EARNING TRUST.

RWE
The energy to lead

CONTENT

INTERVIEW WITH PETER TERIUM

CEO of RWE AG

Mr Terium, the restructuring of the European energy system is moving forward. Like any major process of change, there will be winners and losers. Which side will RWE be on at the end of the journey?

It would not be good if the energy transition split everyone into winners and losers. We need to take everybody with us: energy companies, industry and local citizens – to secure a broad consensus for this huge challenge.

Then everything will stay the same?

No, the market share that RWE will have for electricity generation will fall, even if we expand renewables. We are therefore developing new lines of business: managing photovoltaic plants and wind turbines for our customers, building up smart grids and products for saving energy. We are now the biggest German energy services provider with sales of more than 500 million euros. We want to build on that.

The energy transition is a German project. What is happening in other RWE markets?

A great deal. The European climate policy is making sure of that. Less CO_2 and more energy efficiency are important issues that RWE is engaging with. Measured by capacities, we are the number seven for renewable energies in Europe. Government now has to deliver a European initiative for integration of renewables. This is important – not least so that costs do not spiral out of control.

RWE wants to be a partner for the energy transition. But do our citizens want RWE to be a partner?

We have a lot of supporters. More than 23 million people put their trust in RWE's expertise every day: our customers. Our German and Dutch sales companies are achieving high scores for customer satisfaction.

In the United Kingdom, on the other hand ....

... we need to do better. Even here, though, we have made good progress. We need to earn trust there, just like everywhere else. Not just with our customers but with all stakeholders.

How is this supposed to succeed?

Three things are important. Firstly: We need to be better listeners and communicate more openly. Secondly: We need to keep our promises. Thirdly: We need to develop innovative products and services which our customers find useful and which protect the environment.

Where do you gain the conviction that RWE will negotiate the transition successfully? The most recent storyline in the media was that RWE lacks funds and ideas.

However, the saying also goes that necessity is the mother of invention. Yes, our financial options are limited, but we are not short of good ideas about how to lead on a low budget. The Innovation Index of the European School of Management and Technology ranks RWE as one of the three most innovative energy utilities in Europe. Our employees are working on the energy world of tomorrow.

"We need to earn trust"

Concerning the issue of employees: The wind is blowing colder for the workforce. Job cuts and restructuring lead to uncertainties. Are these the right answers to the challenges posed by the energy transition?

Firstly, they are the answers that are necessary for our financial situation. We are in negative territory for the first time in more than 60 years. Putting our head in the sand is not an option and carrying on as before is no good either. We need to bring down costs. And that means we need to have a smaller workforce. However, it is also clear that all the changes need to be agreed on socially acceptable principles and in close cooperation with employee representatives.

RWE is confronted by massive challenges in its core business. How much time and scope is there for sustainability?

Sustainability is core business if we want to be a partner of society as a whole. And we are moving forward. Our CO_2 emissions have come down and we have increased our energy efficiency. We have continued to operate at a high level in areas where we have been good in the past – such as security of supply and community engagement.

How will RWE ensure that the company takes appropriate account of the concerns and expectations of society?

We hold regular dialogues with representatives from different parts of the community in order to find out about their perception of RWE. We want to intensify this dialogue in future and get the Executive Board more involved here. We are also engaging in major international initiatives like the Global Compact of the United Nations in order to be in a position to identify societal changes at an early stage and across national borders.

For years, environmental organisations have been criticising the fact that RWE sets the wrong priorities. Should the Group have listened to its critical stakeholders at an earlier stage?

We have been intensively involved in building gas-fired power stations generating low levels of CO_2 emissions, we have had the courage to go to sea with offshore wind power and we have invested in renewable energies in Southern Europe. These are all ecologically sustainable lines of business which are unfortunately not reaping economic benefits at present for a number of reasons. The picture is more complex than it is sometimes made to appear.

However, it is correct to say that we recognised the business with photovoltaics too late in Germany – and it is now all the more important for us to embrace this technology wholeheartedly. Management and marketing are key factors here. That is where things will be happening in the future. //

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

OUR GREATEST CHALLENGES

RWE is currently in a very difficult phase in the history of the company. We are earning less and less money with our conventional power stations. This trend will continue in the coming years. We cannot and must not rely on an improvement in this situation solely as a result of changes in framework conditions. It is therefore important that we undergo change within the company. And this also means that as a credible partner of society we need to develop new areas of business that are sustainable and enhance trust in our company.

Corporate Challenges

The transition begins in the company

Up to a few years ago, electricity in most parts of North-western Europe was primarily generated in large-scale nuclear, coal-fired and gas-fired power stations. Over the course of time, new power stations with ever greater capacity were constructed – also with the aim of making the most of the efficiency benefits provided by bigger units. Deregulation in the European electricity markets at the end of the 1990s provided a further driver for this development. The biggest and most efficient conventional power stations offered the prospect of the greatest business success in the competitive European energy market. RWE pursued this logic by launching the biggest investment programme in its history with the construction of large, modern coal- and gas-fired power stations with even greater capacity.

Structural change in energy generation

The economic foundation underpinning the generation of electricity with coal and gas in ever bigger units has meanwhile been increasingly dismantled. A key reason here has been the government subsidies for expanding renewable energies. Investments in offshore or onshore wind farms also give rise to larger generating units. However, the proportion of smaller units for electricity production is rising at the same time, for example with the installation of solar panels on the roofs of residential accommodation. The driving force is the political policy of producing electricity over the long term without generating CO_2 emissions and at the same time reducing dependence on limited fossil fuels.

Society wants to play a role

The political agendas are supported by a change in consciousness within society. Apart from efficiency and cost awareness, the drive towards decentralization, supplier diversity and self-determination have also become important benchmarks for issues relating to the supply of energy. Many players are demanding greater involvement in the generation of electricity and they are accepting an increase in energy costs as a consequence. At the same time, many energy-intensive companies have also constructed electricity and heat-generation plants to meet their own energy needs.

New products and services for our customers and the energy world of tomorrow

The market share will fall

This entails wide-ranging consequences for RWE. Our market share in electricity generation has declined. Although we are also expanding our share in renewable energies, this will not be sufficient to maintain the current market share. This trend will continue if an increasing number of citizens, investors, energy cooperatives and investment companies generate electricity for themselves in decentralised plants and feed some electricity into the public electricity grid. This is also reducing the amount of electricity we are selling to our customers.

Challenges at all stages of the value chain

RWE is confronted by fundamental challenges in all areas of business. Since the demand for electricity from our coal- and gas-fired power stations is falling, we need to ask ourselves how much coal and gas we will have to produce or purchase in future. The lower demand for electricity generated by conventional power stations – particularly in periods when premium prices were charged – means that electricity prices are falling in the wholesale market and this restricts our opportunities to recoup the high costs of capital expenditure. A large proportion of RWE's power stations are modern and highly efficient but they currently constitute an economic burden for the company.

On the other hand, our distribution grids are more in demand than ever before. Up to now, electricity has only flowed in one direction – from big generating plants to a large number of consumers. This is changing with increasingly decentralised production and feed-in of electricity into the distribution grids. We need to provide answers to the question of how we will overcome this new challenge in electricity distribution.

Distribution of value added

in € million

Value added	**9,687**
Distribution	
To employees (wages, salaries, social security contributions)	5,277
To the government (taxes and deductions)	4,131
To lenders	2,722
To minority interests	314
Net income	–2,757
This includes: Dividend payment to RWE shareholders	615

The value added generated by RWE exerts an effect on our immediate environment: As an employer, tax payer and investor, we contribute to strengthening the economic power at our locations.

In sales, we need to develop more new products and services which will be useful to our customers in tomorrow's energy world. This is the only way we can succeed in counteracting the drop in margins in our traditional sales business, i.e. the supply of electricity, gas and heat.

Partner for restructuring the European energy system

In summary, RWE needs to play a proactive role in restructuring the European energy system. We are convinced that the change in the European energy landscape is structural rather than temporary. Even if governments change the framework conditions, the

€ 1.5 billion efficiency increase in the operating result

expansion of renewable energies for consumers' own consumption and marketing will continue. The logic of this trajectory is this: as a Group, we need to begin with ourselves and

... enhance our financial strength.

Over the short term, measures for reducing costs and increasing profits are absolutely essential. Our current efficiency enhancement programme runs until the end of 2016. The aim is to generate savings of at least € 1.5 billion in the operating result. Our employees also need to make a contribution. The four board members of RWE AG are foregoing part of their compensation totalling € 500,000. There will be no pay increase for our managers and non-tariff employees this year. We are also expecting our shareholders to take on part of the burden. The plan is for the dividend proposal in the business years from 2014 to recommend a dividend payment between 40 % and 50 % of the recurrent net income.

... achieve a substantial improvement in operating excellence.

If we are to be a successful player in the future energy market, we need to intensify our efforts and operate more efficiently than our competitors. Well-qualified and committed employees are essential in order for this to succeed. Maintaining motivation and high performance under the pressure of the crisis is our key challenge. We will also be able to achieve above-average operating results by implementing more diversity which we very much encourage at RWE. Our objective by 2018 is for at least 22 percent of our managers to be women.

... adapt our business to the structural changes in the market through innovative products and services.

More diversity is an initiative to increase our opportunities in the marketplace. The more we reflect social diversity in our workforce, the sooner we will be able to understand the heterogeneous needs of our consumers and develop and promote innovative products and services.

... align our core business more strongly towards sustainability in relation to the environment, community and corporate governance.

Corporate decisions will therefore not only have to be technically feasible and have to make economic sense. Decisions will also have to embrace the prevailing values and interests of the citizens in the individual market areas. We intend to engage more actively in dialogue with the community to achieve this. However, this change will only succeed if this commitment is established at all levels of the company. This is the prerequisite for rebuilding trust and becoming accepted as a partner of the community. //

Less CO_2 in conventional electricity generation

Environmental Challenges

What is the future of environmental protection?
The main instrument for making the energy supply in Europe more climate friendly, is the expansion of renewable energies. Firstly, increasing the capacities of wind, solar and biomass plants is a key factor. Secondly, we will continue to be dependent on the use of efficient coal- and gas-fired power stations in the transition period. A secure supply has not been possible to date without them. Thirdly, the integration of renewables in the existing system is absolutely essential for successful implementation of the energy transition. These are the key challenges for the economy and for an energy supplier like RWE – not least in order to continue ensuring security of supply and affordability. The solution arrived at for these issues will determine our contribution in Europe towards protecting the climate.

