. Report 2009: MAKE GOOD THINGS HAPPEN for society." (the "Sustainability Report") of RWE AG, Essen.

Responsibility of the legal representatives

It is the responsibility of the legal representatives of the Company

- to comply with the principles of inclusivity, materiality and responsiveness as defined in the AccountAbility Principles Standard (2008) (the "AA1000 AccountAbility Principles"), and
- to prepare the sustainability information in the Sustainability Report in accordance with the criteria set out in the Sustainability Reporting Guidelines Vol. 3 (pages 7 to 17) of the Global Reporting Initiative (GRI).

This responsibility includes the conception, implementation and maintenance of systems and processes for ensuring compliance with the AccountAbility Principles and to prepare the Sustainability Report with the application of assumptions and estimations that are appropriate under the given circumstances.

Responsibility of the auditors

Our responsibility is to form an independent opinion, based on our assurance procedures, on whether facts have come to our attention leading us to believe that in all material respects

- the systems and processes installed by the Company are not appropriate for compliance with the AccountAbility Principles; or
- the sustainability information in the Sustainability Report has not been prepared in compliance with the GRI criteria.

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

We conducted our independent assurance engagement in accordance with AA1000 Assurance Standard (AA1000AS) 2008 and also in accordance with International Standard on Assurance Engagements (ISAE) 3000.

These standards require that we fulfil our professional duties and plan and conduct the engagement in accordance with the principle of materiality so that we can form an opinion with moderate assurance[1], which is the degree of assurance that was required by RWE AG. We are independent as defined by Section 3.2 of AA1000AS (2008). Due to our expertise and experience with non-financial assessments, sustainability management and social and ecological issues, we have the competencies required to conduct this independent assurance engagement. An independent assurance engagement performed to obtain moderate assurance[1] is less substantial in scope than an independent assurance engagement performed to obtain high assurance[2], with the result that a corresponding lower level of assurance is obtained. The selection of the issues to be examined is a matter for the dutiful judgement of the independent auditors performing the engagement. With regard to compliance with the AccountAbility Principles, we conducted the following examination procedures on the level of the headquarters – RWE AG – as well as at the subsidiaries of RWE Power AG, Essen, Lechwerke AG, Augsburg, and RWE Transgas a.s., Prague:

- discussion with responsible personnel;
- understanding the relevant documentation regarding stakeholder dialogue, communication with stakeholders, preparation and follow-up minutes, evaluation and interpretation for the respective area of RWE;
- understanding the relevant documentation for analysing and prioritising sustainability topics and CR areas;
- random examination of evidence on selected sustainability projects, which prove the consideration of the AA1000 AccountAbility Principles within the organisation.

1 "Moderate assurance" as specified by AA1000AS (2008) is equivalent to "limited assurance" as specified by ISAE 3000.
2 "High assurance" as specified by AA1000AS (2008) is equivalent to "reasonable assurance" as specified by ISAE 3000.

With regard to sustainability information in the Sustainability Report, our work included the following examinations on the level of the above-mentioned companies:

- discussion with the employees responsible for reporting of sustainability information;
- examination of the systems and processes for data collection, calculation and the reporting of sustainability information;
- functional examination of the controls for the assurance data quality;
- analytical assessment of sustainability data;
- visits to selected sites, as well as site-related inquiries and data collection.

Material findings and judgments

With regard to the fundamental AccountAbility Principle of inclusivity:

- Internal documentation and publicly accessible information exist that describe the identification and analysis of important stakeholders on national, international and regional level.
- Structured stakeholder dialogues on superior topics as well as concrete projects are conducted.
- We found evidence that strategies have been set in place to identify and interact with relevant stakeholders.
- The supraregional stakeholder dialogue is organised and managed on Group level by the department Corporate Responsibility/Environmental Protection and the respective functional units.
- The regional stakeholder dialogue is organised and managed by the operating units. According to the internal CR rules, the central CR management coordinates of Group-wide circumstances are in existence.
- The responsible functional units organise and manage the dialogue with their allocated stakeholder groups; the communication between these units and the central CR management is not fully taking place yet.