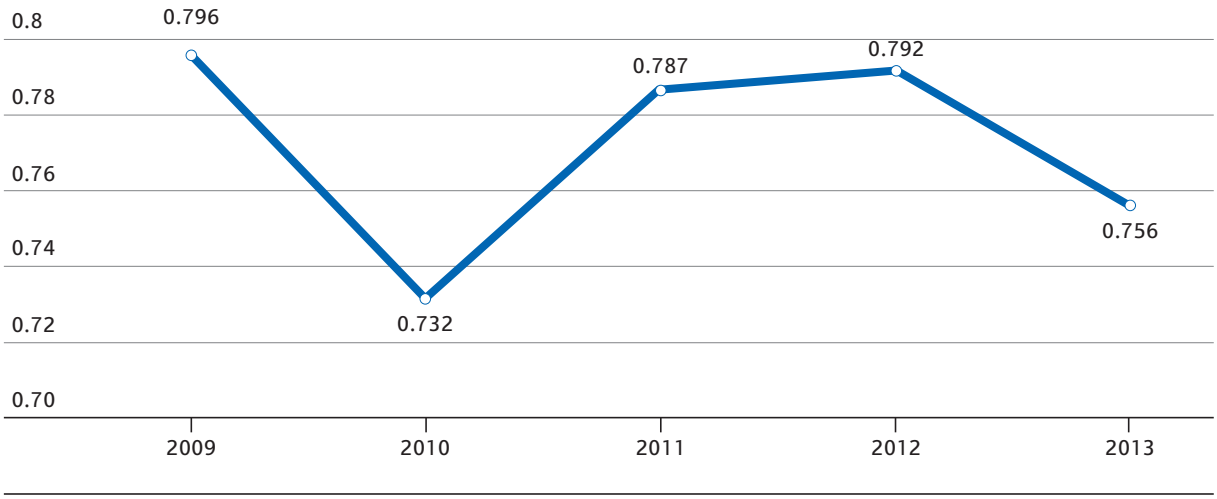
The change in the energy mix for electricity generation is radical and it has been brought about on account of the energy transition and the phase out from nuclear energy in Germany. Abandoning nuclear energy will not realise the hopes of many stakeholders by completely replacing this form of generation with renewables. Declining nuclear-power capacities are also being compensated by increased use of coal-fired power stations. The baseload was mainly provided by lignite augmented by nuclear energy, and the latter will continue to contribute. Conversely, wind and solar power are unable to provide baseload capacity for technical reasons: The generation of electricity from these technologies depends on the weather and the time of day, can only be planned to a limited extent and electricity is not continuously available 24/7.

These macroeconomic challenges are also impacting at the operational level for RWE. Low-carbon power generation amounting to around 15.6 TWh is eliminated by shutting down the Biblis nuclear power station, corresponding to the average electricity consumption of approximately 4.5 million households. The shutdown is therefore one of the reasons why our specific CO_2 emissions increased in 2012, despite the expansion of renewables. We only succeeded in achieving a slight decline in specific CO_2 emissions again in 2013. The replacement of the 150 MW lignite-fired units shut down in 2012 by the units 'BoA 2&3' also made a contribution to this fall and it was effective throughout the year for the first time in 2013. Special efforts are therefore required for reducing CO_2 emissions from electricity generation, expanding renewable energies and integrating these capacities into the energy system if we are to achieve our targets for reduction of CO_2 emissions.

Less CO_2 in conventional electricity generation
In 2013, the proportion of renewables in electricity generation was for example 23.4 % in Germany and 15.5 % in the United Kingdom. Conventional power stations will therefore continue to be responsible for generating the lion's share of the electricity required over the long term, even if renewables underwent rapid expansion. Modern coal- and gas-fired power

€ 13 billion of capital expenditure in new power-station capacities

Specific CO_2 emissions from electricity generation[1]
in mt/MWh



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

stations with relatively lower CO_2 intensity will therefore make an important contribution to the reduction of CO_2 emissions over the coming years.

We believe that a key challenge will be to explain this link better – particularly in connection with the use of coal. A study by Freiberg University of Mining and Technology has shown that the overwhelming proportion of the German population wants to exit from coal-fired generation of electricity over the coming 10 to 20 years – particularly because of fears about the negative consequences for the climate. However, 70 % of citizens also believe they are poorly informed about this technology. Our aim is therefore to improve the information deficit and make it clear that coal-fired power stations and climate protection do not represent a contradiction, provided that we make use of all the potential options for reducing CO_2 emissions from conventional power stations.

Efficient power stations

Since we launched our investment programme throughout Europe, we have been working hard to increase the efficiency of our power plant portfolio and hence to reduce the CO_2 emissions for each MWh of electricity generated. By the end of 2014, RWE will have invested a total of around € 13 billion in new power-station capacities, and around 12.5 GW of gas- and coal-fired power stations have come on stream. By contrast, we have switched off a total of around 2,400 MW of older and less efficient lignite-fired capacities in the Rhineland since 2005. Furthermore,

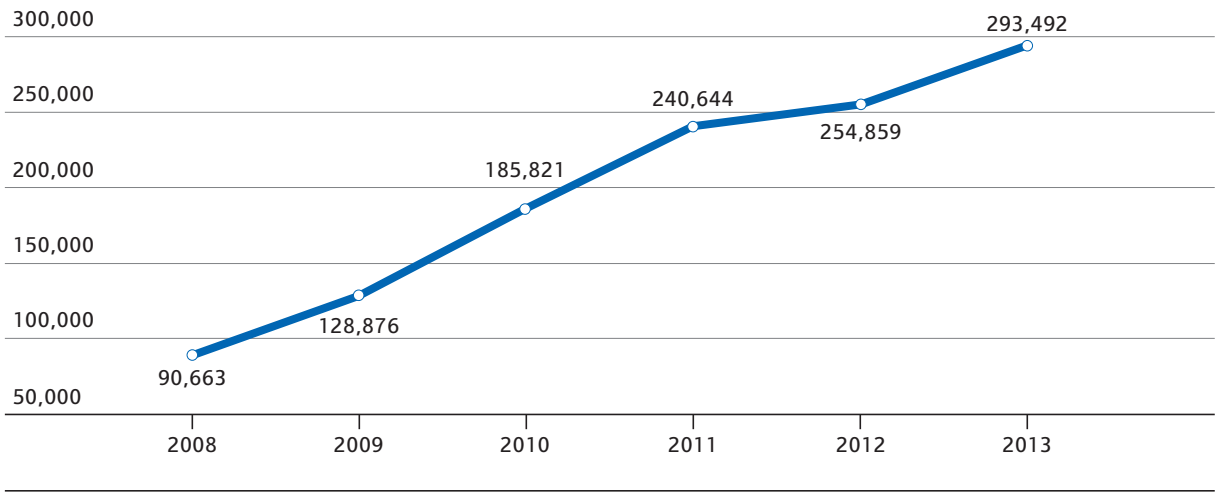
Doubling the capacities of gas-fired power stations since 2006

older hard-coal power stations located in the United Kingdom with a capacity of 2,000 MW were shut down and two units at the Westphalia location each with a capacity of 152 MW were taken out of the grid. We intend to continue the modernisation of power stations in the Rhineland with the lignite-fired power station optimised unit BoA plus and replace four 300 MW units. This will enable us to reduce CO_2 emissions from these capacities by 30 %

Over the past 8 years, we have also expanded our capacities for gas-fired power stations during the course of our power-station renewal programme. Since 2006, we have increased these capacities through the acquisition of our Dutch subsidiary Essent to 16,440 MW and more than doubled them as a result. This is a development which has been essentially welcomed by government and other stakeholders on account of the lower specific CO_2 emissions from gas. However, in view of the current framework conditions for the energy industry, these climate-friendly gas capacities are subject to massive economic pressure, particularly in Germany and the Netherlands (p. 19).

As a result of the modernisation of existing plants, we are reducing the CO_2 emissions from electricity generation. For example, we have invested £ 100 million (€ 118 million) in renewal of the Little Barford gas-fired power station in the UK. The two new gas turbines with a total capacity of 720 MW improve the efficiency of the power station and avoid the annual emission of around 118,000 mt of CO_2. In 2013, we also completed the modernisation of our 600 MW lignite-fired units in the Rhineland that has been taken several years to carry out.

Number of plants for renewable energies connected to the RWE distribution grid in Germany



325 MW

capacity in the newly opened Thornton Bank wind farm

Expansion and integration of renewables

As a partner in the energy transition, we want to continue expanding the proportion of renewables in our generating portfolio. However, we are encountering increasingly significant challenges along this route. This is due to the financial situation of RWE. We have therefore amended our expansion strategy during the year under review. We are making a bigger commitment to carrying out projects in cooperation with partners and we are going to focus on wind energy projects in onshore and offshore locations and hydropower. RWE sees itself as a developer, operator and marketer of plants. As far as the perspective of climate protection is concerned, it is irrelevant whether the plants are owned by RWE or whether we sell some or all of the plants to third parties in order to have more funds available for new projects. RWE Innogy is our subsidiary for renewable capacities and by the end of 2014 this company intends to operate capacities of around 3,400 MW.

During the year under review, we made some important advances in this area. RWE held the official opening for the Thornton Bank wind farm (325 MW) where RWE is the biggest private shareholder with a stake of 26.7 %. Together with our partners, we have invested a total of € 2 billion in the Gwynt y Môr wind farm and 107 out of 160 wind turbines have now been installed. Ten of the turbines are already feeding electricity into the grid. The total output of the wind farm is 576 MW and RWE owns a shareholding of 60 %.

The energy transition in Germany is changing the energy landscape. Plants for renewables are frequently organised on a decentralised basis. We are

Technical challenges for the construction and grid connection of offshore wind turbines:

Installation of a wind turbine at sea. The bubble curtain is a key issue in this process. It is used to reduce the noise emissions when anchoring the foundation to the seabed. This is important in order to avoid negative impacts on the local animal life, in particular to porpoises.

therefore focusing on decentralised approaches and we are seeking partnership with investors and municipal utilities. We also want to work together with local people to drive forward the energy transition on the ground, e.g. with smaller onshore wind farms. In the year 2013, RWE was one of the initiators contributing to the launch of the 'Citizens' energy cooperative – In partnership with citizens' ('BürgerEnergie eG – Part-

More than 290,000 renewables-based plants

nerschaft mit den Bürgern'). The energy cooperative is already operating three solar plants and a wind farm in the Rhineland .

In the meantime, RWE has connected more than 290,000 decentralised renewable energy plants to the distribution grid. However, integrating these new plants in the existing energy system is not straightforward. Ultimately, the existing system was designed so that electricity production could be flexibly adjusted to match demand. This is changing with the rising proportion of renewables that are dependent on the weather. Apart from a change in the design of the marketplace to ensure adequately flexible power plant capacities (p. 19), various technical solutions, such as efficient grids or intelligent demand management and storage technologies, are required in order to make weather-dependent electricity production maximally efficient.

Efficient grids are an enabler for the integration of renewable energies in the energy system.

Efficient grids

The expansion of renewables requires comprehensive investment in the grid infrastructure – this includes the distribution grids. A grid with a total length of 330,160 km makes RWE one of the biggest distribution grid operators in Germany. Due to the decentralised character of many plants generating renewable energies, the distribution grid will take on a new role in distributing electricity. A large proportion of the plants generating renewable energy feed their electricity into this grid level. The grids therefore need to be capable of accepting large amounts of electricity from a number of sources including photovoltaic plants.

We have launched a large number of pilot projects to tackle this task. For example, the "Smart Operator" project (p. 63) links up different components for generation and storage in a smart network. Moreover, innovative line technology means that transmission losses can also be reduced in the grid – and this increases the efficiency of the entire system (p. 63).

Smart demand management

The generation of electricity based on weather-dependent renewables is virtually impossible to manage. We are taking a number of measures to address this challenge including flexible demand-side management. The industry is able to contribute to this

100,000 smart electricity meters

using smart load management. Larger numbers of retail customers are now asking for smart household management systems. RWE Smart Home, for example, allows household appliances to be switched on automatically when adequate wind or solar power is available. A modern refrigerator only needs to run for about eight hours a day for the actual cooling process to take place. Smart networking is necessary for this to take place, for example when the sun is shining and solar power is being produced. Our Smart Home connects up appliances that can be networked, such as tumble dryers and dish washers, to create a smart energy system. RWE recently opened up its Smart Home System for other appliance manufacturers so that an increasing number of devices such as televisions, washing machines, heating, and electric cars can also be integrated within the customer's domestic system. The customers own photovoltaic plant can also be integrated in combination with the product HomePower Solar. Apart from technical issues, we want to convince customers about the benefits from household automation. The key issue here is to demonstrate that smart building installation enhances convenience and comfort, as well as being able to help save energy.

Smart Metering is another enabler for flexible demand management. This involves installation of smart electricity meters. In 2013, RWE completed a Smart Meter pilot project with the installation of 100,000 smart electricity meters in Mülheim an der Ruhr. The financial and legal framework conditions for Smart Metering in Germany have not yet been defined. In 2010, the UK government passed a law requiring electricity and gas suppliers to install smart electricity and gas meters in all domestic households and smaller non-domestic premises by 2020. 53 million meters are affected by this regulation. RWE will be playing a role in this project by installing approximately 5.7 million meters. Our Hungarian subsidiary company ELMŰ-ÉMÀSZ has installed 8,193 smart electricity meters in Hungary. 7,380 smart meters were already installed there in 2012.

Energy storage

Powerful storage systems can assist in balancing out the fluctuating feed-in of renewables. RWE is working in this area on different approaches to this issue:

Pumped-storage power plants are one of the proven, large-scale solutions being used to store energy. RWE holds a 40.3 stake in the operating company running the pump-storage plant in Vianden (Luxembourg) and we are expanding this facility. An eleventh turbine is increasing the output of what is now already Europe's biggest pump-storage power plant to 1,300 MW.

Pumped-storage plants produce electricity when there is no sunshine or wind.

2,800 charging points for electric cars

We are operating two "Power to Gas" plants at our sites in Ibbenbüren and Niederaußem to test this technology for storing electricity. The aim of this method is to convert excess electricity temporarily into chemical energy as hydrogen (Ibbenbüren) or substitute natural gas (Niederaußem). The stored gas can then be converted into electricity when it is required, or supplied to the heating market.

We also offer homeowners a smaller scale solution for storing excess electricity. Our "HomePower Solar" product is based on proven technology that allows homeowners to store excess electricity from a private photovoltaic system and then use the power during the evening and at night.

Electromobility

Electromobility offers other options for harmonising the volatility of renewables mainly over the long term. All the batteries in electric cars can be regarded as a potential store for the entire electricity system. At times when demand is low, drained car batteries can be charged up with electricity purchased. When demand is high, any surplus electricity can be fed back into the grid.

The key challenge here is that without an adequate charging infrastructure, customers are not able to use this package and if sufficient customers are not available the charging infrastructure is not economic. RWE is therefore taking the lead and establishing the infrastructure of charging stations in Europe. RWE has joined forces with partners from the energy industry like municipality-owned utilities to operate more than 1,850 charging points and this forms the largest interconnected grid of charging stations in Germany. In Europe, RWE operates more than 2,800 charging points and cars were charged up with "Autostrom" car electricity for a total of 8 million emission-free kilometres in 2013 (2012: 4 million km).

Making use of all potential options

A large proportion of the energy in buildings is used for heat. Heat insulation and efficient heating technology generate energy savings of up to 90 %. The challenge is to implement this in existing properties. In July 2013, we launched the RWE Future House (RWE Zukunftshaus) in Bottrop as a pilot project for smart building technology and energy-efficient refurbishment. The existing house is a detached house from the 1960s and it was upgraded to a Plus Energy House in this project.

RWE aerial thermography is intended to make more efficient use of heat. At the beginning of 2013, RWE and the city of Essen took around 24,000 thermal images of the metropolis on the River Ruhr and then analysed the energy insulating properties of all the roofs covering the city's buildings, which house some 580,000 people. Since the autumn, every homeowner has been able to receive their individual thermal image from the city. They can then make a decision as to whether energy refurbishment makes sense. We are also carrying out aerial thermography elsewhere.

RWE is also offering advice on energy, including thermal images, for example in Hungary. Hundreds of cooperative ventures have been completed there since 2008. //

300% increase in the renewables levy

Social Challenges

Social impact of rising energy costs

As a major energy supplier, RWE has to meet the aspirations of a wide range of stakeholders. Each of our stakeholder groups, including shareholders, employees and naturally also our customers, has particular expectations towards RWE. Our challenge is therefore to balance and prioritise stakeholder needs. At the same time the responsible business approach here is to clearly explain that there are some areas where we have little influence. This includes final consumer prices for energy which are largely made up of taxes, levies and government charges. We want to use areas under our direct control and make a contribution to ensuring that energy remains affordable. Energy costs are a key competitive factor for manufacturing companies. Industrial companies are particularly vulnerable because a large proportion of company revenues are generated in global markets and these costs play a significant role in determining their commercial success and ultimately the choice of production location.

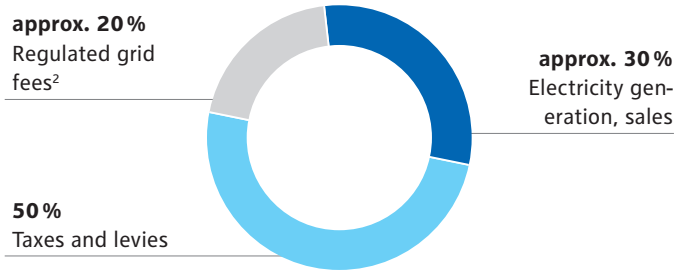
Rising energy costs lead to private households having less money available for other products and services especially since it is very difficult to manage without energy. Rising energy costs can therefore quickly become a problem for low-income households.

Reasons for price and cost developments

Energy costs are currently on the rise in many countries where we are operating. One reason for this in 2013 was the above-average cold weather. The low temperatures of the winter 2012/13 led to a temporary increase in demand for electricity and gas and this resulted in a hike in energy costs for consumers.

Alongside this factor, other reasons are also responsible for the increase in energy costs. A large proportion of the additional costs in Germany are brought about by the increase in taxes and charges. These are billed to electricity customers for every kilowatt hour of power they use. In Germany, these elements rose from 9.09 cents (€)/kWh in the year 2009 to 14.42 cents (€)/kWh in 2013. The levy under the Renewable Energies Act (EEG) for electricity generated from renewables also increased from 2.15 cents (€)/kWh to 6.24 cents (€)/kWh. Energy utilities are unable to exert any influence on the increase in taxes, charges

Electricity prices for households in Germany in 2013[1]
in %

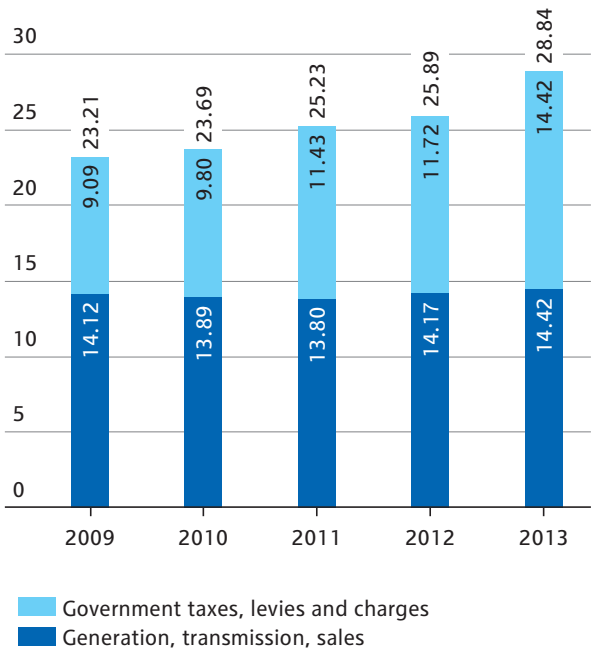


1 Average for the electricity price in 2013 for a sample household in Germany with a consumption of 3,500 kWh/year
2 Average grid fee incl. fees for measurement, operation of measuring stations and accounting, may vary significantly on a regional basis
Source: German Association of Energy and Water Industries (BDEW), electricity price analysis in November 2013

4.5 million households in the United Kingdom are at risk of fuel poverty

and levies. Governments need to control these cost elements to provide consumers with stable and affordable prices over the long term. They also need to review measures to ensure they are effective and efficient. Regulatory measures in Hungary, for example, led to a 20% reduction in the price of energy during the period under review.