With regard to the AccountAbility Principle of materiality:

- The CR areas were developed in 2006 taking into account external expectations and further verified by a subsequent stakeholder survey. In 2009 indicators for the different CR areas were developed and introduced.
- In 2009 RWE defined the materiality of these CR areas within the scope of an internal analysis and described their significance in a materiality matrix.
- We found evidence for the process evaluation of the significance of the CR areas, but documentation thereof is not yet sufficient.
- RWE takes up CR trends and developments and regularly discusses these within the central CR department to proactively respond to these. These CR topics are not yet comprehensively evaluated and sufficiently documented.

With regard to the AccountAbility Principle of responsiveness:

- The supraregional stakeholder dialogue is coordinated on Group level by the department Corporate Responsibility/Environmental Protection in consultation with the functional units. The subsidiaries coordinate the dialogues for which they are responsible.
- By means of various examples and internal documentation, we determined that procedures for consideration of matters raised by stakeholders are balanced, comprehensible and internally discussed.
- The internal procedures for responding to stakeholder matters are generally structured and practiced; the transfer of know-how for responding to stakeholder requirements is not yet sufficiently designed.
- We determined that, in the form of the GRI criteria, suitable guidelines for sustainability reporting are in use.
- The dialogue with stakeholders is carried out by multiple means of communication, comprehensive and thematically balanced.

Based on our independent assurance engagement to obtain moderate assurance[1], nothing has come to our attention that causes us to believe that in all material respects, the systems and processes installed by the Company are not appropriate for compliance with the AccountAbility Principles, and the sustainability information set out in the Sustainability Report has not been prepared in compliance with the GRI criteria.

Further recommendations

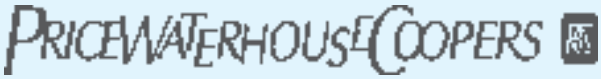
Without qualifying the opinions on our engagement stated above, we make the following recommendations for the development of the sustainability management and reporting:
Development of stakeholder management:

- Increase and extend the cooperation between RWE AG and the operative subsidiaries taking into account the reorganisation of the Group
  - Increase the discussion on stakeholder activities with the responsible functional units
  - Yearly evaluation of the CR areas involving the operative subsidiaries and communicating to Board level to ensure early strategic decision-making
  - Transfer of the materiality analysis into a sufficiently designed and regular process
  - Enforcing the know-how transfer for responding to stakeholder matters
- The processes for the Group-wide collection, control and archiving of CR data should be developed and standardised further. This would also further improve the data quality taking into account the new organisational structure of the Group.

Frankfurt am Main, 29 March 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Signed: Michael Werner Signed: ppa. Juliane von Clausbruch



Index according to GRI (Global Reporting Initiative)