Composition of the electricity price in Germany*
in cents (€)/kWh



* Average electricity price for annual consumption of 3,500 kWh; from 2010 application of the equalisation mechanism directive (AusglMechV).

Source: German Association of Energy and Water Industries (BDEW), Electricity Price Analysis November 2013

Combatting fuel poverty

When energy costs rise too steeply, the problem of so-called "fuel poverty" gets worse. RWE believes fundamentally that the marketplace and competition in the energy industry are the best economic mechanisms for guaranteeing affordable, secure and environmentally friendly energy supply. One core function of the modern welfare state is also to support people whose income is not sufficient to provide adequate heating and lighting in their homes. Households are regarded as suffering from fuel poverty if they have to spend more than 10% of their net income on household energy needs. Although the government bears ultimate responsibility, RWE as an energy utility is often the first point of contact for these families.

United Kingdom

The government and charitable organisations in the UK have been addressing fuel poverty as a top priority for many years. A study carried out by the British government lists three key factors as causes of fuel poverty. Apart from the amount of household income and the level of energy costs, inadequate insulation and higher energy consumption in buildings are specified as key parameters. A total of some 4.5 million households in the UK have been classified as being at risk from fuel poverty. The households affected by fuel poverty in the UK have been receiving support in various programmes initiated by the government since 1990. The "Warm Home Discount Scheme" is one such measure that has been in place since 2011 and requires energy suppliers to offer vulnerable customers a reduction in their electricity bill.

Distribution of **5,500 mt** lignite briquettes at reduced prices

Measures against fuel poverty

In 2013, RWE granted vulnerable customers in the United Kingdom discounts totalling £ 31 million (€ 37 million). By 2015, this amount is likely to have risen to £ 32 million (€ 38 million) each year. Since the start of the "Health Through Warmth" scheme in 2000, about 64,250 vulnerable households have received financial help to install and repair their heating systems and insulate their homes. More than £ 74 million (€ 90 million) has been spent on providing this assistance, including £ 1.9 million (€ 2.3 million) from charitable organisations and £ 8.6 million (€ 10.7 million) provided by the RWE npower in the "Health Through Warmth" Crisis Fund.

Germany

In Germany, guaranteeing the supply of electricity and heat for low-income households is primarily a function of the welfare state. However, the rising cost of energy for many households on a low budget has become a problem. That is why we are providing supplementary advice and supporting people in reducing their energy costs. Our "Energiewelt" or 'Energy World' portal offers detailed information on saving energy to anyone who is interested.

Structuring the energy supply in a socially acceptable way will continue to remain a challenge in the years to come. In June 2013, we contributed to the conference "Energy transition. But fair." and used this forum to swap ideas on the transition with other organisations. > Energy transition. But fair!

Central and Eastern Europe

The ELMŰ ÉMÁSZ Group in Hungary combats fuel poverty by giving households more transparency and control over their own energy consumption. We do this by providing vulnerable households with pre-paid electricity meters. By the end of 2013, we had installed around 9,780 of these meters in households, most of them were fitted free of charge. We also give vulnerable households access to coal briquettes at reduced prices or free of charge to heat living areas. In 2013, we provided around 5,500 mt of lignite briquettes for coal-fired heaters at a reduced price and around 311 mt free of charge for particularly vulnerable families.

In the Czech Republic, we offer payment plans or payment by instalment to our customers in order to help them pay their energy bills. We also grant discounts to customers who are disabled. These benefits were offered to some 5,000 customers in 2013. //

48.1 % of hard coal sourced from suppliers outside Europe

Governance Challenges

Where is the market going?

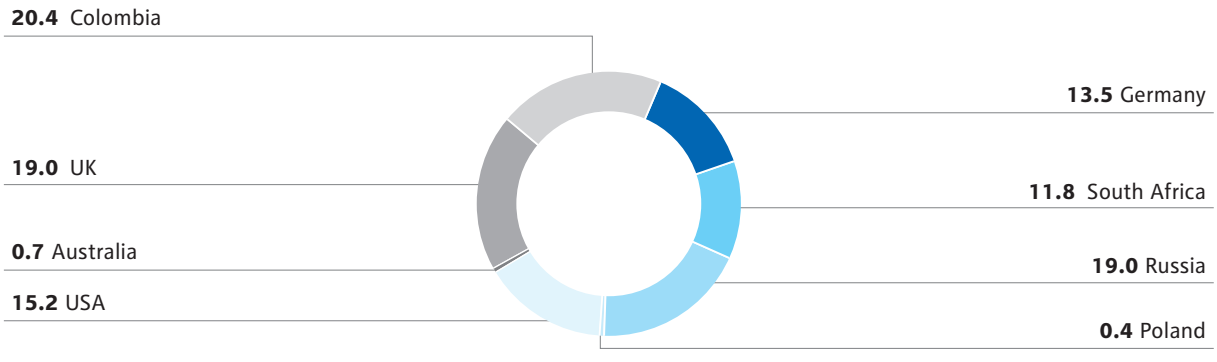
The markets in the energy industry are distinguished by different attributes. Markets for fuels such as hard coal and natural gas have a larger regional range than, for example, markets for customised energy such as electricity and heat. Many of the operators in the marketplace are also different. The individual markets are defined by a range of different factors but they are all shaped by political and technical framework conditions. The markets are also influenced by the different aspirations of our stakeholders to comply with principles for sustainable operations based on an ethical approach to business, environmental and social issues.

RWE is facing major challenges especially in the markets for fuel procurement and electricity generation. We are aiming to raise transparency in the supply chain of procurement through our own sector initiatives. We are currently in discussions about electricity markets with political representatives in order to make the case for an effective solution in Europe.

Wholesale markets

Our objective is to secure sustainable sourcing of fuel over the long term. Sustainable sourcing means we need to improve the transparency relating to the production conditions of the fuels being used and we should also review environmental and social standards for every stage of the value chain. Lignite is an exception because RWE operates its own opencast mines very close to its power stations in Germany and Hungary. > RWE Power AG > Mátra power station
The globalisation of procurement markets for hard coal, gas and biomass means that the delivery pathways can hardly be tracked, particularly in the case of hard coal.

Hard coal by country of origin 2013
in %



Bettercoal: Strict requirements for mine operators

RWE sources almost half of the hard coal used from countries located outside Europe.

Hard coal

The mining of hard coal is losing importance in Western Europe for political and economic reasons. We now source hard coal from different countries throughout the world, including developing countries and emerging economies. Our stakeholders are asking us about the conditions under which the coal is being produced in these supplier countries, especially with regard to social standards and minimum environmental standards.

Our challenge is to ensure that we can continue to secure the sourcing of hard coal at the required quality through the global market, while at the same time monitoring that the conditions in the mines are in accordance with the requirements of global standards. Our aim is to achieve this by developing our supplier management further. We are therefore committed to cooperating on this matter with other companies of our sector, which are confronted with similar challenges. In 2012, we founded the 'Bettercoal' initiative together with other utilities. 'Bettercoal' will carry out independent audits in the supplier countries to create transparency for the purchasers of coal about the conditions under which coal is mined and to suggest improvement processes.

The Bettercoal Code defines strict requirements for mine operators. It was created in a global consultation process and is also based on international rules and regulations, such as the core conventions of the International Labour Organisation (ILO), the performance standards of the International Finance Corporation (IFC), the OECD Guidelines and the Initiative for Responsible Mining Assurance (IRMA).

100% of our biomass certified in compliance with the Green Gold Label

In 2014, independent auditors will start the compliance review of coal mines in major supply countries and if necessary make suggestions for improvements to the mine operators. 'Bettercoal' will make the information obtained available to its member companies. It will be taken into account in the pre-qualification processes for suppliers and will play a role in the counterparty approval decision for individual suppliers.

Gas

The strategic importance of own production of gas is declining due in part to the shale-gas boom in the USA. We no longer believe that exploration and production of gas and oil will be an important part of our core business in the future (p. 20). Some stakeholders are increasingly focusing a critical eye on the spiralling production of shale gas, particularly in light of the associated environmental issues. RWE keeps a vigilant eye on this development but since our main sources of natural gas continue to be from conventional gas fields we cannot currently see any major challenges in this area.

Biomass

The sourcing of biomass to generate electricity and heat remains important for RWE, even though the realignment of our strategy on renewable energies (p. 9) means that we are concentrating on the expansion of wind power plants, hydropower and photovoltaics. On the basis of commercial reasons, we decided not to extend the operation of the biomass power station at Tilbury in the UK in autumn 2013, while the conversion of the Lynemouth power station to biomass is continuing and well on track (p. 58). We are continuing to use biomass which is certified in accordance with the Green Gold Label at the Amer 8

The procurement of biomass is subject to strict sustainability requirements at RWE.

6,590 MW planned shutdown of power station capacities

power station in Geetruidenberg (NL). Biomass is also conceivable for use at the Eemshaven power station (NL), which is just about to come on stream.

Electricity generation

We currently also have to master challenges in the markets for electricity generation. The government subsidised growth of renewable energy production is changing the way in which energy markets operate in Continental Europe. The increased production of electricity is reducing wholesale prices on the Energy Exchanges. This distorts the competition and reduces the revenues from our coal- and gas-fired power stations, particularly in Continental Europe. Many plants, including gas-fired power stations, are no longer able to cover their operating costs. A lot of stakeholders have in fact welcomed gas-fired power stations because they are flexible and have low specific CO_2 emissions compared with coal-fired power stations.

This generates a conflict of interests for RWE: Firstly, we are now aiming to operate our own power stations at profitable levels while also making them environmentally compatible. Secondly, we want to make our contribution to the security of supply and quality of energy provision. However, achieving these aims at the same time is difficult within the framework of the current political regulatory framework of the electricity market.

The priority feed-in for renewable energies has called into question the feasibility of the previous well-established power-only market where power stations receive payment exclusively for the electricity supplied. A number of companies in the sector have therefore submitted applications to shut down loss-making power-station units to the Federal Network Agency. In this context, RWE has identified a total of 6,590 MW throughout Europe in the years 2013 to 2016. Consequently, incentives to invest in new power stations or the modernisation of existing plants are lacking. There is therefore an issue in the electricity market as to whether there will be enough secure baseload capacity available in the future in order to guarantee security of supply in periods where no wind or solar power is being generated. Quite apart from the structure of the future energy market, an increase in regulation and administrative interventions is likely. RWE is therefore playing a role in the political process of opinion forming.

We want to work out solutions to these challenges in dialogue with our stakeholders. Some solutions have been put forward in this area. The German Association of Energy and Water Industries (BDEW) and the Association of Municipality-owned Utilities (VKU) suggested establishing an additional decentralised capacity market open to all technologies of power production in order to incentivise provision of permanently available capacities. For RWE, the preservation of a European market in which all power stations can operate within a framework of fair competition is a key factor. //

GROUP PORTRAIT

RWE is one of the biggest electricity and gas utilities in Europe. We are operating at all levels of the energy value chain with our expertise in the production of oil, gas and lignite, the generation of electricity from gas, coal, nuclear power and renewable sources, our own energy-trading operations, the distribution and sale of electricity and gas, and energy-related services.

RWE supplies more than 16 million electricity customers and well above seven million gas customers with energy. In Europe, we are ranked by sales in third place for electricity and fifth place for gas. In Germany, the Netherlands and the United Kingdom, we are among the biggest electricity and gas utilities. In the Czech Republic, we are number one in gas business. We also occupy leading positions in other markets located in Central Europe. In the business year 2013, we generated revenue of approximately € 54 billion.

Europe's energy industry in transition

The European energy sector is undergoing fundamental change. Associated political interventions are changing the framework conditions of our business. The expansion of renewable energies in Germany subsidised by government money is leading to declining income and operating times for coal-fired and gas-fired power stations – and this exerts a significant impact on the profitability of our business (p. 19). In 2011, we already launched the programme "RWE 2015" in order to maintain our position in this environment. This programme is designed to achieve a number of goals including comprehensive measures to reduce costs and increase profits. After we had already generated a sustainable earnings effect of € 200 million, efficiency measures and savings on personnel costs amounting to € 800 million were added during the year under review. This meant we were already € 250 million above budget (p. 5).

Our range of services

We want to meet the changing requirements of the energy market at all levels of the energy value chain. Our business activities cover the following areas:

Production of oil and gas

RWE Dea based in Hamburg engages in international exploration and production of gas and oil. RWE Dea and its subsidiary companies have production facilities in Germany, the United Kingdom, Norway, Denmark and Egypt. We also have licences in Algeria, Guyana, Ireland, Libya, Mauritania, Poland, Surinam, Trinidad and Tobago, and Turkmenistan. We currently have an office in Ukraine. Branches are located in Egypt, Libya, Poland, Denmark, Portugal and Turkmenistan. In Germany, RWE Dea operates large underground gas storage facilities.

In October 2013, RWE launched gas production in the Breagh gas field. At the same time, the Breagh gas field is one of the biggest natural gas discoveries being exploited in the entire southern sector of the UK North Sea. RWE announced in March 2013 that it wanted to sell RWE Dea as part of restructuring the Group. In view of the wide supply on the gas trading markets in Europe, we no longer regard the exploration and production of gas and oil deposits as a significant part of our core business.

RWE power plant portfolio

At the end of 2013, RWE had power station capacity totalling 49,036 MW. Of this, 34 % was generated from gas, 23 % from lignite, 20 % from hard coal, 8 % from nuclear energy and 7 % from renewable energies. This includes 6,424 MW capacity generated by contracted power stations, with long-term contracts providing us with access to their capacities.

As far as electricity generation is concerned, 81 TWh of electricity generated from lignite made the biggest contribution in 2013, followed by hard coal (51 TWh), gas (37 TWh), nuclear energy (31 TWh) and renewables with 14 TWh. Since 1 January 2013, the newly established generating company RWE Generation has been responsible for the construction and operation of our power stations in Germany, the Netherlands, the United Kingdom and Turkey. The lignite opencast mines and lignite-fired power stations, the refinement facilities, and nuclear power stations continue to be operated by RWE Power, which is integrated within RWE Generation. Since 2008, we have used RWE Innogy to bundle the expertise and power plants of the RWE Group in the field of renewable energies with the exception of the small biomass power plants in Germany. These have been operated by RWE Germany since 2013.

Lignite: We operate lignite-fired power stations in Germany and Austria with a total capacity of 11,071 MW. All five locations for the power stations Neurath, Niederaußem, Weisweiler, Frimmersdorf and Mátra (Hungary) are located in the immediate environment of our opencast mines. In Germany, we operate three large opencast mines and there are two smaller mines in Hungary. Every year, we produce a total of more than 105 million metric tons of lignite. Out of this, we use some 93 million metric tons to generate electricity while the remaining amount of around 12 million metric tons is used in refinement for the production of lignite products. At the Mátra power station (Hungary), we also use large quantities of biomass as fuel.

Hard coal: We have generating capacity amounting to 9,950 MW from hard-coal power stations in Germany, the Netherlands and the United Kingdom. Furthermore, two hard-coal power stations, each with more than 1,500 MW generating capacity, are currently under construction. We are also using large quantities of biomass in addition to hard coal at the Amer power station (Netherlands).

Gas: In recent years, we have considerably increased the capacity of our gas-fired power stations to 16,440 MW. Major steps in this direction were the commissioning of the Lingen power station, (887 MW), Staythorpe and Pembroke power stations (both in the United Kingdom, 1,650 and 2,181 MW respectively) and Claus C and Moerdijk 2 (Netherlands, 1,304 and 426 MW respectively). In 2013, the Denizil power station in Turkey started up operation with 787 MW. The changing framework conditions in the energy industry have placed our power stations in Germany and the Netherlands under particular pressure (p. 19).

Nuclear energy: After shutting down the Biblis A and B power stations, we still have more than 3,900 MW capacity of nuclear energy in Germany. Following the exit from nuclear energy adopted by the German Parliament (“Bundestag”) in 2011, our last nuclear power station is scheduled to exit from the grid in 2022. Apart from those in Germany, we have no

nuclear power stations and we are no longer involved in investment projects for nuclear energy. RWE holds a minority shareholding in Borssele power station.

Renewable energies: In future, RWE Innogy will concentrate primarily on further expansion of the core business areas of onshore and offshore wind and strengthening the generation of hydropower. At the same time, we will be supporting innovative companies in their start-up and growth phase, and we will provide them with pump-priming assistance for a limited period of time. At the end of 2013, the entire RWE Group had consolidated generating capacity from renewable energies of 3,496 MW, of which 781 MW was hydropower, 2,292 MW was wind energy and 419 MW was biomass. So far, RWE has only erected a small number of photovoltaic plants. As far as our total capacities of renewable energies are concerned, we have particularly strong representation in our home market of Germany, followed by the United Kingdom, the Netherlands, Spain, Poland and Italy.

Energy trading and internal services

RWE Supply & Trading is the interface between RWE and global trading markets for energy and energy-based raw materials. The key functions of the company are to optimise profitability and provide financial hedging for the RWE Group along the entire value chain. As a leading energy trader in Europe, RWE Supply & Trading is the hub for all the tradable commodities in the energy sector. These primarily include fuels and electricity, e.g. also CO_2 emissions certificates. RWE Supply & Trading is also responsible for the optimisation of the entire non-regulated gas business of the RWE Group, including all procurement, storage and LNG activities. We have integrated services provided across the Group within the three service companies RWE Group Business Services, RWE Service and RWE IT.

Distribution grids

RWE operates an electricity distribution grid with a total length of 330,162 km and is therefore one of the biggest operator of distribution grids in Germany. In Hungary, we are responsible for a distribution grid infrastructure of 46,700 km and in Poland 16,119 km. The energy transition means that the importance of the distribution grid is increasing significantly, because the electricity generated from renewable energies at decentralised locations is primarily fed into this grid. At the end of 2013, around 291,000 photovoltaic and wind-power plants fed a total output of 16.4 GW of electricity into our German distribution grid. Over the course of the past four years alone, capacities amounting to 8 GW have been added. We are working intensively on concepts to establish how renewable energies can be integrated intelligently in the electricity grid (p. 10). In 2012, RWE hived off its electricity transmission grid in Germany and it now only has a minority shareholding in Amprion.

Furthermore, we operate extensive gas distribution grids. In Germany, we have a gas distribution grid of 48,200 km, and in the Czech Republic a grid 63,860 km in length. In August 2013, we sold NET-4GAS with a gas transmission grid 3,600 km long in the Czech Republic.

Sales

Services associated with the use of energy are increasingly offering RWE new opportunities for business. In Germany, the United Kingdom, the Netherlands, Poland, the Czech Republic and Hungary, our companies offer solutions for centralised and decentralised energy supply. Our packages are directed towards residential households, as well as to local authorities and business customers. In particular, we are expanding our packages in the area of electromobility and smart control of consumption. During the course of the business year 2013, we continued to expand the area of business electromobility. Today we are one of the leading providers of charging infrastructure in Europe.