G3 core indicators incl. indicators of Sector Supplement Electric Utilities		Page	Status
1.	**Strategy and analysis**		
1.1	Statement from the CEO and the supervisory board chairperson	4/5	●
1.2	Description of key impacts, risks and opportunities	10–15, 19–23	●
2.	**Organizational profile**		
2.1	Name of the company	10	●
2.2	Primary brands, products and/or services	10, 12–15, 50	●
2.3	Operational structure and major divisions	10 / AR front flap, 34	●
2.4	Location of organization's headquarters	10	●
2.5	Number/names of countries with major operations	11	●
2.6	Nature of ownership	10, 80	●
2.7	Markets served	11, 51, 88	●
2.8	Scale of the reporting organization	10, 80 / AR 27	●
2.9	Significant changes regarding size, structure, or ownership	10, 77	●
2.10	Awards received in the reporting period	21, 42, 61, 78/79	●
EU1	Installed capacity	14, 82	●
EU2	Net energy output broken down by primary energy source	12	●
EU3	Residential, industrial and commercial customer accounts	13, 88	●
EU4	Length of transmission and distribution lines	13	●
EU5	Allocation of CO_2 emissions certificates	82	●
3.	**Report parameters**		
3.1	Reporting period	6	●
3.2	Date of most recent previous report	17 April 2008	●
3.3	Reporting cycle	Every 2 years with annual status report	●
3.4	Contact point for questions regarding the report	101	●
3.5	Processes for defining report content	6, 19/20	●
3.6	Boundary of report	6, 77, 93	●
3.7	Statement on specific limitations concerning the report's scope	6	●
3.8	Basis for the reporting on joint ventures, subsidiaries etc.	10 / GRI Record	●
3.9	Data measurement techniques and bases of calculations	6, 78	●
3.10	Explanation of any restatements of information	22, 77, 81	●
3.11	Significant changes from previous reporting periods	81	●
3.12	GRI index	97–99	●
3.13	External verification of the report	94–96	●
4.	**Governance, commitments, and engagement**		
4.1	Governance structure, incl. responsibility for sustainability	24–26 / GRI Record / AR 116 ff.	●
4.2	Independence of the supervisory board chairperson	GRI Record / AR 116 ff., 209 ff.	●
4.3	No. of independent supervisory board members	GRI Record / AR 116 ff., 209 ff.	●
4.4	Mechanisms to provide recommendations to highest governance body	71 / GRI Record	●
4.5	Linkage between senior management compensation and sustainability goals	26	●
4.6	Processes to ensure conflicts of interest are avoided	GRI Record / AR 116 ff.	●
4.7	Expertise of highest governance body in terms of sustainability	24–27, 78	●
4.8	Corporate mission, values, and Codes of Conduct	19, 26, 62, 64	●

Status: ● fully reported ● partly reported ● not reported
AR = Annual Report 2009 PR = Personnel Report 2009
All core indicators are presented. Some of the numbers are skipped because the additional GRI indicators are not recorded in the index.

G3 core indicators incl. indicators of Sector Supplement Electric Utilities		Page	Status
4.9	Board-level processes for overseeing sustainability performance	24/25, 78	●
4.10	Processes for evaluating the highest governance body's performance on sustainability matters	26	●
4.11	Implementation of the precautionary principle	26/27, 78	●
4.12	External initiatives that the organization endorses	26/27, 73	●
4.13	Significant memberships in industry and business associations	26/27	●
4.14	List of stakeholder groups engaged by the organization	12/13, 27, 69, 71	●
4.15	Basis for identification and selection of stakeholders to engage	27, 69–71	●
4.16	Approaches to stakeholder engagement (type/frequency)	71	●
4.17	Response to key concerns raised by stakeholders	12/13, 69–71	●
5.	**Management approach and performance indicators**		
Economic – Management approach (incl. EU6, EU7, EU8, EU9)		10, 14/15, 26, 32/33, 35/36, 40/41, 49–53 / GRI Record / AR 183	●
EC1	Direct economic value created and distributed	10/11, 92	●
EC2	Financial implication of climate change	10, 31–33, 39	●
EC3	Coverage of benefit pension plan obligations	63, 89, 92	●
EC4	Financial assistance received from government	GRI Record	●
EC6	Spending on locally-based suppliers	72	●
EC7	Local hiring for senior management positions	GRI Record	●
EC8	Infrastructure investments and services provided primarily for public benefit	52, 72	●
EU10	Planned capacity vs. projected electricity demand	10, 15, 32 / GRI Record	●
EU11	Average generation efficiency	82	●
EU12	Transmission and distribution efficiency	53 / GRI Record	●
Environmental – Management approach		20, 25, 32/33, 43, 78	●
EN1	Weight/volume of materials used	83	●
EN2	Percentage of materials used that are recycled	83	●
EN3	Direct energy consumption: primary sources used by company	12, 83/84	●
EN4	Indirect energy consumption: primary sources used through energy purchased	12, 81–83	●
EN8	Total water withdrawal by source	86, GRI Record	◐
EN11	Land used in protected areas	44/45	●
EN12	Significant impacts of activities on protected areas	44/45	●
EU13	Biodiversity of replacement habitats	43–45	●
EN16	Total direct and indirect greenhouse gas emissions by weight	39, 81/82	●
EN17	Other relevant indirect greenhouse gas emissions by weight	42, 81/82 / GRI Record	◐
EN19	Ozone-depleting substances by weight	GRI Record	●
EN20	NO_x, SO_x, and other significant air emissions	85	●
EN21	Water discharge by quality and destination	GRI Record	◐
EN22	Total weight of waste by type and disposal method	85/86	●
EN23	Total number and volume of significant spills	GRI Record	●
EN26	Initiatives to mitigate environmental impacts of products and services	15, 34–38, 43–45, 50, 52	●
EN27	Percentage of recycled products	Not applicable	●
EN28	Fines and sanctions for non-compliance with environmental regulations	78	●