Value Chain: activities and challenges

Extraction of fossil fuels / Provision and supply of biomass

Area for action: Biodiversity/Environmental Protection, Supply Chain

Activities	Challenges
Mining of lignite in our own opencast mines	- Sustainable recultivation of mining areas - Safeguarding the water resources in the regions - Structuring environmental mitigation measures - Resettlement of residents at socially acceptable conditions - Minimising dust and noise emissions
Oil and gas exploration and drilling	- Environmental protection and nature conservation in sensitive areas (Wadden Sea, North Sea, North Atlantic) - Handling and disposal of waste from production - Ethical and transparent business dealings in countries with weak governance
Provision of biomass	- Sustainable production of wood pellets and other forms of biomass

Supply and trading

Area for action: Supply Chain

Activities	Challenges
Supply and trading with hard coal, natural gas, biomass, electricity, CO_2 certificates	- Human rights, social standards and environmental protection in the producing countries - Sustainable cultivation of biomass in the supply countries

Power and heat generation

Area for action: Climate Protection, Energy Efficiency, Biodiversity/Environmental Protection

Activities	Challenges
Construction and operation of fossil-fired power stations	- Reduction in CO_2 emissions - Limiting the emission of pollutants - Acceptance of the new construction of power stations - Treatment and minimisation of the (cooling) water used - Making the power plant portfolio more flexible in order to adjust to the volatile feed-in of renewable energies - Guaranteeing security of supply
Contribution to the operation and decommissioning of nuclear power stations	- Safe operation of nuclear power stations - Disposal of radioactive waste - Preparation and safe implementation of decommissioning concepts
Construction and operation of hydropower plants and wind farms	- Sustainable fresh water management - Connection to offshore wind farms - Noise abatement during the construction of offshore wind farms
Construction and operation of biomass power stations	- Compliance with national and international requirements for the sustainability of the biomass used

Distribution of electricity and gas

Area for action: Biodiversity/Environmental Protection, Security of Supply, Innovation

Activities	Challenges
Expansion, operation and maintenance of the electricity distribution grid	- Concepts for flexible load distribution and for feed-in of renewable energies - Expansion of suitable storage capacities - Uninterrupted supply with electricity - Bird protection and nature conservation - Acceptance of grid expansion
Expansion, operation and maintenance of the gas distribution grid	- Uninterrupted supply with gas

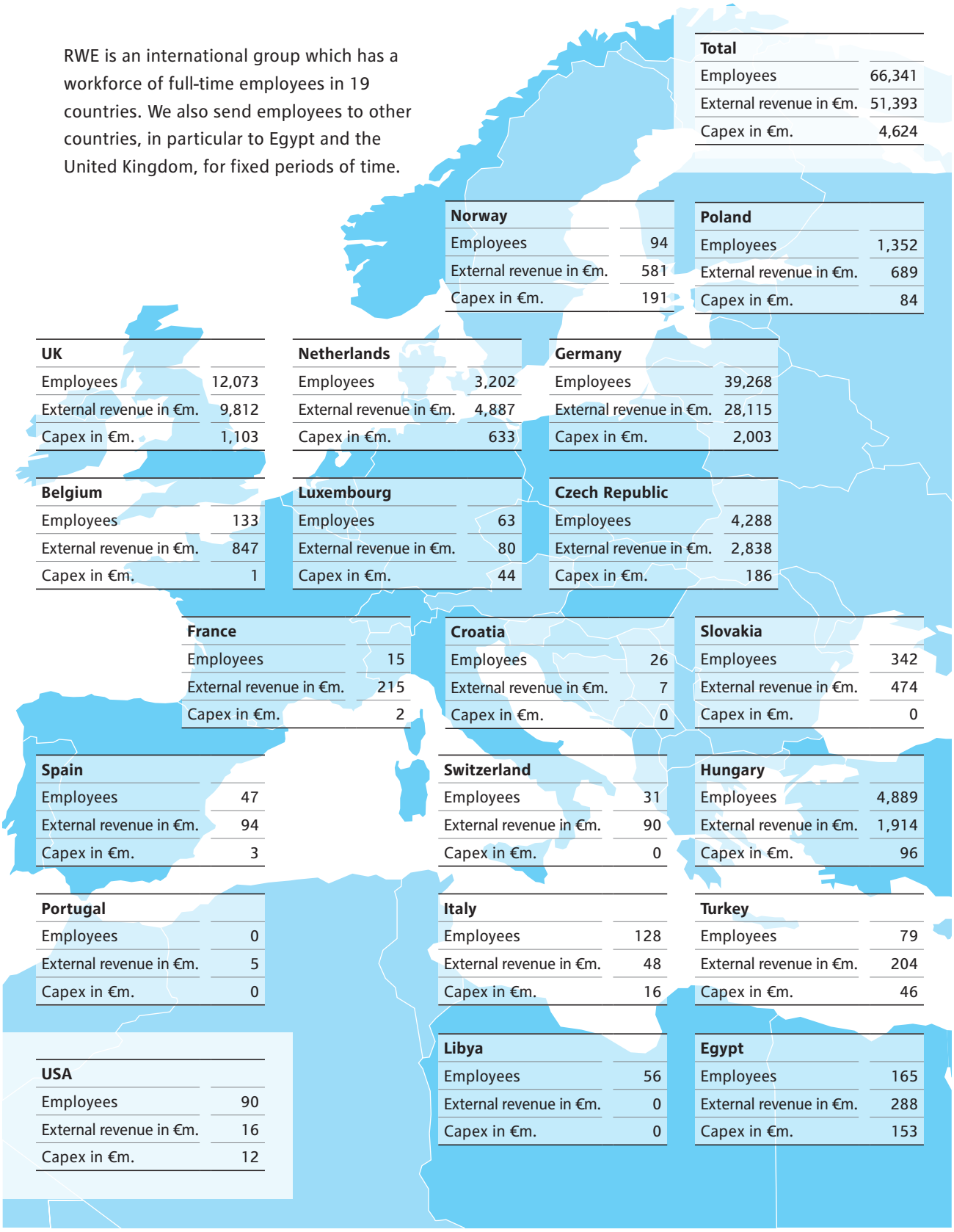
Sales and use of electricity and gas

Area for action: Climate Protection, Energy Efficiency, Customer Trust, Innovation

Activities	Challenges
Supply of electricity and gas to residential and business customers	- Competitive, individualised and flexible packages - Development of products and services for energy savings - Development of service packages for controlling own consumption and for marketing of renewable energies
Supply of electricity and gas to industrial customers	- Support for customers in energy saving
Supply of electricity and gas to municipality-owned utilities	- Support for local authorities in energy saving

Our Regions

RWE is an international group which has a workforce of full-time employees in 19 countries. We also send employees to other countries, in particular to Egypt and the United Kingdom, for fixed periods of time.



Total	
Employees	66,341
External revenue in €m.	51,393
Capex in €m.	4,624

Norway	
Employees	94
External revenue in €m.	581
Capex in €m.	191

Poland	
Employees	1,352
External revenue in €m.	689
Capex in €m.	84

UK	
Employees	12,073
External revenue in €m.	9,812
Capex in €m.	1,103

Netherlands	
Employees	3,202
External revenue in €m.	4,887
Capex in €m.	633

Germany	
Employees	39,268
External revenue in €m.	28,115
Capex in €m.	2,003

Belgium	
Employees	133
External revenue in €m.	847
Capex in €m.	1

Luxembourg	
Employees	63
External revenue in €m.	80
Capex in €m.	44

Czech Republic	
Employees	4,288
External revenue in €m.	2,838
Capex in €m.	186

France	
Employees	15
External revenue in €m.	215
Capex in €m.	2

Croatia	
Employees	26
External revenue in €m.	7
Capex in €m.	0

Slovakia	
Employees	342
External revenue in €m.	474
Capex in €m.	0

Spain	
Employees	47
External revenue in €m.	94
Capex in €m.	3

Switzerland	
Employees	31
External revenue in €m.	90
Capex in €m.	0

Hungary	
Employees	4,889
External revenue in €m.	1,914
Capex in €m.	96

Portugal	
Employees	0
External revenue in €m.	5
Capex in €m.	0

Italy	
Employees	128
External revenue in €m.	48
Capex in €m.	16

Turkey	
Employees	79
External revenue in €m.	204
Capex in €m.	46

Libya	
Employees	56
External revenue in €m.	0
Capex in €m.	0

Egypt	
Employees	165
External revenue in €m.	288
Capex in €m.	153

USA	
Employees	90
External revenue in €m.	16
Capex in €m.	12

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

Germany

Germany is the location of our historic roots. Germany is not only our most important market, the registered office of the Group holding company is also located here. RWE AG manages the RWE Group from Essen. The registered office of our European generating company RWE Generation is also located in Essen. RWE Power, a company under the management of RWE Generation, manages lignite production from opencast mines and operates the lignite-fired power stations, the refinement plants and nuclear power stations. RWE Technology, which is also under the management of RWE Generation, is responsible across the Group for the construction of new fossil-fired power stations. The new-builds constructed include two new hard-coal units at the existing power-station site at Hamm in Westphalia with a total output of around 1,600 megawatts.

RWE Deutschland is the biggest subsidiary company in the RWE Group. It combines under its management the German regional companies enviaM, LEW, Süwag and VSE. The company also has direct shareholdings in around 70 regional and local-authority energy utilities. The electricity distribution grid covers 330,160 km. RWE Deutschland also manages RWE Effizienz, which develops new products based on efficient use of energy, including electromobility. RWE Energiedienstleistungen is responsible for our portfolio in the area of decentralised energy supply with the exception of residential households. The company operates approximately 140 district-heating power stations (of which 95 are leased) of varying sizes.

RWE Innogy, also with head office in Essen, is the biggest operator of wind farms among the energy utility companies with around 480 MW installed output capacity in Germany. RWE Supply & Trading is also headquartered in Essen and hosts one of the biggest European commodity trading floors there. RWE Dea manages our national and international activities in the exploration and production of oil and gas from Hamburg. Germany is a key production location for RWE Dea with a share of almost 60 % in gas production and 35 % in oil extraction. The company also operates storage facilities for natural gas here. Group-wide services are delivered in Germany by the three service companies RWE Group Business Services, RWE Service and RWE IT.

Facts and figures for 2013

Employees	FTEs	39,268	Gas (incl. co-generation)	MW	5,050
Revenue	€ million	28,115			
Capex	€ million	2,003	Biomass	MW	79
Customers			Wind onshore	MW	504
Electricity	thousand	6,696	Run-of-river	MW	622
Gas	thousand	1,305	Pumped storage	MW	1,023
Power plant capacity			Distribution grid		
Lignite	MW	10,291	Electricity	Km	330,160
Hard coal	MW	6,662	Gas	Km	48,200
Nuclear energy	MW	3,901	Production of		
			Oil	thousand m³	821
			Gas	million m³	1,528

United Kingdom

The United Kingdom is our second most important market. RWE npower headquartered in Swindon is one of the leading suppliers of electricity and gas with around 5.9 million residential and business customers. Our power stations supply some 10 % of the electricity consumed in the United Kingdom. The conventional power stations with a total capacity of 9,976 MW were taken over by RWE Generation at the beginning of 2013. Gas plays a key role as an energy source in the United Kingdom. Pembroke is the biggest CCGT power station in Europe with a net output of 2,181 MW and it also has the highest level of efficiency. We have invested around £ 1 billion (€ 1.23 billion) in the power station. At the end of March 2013, we stopped operating the coal-fired Didcot A power station (1,958 MW) and the oil-fired Fawley power station (968 MW) under the regulations defined in the European "Large Combustion Plant Directive". In September, we also ceased operating the former coal-fired Tilbury power station (742 MW), which had been converted to run on biomass, for commercial reasons (p. 47).

RWE Innogy UK, a subsidiary company of RWE Innogy, is responsible for expanding renewable energies, particularly in the area of onshore and offshore wind farms. We operate a total capacity of more than 937 MW of renewable energy in the United Kingdom. The Middlemoor wind farm with capacity of 54 MW came on stream during the year under review.

RWE Supply & Trading operates energy trading floors in Swindon and London. RWE Dea carries out exploration and production operations for oil and natural gas in the British sector of the North Sea and holds an exploration licence for the west of Ireland. RWE Group Business Services UK offers internal services for the Group.

Facts and figure for 2013

Employees	FTEs	12,073
Revenue	€ million	9,812
Capex	€ million	1,103
Customers		
Electricity	thousand	3,583
Gas	thousand	2,322

Power plant capacity		
Hard coal	MW	1,953
Gas	MW	6,733
Oil, oil distillates	MW	1,689
Wind onshore	MW	522
Wind offshore	MW	342
Run-of-river	MW	74
Production of		
Oil	thousand m³	43
Gas	million m³	505

Netherlands, Belgium, Luxembourg

RWE is ranked as one of the leading energy utilities in the Netherlands and Belgium. In these countries, we supply electricity, gas, heat and energy services through Essent. The hard-coal and gas-fired power stations with a total capacity of 4,365 MW have been managed by RWE Generation since the beginning of 2013. The 1,560 MW coal-fired power station in Eemshaven, Netherlands, is currently under construction and is scheduled to come on stream in 2014.

Essent is the largest producer of electricity from renewable energy sources in the Netherlands and the focus here is on biomass. RWE Innogy is one of the major investors in wind farms in the Netherlands and Belgium, and its portfolio includes onshore and offshore facilities. At the end of 2013, the company was operating wind turbines with a total capacity of 214 MW. The Thornton Bank offshore wind farm has a capacity of 325 MW and is one of the biggest facilities of its kind in the Belgian section of the North Sea. RWE has a 26.7 % share in this facility and it became fully operational in 2013.

In Luxembourg, RWE Power operates the Vianden pump-storage plant. This is one of the most powerful pumped-storage plants in Europe with a capacity of 1,100 MW. We are planning to increase the capacity of the plant by around 200 MW with the installation of an eleventh turbine. The power plant plays a key role in the stabilisation of Europe's electricity grids and in maintaining the balance between feed-in and consumption of electricity.

As a result of the low wholesale prices, the euro crisis and the generation of solar power in Germany, the Dutch coal-fired and in particular gas-fired power stations are under economic pressure. Furthermore, the Dutch government introduced a coal tax at the beginning of 2013 which caused the competitive conditions for coal-fired power stations to deteriorate by comparison with gas-fired power stations or coal-fired power stations abroad. The current high level of generation for electricity from biomass could decline in the future. At the end of 2015, the current subsidy system will come to an end. The scope for the continuation of this subsidy is not yet clear. > CR Report Essent

Facts and figures for 2013

		Netherlands	Belgium	Luxembourg
Employees	FTEs	3,202	133	63
Revenue	€ million	4,887	847	80
Capex	€ million	633	1	44
Customers				
Electricity	thousand	2,171	332	-
Gas	thousand	1,967	209	-
Power plant capacity:				
Hard coal	MW	936	-	-
Gas	MW	2,686	133	-
Gas/Oil	MW	610	-	-
Biomass co-firing	MW	295	-	-
Biomass	MW	25	-	-
Wind onshore	MW	214	-	-
Run-of-river	MW	11	-	-
Pumped storage	MW	-	-	1,096

Central Eastern and South-eastern Europe/Turkey

The activities of the RWE Group in Central Eastern and South-east Europe and Turkey are bundled under the umbrella of RWE East. RWE has been an active player through RWE Česká republika in the energy market of the Czech Republic since 2002. Overall, we supply energy and services to around 1.7 million customers there.

RWE has been operating in the Polish market since 1991 and supplies around 900,000 customers there with electricity. In Poland, we are expanding renewable energies and in September 2013 we held the ceremony for the official opening of the Nowy Staw wind farm. This new facility brings the total number of wind farms operated by RWE Innogy in Poland to six with an installed capacity of 197 MW.

We are represented in Hungary by RWE Hungária and this company supplies around 2.1 million customers with electricity. The ELMŰ-ÉMÁSZ Group is concentrating on the sale and distribution of electricity. Mátrai Erőmű operates a lignite-fired power station with two associated opencast lignite mines.

RWE operates a gas-fired power station in Turkey which became fully operational in August 2013.

We are already operating in Croatia as a wastewater treatment operator in the national capital of Zagreb and as a co-owner of the hard-coal power station in Plomin. In June 2013, we took over the sales company Energija 2 (now: RWE Energija). At the end of 2013, RWE Energija already supplied 28,000 customers with electricity.

Facts and figures for 2013

		Poland	Czech Republic	Slovakia	Hungary	Turkey	Croatia
Employees	FTEs	1,352	4,288	342	4,889	79	26
Revenue	€ million	689	2,838	474	1,914	204	7
Capex	€ million	84	186	0	96	46	-
Customers							
Electricity	thousand	908	238	-	2,123	-	28
Gas	thousand	-	1,451	97	-	-	-
Power plant capacity							
Lignite	MW	-	17	-	763	-	-
Hard coal	MW	-	-	-	-	-	-
Gas	MW	1	3	-	147	787	
Biomass	MW	-	2	-	-	-	
Wind onshore	MW	197	-	-	-	-	
Run-of-river	MW	-	-	-	1	-	
Distribution grid							
Electricity	km	16,119	-	-	46,700	-	
Gas	km	-	63,860	-	-	-	
Operating area Opencast mining	ha	-	-	-	2,088	-	

Western and Southern Europe

RWE is almost exclusively active in the area of renewable energies in France, Italy, Portugal and Spain. RWE Innogy operates wind farms and hydropower plants in these countries. In Italy, a biomass power plant with a capacity of 19 MW started up operation in the second quarter of 2013. We also have stakes in the Andasol solar thermal power plant in Spain. Overall, we have a total installed output of 514 MW for wind energy and 73 MW for hydropower in France, Italy, Portugal and Spain.

The tense position of government finances in Spain, Portugal and Italy is also leading to a reduction in government subsidies for renewable energies and this factor is therefore inhibiting any further expansion. The Spanish government has also passed legislation for additional taxation on energy generation.

Facts and figures for 2013

		France	Italy	Portugal	Spain
Employees	FTEs	15	128	-	47
Revenue	€ million	215	48	5	94
Capex	€ million	2	16	-	3
Power plant capacity:					
Wind onshore	MW	-	67	-	447
Run-of-river	MW	45	-	16	12
Biomass	MW	-	19	-	-

Norway

RWE Dea has a long track record of operating in Norway over many years, and particularly in the Norwegian sector of the North Sea and the North Atlantic. RWE Dea is involved with different consortia in the exploration and production of oil and natural gas. We have holdings in several production fields and we are also involved in one of the most important, newly discovered deposits on the Norwegian continental shelf (Knarr). RWE Dea is currently the lead company in a total of eight concessions in Norway.

Facts and figures for 2013

		Norway
Employees	FTEs	94
Revenue	€ million	581
Capex	€ million	191
Production of:		
Oil	thousand m³	883
Gas	million m³	428

North Africa and Central Asia

RWE Dea produces oil and natural gas in Egypt and carries out exploration and field development in Libya and Turkmenistan. RWE has minority interests in consortia to carry out exploration for oil and gas deposits in Algeria and Mauritania. As part of the first planned reference projects in the Desertec initiative, RWE Innogy initiated a project for combined electricity generation in Morocco, with a capacity of 50 MW solar energy and 50 MW of wind energy.

Facts and figures for 2013

		Egypt	Libya	Turkmenistan
Employees	FTEs	165	56	24[1]
Revenue	€ million	288	-	-
Capex	€ million	153	-	24
Production of:				
Oil	thousand m³	486	-	-
Gas	million m³	164	-	-

1 Employees of RWE Dea Germany with their workplace in Turkmenistan

Other countries

We only carry out significant activities outside Europe and beyond the scope of exploration and production operations relating to oil and natural gas in the USA. RWE Innogy operates a plant for manufacturing wood pellets in the US state of Georgia. Furthermore, RWE Supply & Trading has locations outside Europe in, New York, Singapore, Jakarta and Mumbai.

Facts and figures for 2013

		USA
Employees	FTEs	90
Revenue	€ million	16
Capex	€ million	12

CORPORATE RESPONSIBILITY STRATEGY

We pursue the objective of establishing sustainability more firmly in our core business through our Corporate Responsibility (CR) Strategy. In 2013, we carried out an international stakeholder survey and revised our strategic focuses on the basis of these results.

Our objective is to make Corporate Responsibility a fixed element in operational controlling of the company by the year 2020. Our roadmap "Sustainable Corporate Governance" presents developments since 1998 and describes our long-term objective.

Further development of the areas for action

In future, we focus the conceptual approach underpinning our CR strategy more intensively on the dimensions of environment, social engagement and corporate governance (Environment Social Governance – ESG Model). This realignment has involved us in carrying out a content review to establish whether our areas for action are appropriate and relevant in view of the latest developments (p. 35). In order to meet the demands of changing requirements, we have further developed three areas for action. The approach in the area for action Employees focuses on changes which are particularly associated with the restructuring of the Group towards creating a more empowered organisation and developing a corporate culture more geared to performance (p. 5). We have therefore defined a new measurement parameter for this field with the Motivation Index. We concentrate

on the aspect of customer trust in the former area for action Pricing and Marketplace. We want to make our contribution to the ongoing development of the European energy system and our aim is to rank among the best companies in the sector in relation to the issues of service and credibility. Customer trust is an important factor for the success of our business. We have therefore adapted the title of this area for action to Customer Trust. The aspect of biodiversity has significantly gained importance in relation to the issue of environmental protection.