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G3 core indicators incl. indicators of Sector Supplement Electric Utilities		Page	Status
Labor practices and decent work – Management approach (incl. EU14, EU15, EU16)		20, 25, 59–65 / GRI Record	●
LA1	Total workforce by employment type, and region	11, 89/90 / PR 65	●
LA2	Breakdown of employee turnover by age group, gender, and region	89 / GRI Record / PR 69	●
EU17	Total subcontracted workforce	GRI Record	●
EU18	Health and safety training of contractors and subcontractors	65	●
LA4	Percentage of employees covered by collective bargaining agreements	GRI Record / PR 65	●
LA5	Minimum notice period(s) regarding operational changes	GRI Record	●
LA7	Injuries, absentee rates and work-related fatalities by region	64, 91	●
LA8	Prevention and risk-control programs regarding serious diseases	65	●
LA10	Training hours per year per employee by employee category	90 / GRI Record	●
LA13	Composition of senior management and breakdown of employees (gender/culture/age)	90/91 / GRI Record	●
LA14	Ratio of basic salary of men to women by employee category	90 / GRI Record	●
Human rights – Management approach		20, 54, 72	●
HR1	Investment agreements with HR clauses or screening	GRI Record	●
HR2	Suppliers and contractors that underwent screening on human rights	72, 92 / GRI Record	●
HR4	Incidents of discrimination and actions taken	62 / GRI Record	●
HR5	Operations with risks to freedom of association/collective bargaining at risk	63, 72, 92	●
HR6	Operations with significant risk for incidents of child labour	61, 70, 92	●
HR7	Operations with significant risk for incidents of forced or compulsory labour	61, 70, 92	●
Society – Management approach (incl. EU19, EU20, EU21)		20, 26/27, 54, 69–73 / GRI Record	●
SO1	Policy to manage impacts on communities	43, 70, 73	●
EU22	Number of people displaced by new or expansion projects	70	●
SO2	Business units analyzed for risks related to corruption	26, 54/55	●
SO3	Employees trained in organization's anti-corruption policies	26 / GRI Record	●
SO4	Action taken in response to instances of corruption	GRI Record	●
SO5	Positions and participation in public policy development and lobbying	27, 55, 71	●
SO8	Fines/sanctions for non-compliance with laws and regulations	78	●
Product responsibility – Management approach (incl. EU23, EU24)		20, 49–53 / GRI Record	●
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvements	GRI Record	●
EU25	Number of injuries and fatalities to the public	GRI Record	●
EU26	Percentage of population unserved	GRI Record	●
EU27	Number of residential disconnections for non-payment	GRI Record	●
EU28	Power outage frequency	53	●
EU29	Average power outage duration	53	●
EU30	Average plant availability factor	54	●
PR3	Principles/measures related to product information/labeling	15, 50, 54 / GRI Record	●
PR6	Programs for adherence of laws and voluntary codes	GRI Record	●
PR8	Complaints connected to customer data protection breaches	GRI Record	●
PR9	Fines for non-compliance with regulations concerning the use of products and services	78	●

A detailed GRI Record including information on the indicators of the GRI Sector Supplement Electric Utilities is available on the Internet. **[68]**
We rate our performance when it comes to meeting the GRI-G3 guidelines as A+.

On the Internet
68 GRI Record 2009

Progress Report according to Global Compact 2009

RWE supports the United Nations Global Compact and 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 also highlight the measures that have been taken during the period under review and the specific results obtained.

Principle	System	Measures	Results
Principle 1: Support of human rights	RWE Code of Conduct (p. 26) Supply chain management (p. 72)	Assessment and review of suppliers (pp. 23, 72, 92) Reference to Global Compact included in the procurement manual (p. 23)	
Principle 2: Elimination of human rights violations			
Principle 3: Upholding workers' and employees' right to freedom of association	RWE Code of Conduct (p. 26)	Formation of a Europe-wide works council that will represent 99.7 % of all RWE employees (p. 63)	
Principle 4: Abolition of all forms of forced labour	RWE Code of Conduct (p. 26) Supply chain management (p. 72)	Assessment and review of suppliers (pp. 23, 72) Reference to Global Compact included in the procurement manual (p. 23)	
Principle 5: Abolition of child labour			
Principle 6: Elimination of discrimination	RWE Code of Conduct (pp. 26, 62) Diversity Management (p. 62)	Diversity management initiatives with diversity officer (pp. 61/62)	Percentage of women in management has risen (p. 90) Disabled people account for 5.4 % of the workforce (p. 91)
Principle 7: Precautionary environmental protection	Environmental management (p. 25) Climate protection strategy (pp. 32 ff.)	Action on climate protection (pp. 33/34) Action on environmental protection and nature conservation (pp. 43 ff.)	Environmental costs and capital investments (p. 87)
Principle 8: Initiatives to promote greater environmental responsibility	Institutionalisation of stakeholder dialogue (pp. 27, 70/71) CR programme (p. 22)	Founding of RWE Effizienz GmbH (pp. 10, 52) Energy efficiency initiatives (p. 52) Customer advice/service (p. 52) Creation of e-mobility infrastructure (p. 52)	2,100 Energy Performance Certificates issued (p. 52) 45,000 streetlamps refitted (p. 52) Energy savings of more than 2 million kWh as a result of 250 projects in schools (p. 52)
Principle 9: Development and diffusion of environmentally friendly technologies	Climate protection strategy (pp. 32/33) Innovation management (p. 26)	Coal Innovation Centre (p. 33) Improvements in efficiency (pp. 33–35) Development of clean coal technologies (pp. 35/36) Expansion of renewables (pp. 37/38) Green electricity tariffs (p. 50)	New plants and further improvements in plant engineering (pp. 33–35) IGCC plant and pilot projects for CO_2 flue-gas scrubbing (pp. 35/36) Increase in annual output from renewables (p. 84)
Principle 10: Measures to fight corruption	RWE Code of Conduct (p. 26)	Compliance now a unit in its own right, Ombudsman, Database on RWE intranet (p. 26)	Reported cases of non-compliance with the RWE Code of Conduct in the lower double-digit range. None was serious.

THE GLOBAL COMPACT
WE SUPPORT

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Forward-looking statements
This report contains forward-looking statements regarding the future development of the RWE Group and its companies as well as economic and political developments. These statements are assessments that we have made based on information available to us at the time this document was prepared. In the event that the underlying assumptions do not materialise or additional risks arise, actual performance can deviate from the performance expected at present. Therefore, we cannot assume responsibility for the correctness of these statements.

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