Implementation of the Corporate Responsibility Strategy

We have originated a programme with targets and measures to implement our CR Strategy. We update the programme every year and take account of development in the areas for action, the strategy of the RWE Group overall and changes in the boundary conditions and the expectations of our stakeholders (p. 43).

We are also aiming to make the sustainability of our corporate governance quantifiable and controllable. Part of the variable compensation for Members of the Executive Board has therefore been linked to achievement of our CR goals. The assessment is carried out by the Supervisory Board of RWE AG. The relevant CR aspects are also channelled into the balanced scorecards of the operating companies.

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 up-dating of the CR areas for action	CR an integral part of Group strategy
		CR strategy	Embedding of CR in all business areas		
Coordination and management	Permanent staff of environmental officers	Introduction of occupational safety management system	Key performance indicators concept for CR	CR as integral part of agreement on targets	CR an integral part of operations management
	Introduction of Environmental Reporting and Information System	Introduction of group-wide Code of Conduct	Group-wide CR implementation	Regular reporting on KPIs	
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		

Materiality Analysis 2013

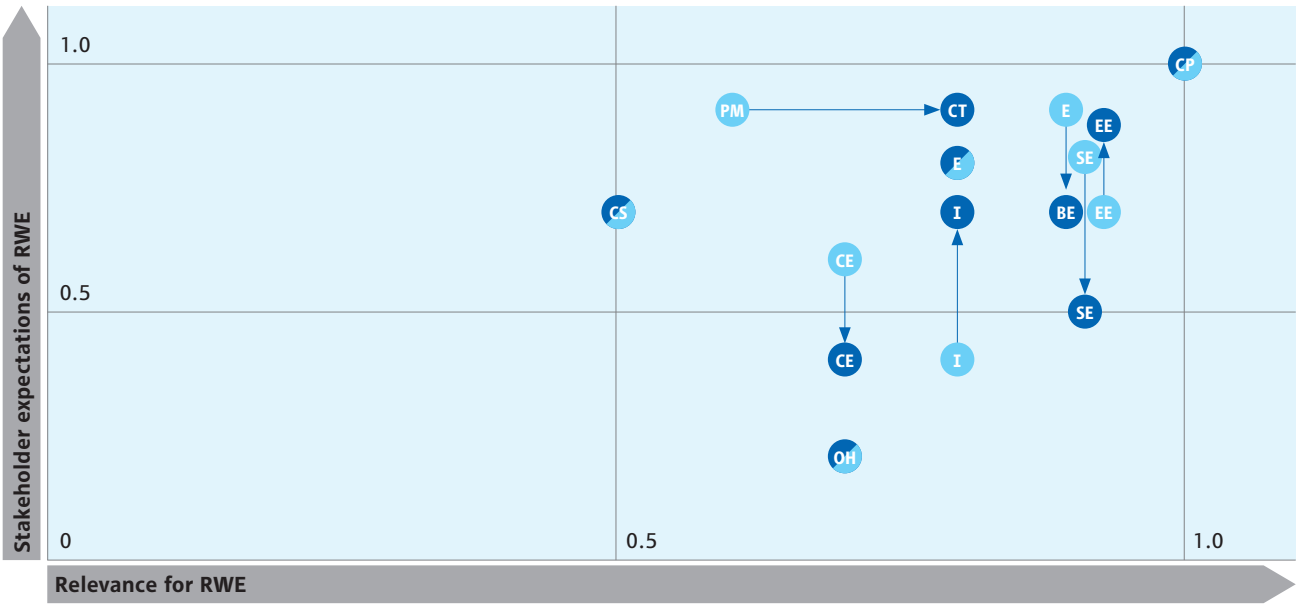
Current developments within society exert an impact on the expectations that stakeholders have for RWE and influence our assessment. As a result, our CR areas for action also undergo change. Annual reappraisal of these trends is firmly integrated in our CR Management with the Materiality Analysis. This is primarily based on findings derived from the dialogue with our stakeholders (p. 41). We evaluate the expectations of our stakeholders by engaging in communication with colleagues from the specialist departments and from companies located in the countries where we have operations. We then reconcile stakeholders' expectations with priorities from the perspective of the company. The results of interviews dealing with evaluation of our CR Strategy are also being put into the mix (p. 41).

The chart shows the importance of our areas for action based on a relative evaluation in each case from 0 to 1.

Areas for action in environment

2013 saw an intensive debate across Europe and particularly in Germany about restructuring the energy system. This exerted an effect on assessing the individual relevance of the associated areas for action as far as RWE is concerned. The most important issue continues to be climate protection which is being given a very high priority on the political agenda in Europe. As far as the company is concerned, this is extremely relevant given our high level of CO_2 emissions (p. 6). Energy efficiency is a key building block here for achieving the climate targets in the countries where we are operating. Some of our stakeholders are also concerned that the European Union should establish an energy efficiency goal. We have therefore assessed the issue with a high priority similar to the year 2012.

Material issues 2013 in comparison with the previous year



CP Climate Protection EE Energy Efficiency E Environmental Protection BE Biodiversity/Environmental Protection CE Community Engagement
PM Pricing and Marketplace CT Customer Trust E Employees SC Supply Chain OH Occupational Safety and Healthcare Management
SE Security of Supply I Innovation

Our stakeholders and we perceive relevant challenges in the area for action Biodiversity/Environmental Protection. Most importantly, the expansion of renewable energies, for example through offshore wind farms, presents us with new challenges. Sustainable solutions are the fundamental condition for successful restructuring of the European energy system. We are therefore continuing to assess the relevance of this issue as high in line with our position last year, although our stakeholders rate it as slightly less important.

Areas for action in social engagement

The subject of cost-effective energy supply also remains an important issue in the public debate (p. 13). The main focus is provided by the additional costs arising from the subsidisation of renewable energies. This burden should be spread as fairly as possible from a community perspective. Our stakeholders attribute the highest level of importance to the issue of customer trust – alongside climate protection and energy efficiency – in relation to achieving sustainable development of RWE. We are therefore aiming to generate more trust on these issues and strengthen our role as a fair supplier in the energy market (p. 54).

The increasing cost pressure entailed by the energy transition is continuing to exert an impact on our personnel policy. We are therefore being compelled to adapt our personnel structure to the difficult framework conditions entailed by the changing energy industry. This presents both our employees and our company management with substantial challenges (p. 56). The high level of importance of this area for action is reflected in the Materiality Analysis.

Community Engagement continues to remain the platform for acceptance of the company by the community. However, the expectations of our stakeholders in relation to this area for action have receded slightly and we have therefore marginally downgraded its classification.

Areas for action in corporate governance

We meet the demands of our stakeholders in the sphere of occupational health and safety because our stakeholders take a high standard in this sphere for granted. We continue to regard these functions as core elements of our corporate governance. Essential management systems have meanwhile been established within the company. This entails that the focus of the activities now resides with their implementation across the Group and continuous improvement (p. 60). In conjunction with the area for action Employees, the sphere of Healthcare Management has gained significantly in importance for our stakeholders.

The area for action Security of Supply has a high priority in 2013, particularly for our stakeholders in Germany. On the one hand, the public discussion here relates to the resilience of the electricity grids. On the other hand, a key issue is also adequate availability of power plant capacity that is able to meet demand at all times. However, a trend for both issues is gradually emerging of attributing responsibility to government organisations like the Federal Network Agency in Germany. The expectations placed on RWE have therefore receded. Nevertheless, we continue to classify the subject of Security of Supply with a high priority, as demonstrated by our projects on intelligent grid solutions (p. 62).

The other areas for action in the sphere of corporate governance remained unchanged for RWE and its operating companies with the importance indicated by their ranking. A sustainable supply chain will also be important in future (p. 16 and p. 58). Furthermore, we continue to regard innovation as a key element in order to give the energy industry a future-proof structure and drive forward the expansion of renewable energies (p. 64). The expectations among our shareholders have even increased in relation to our innovative power.

CR Management

The RWE Group Centre holds overall responsibility for coordinating the implementation and realisation of Corporate Responsible in all divisions across the Group. On 1 January 2014, the Corporate Responsibility Department was merged with the areas of communication and energy policy to form the Executive Affairs Department in order to ensure tighter integration of stakeholder contacts. The head of the department, Dr Peter Heinacher, reports directly to the Chief Executive Officer Peter Terium. Meetings between the staff of CR officers take place several times a year, involving representatives of the Group Centre and the key operating companies. These serve as forums for exchanging ideas and agreeing joint activities.

Key issues as areas for action

We track developments on the issue of sustainability and we evaluate their relevance in consultation with our stakeholders. A selection of key issues allows us to deploy our resources where they will exert the greatest leverage (p. 35).

We manage our CR Management and monitor the effectiveness of our strategy on the basis of ten areas for action, underpinned by targets, measures and concrete key performance indicators. Since 2011, we have been submitting a Declaration of Compliance with the German Sustainability Code because we want to further improve transparency for external stakeholders.

> German Sustainability Code

We are continually adapting our areas for action to the changing requirements of RWE and this strengthens Corporate Responsibility within the Group. To this end, we launched a group-wide process for revising the Corporate Responsibility Strategy in 2012. We completed this review process during the reporting year and implemented the results within the company. Apart from adopting the ESG Model as a framework for the future CR Strategy of RWE, we also modified our areas for action and used a stakeholder survey to validate the results of this process. (p. 33).

Orientation to international standards

We also adopt globally acknowledged targets such as AA 1000 or the guidelines of the Global Reporting Initiative in order to comply with the growing demands being placed on the quality of our CR Management and our reporting. We have developed a Data Recording Manual with the aim of improving the quality of our CR indicators. This manual sets out binding definitions, assessment limits and processes for collecting data.

Additional Management Systems

Corporate Responsibility in the RWE Group covers a broad spectrum of issues. The responsibility for concepts and implementation of measures in specific areas for action is with the responsible specialist departments of RWE AG or with the Group companies. They have developed tailor-made management systems where appropriate.

Environmental protection

Protection of the environment is a statutory requirement for the maintenance and continuation of the operating licences to run our plants and facilities. A guideline applicable across the Group therefore commits the companies within the RWE Group to set up appropriate environmental management systems. An internal audit is carried out each year to check the structure and effectiveness of the systems. These measures have enabled us to establish a stable environmental management system that covers 99.7 % of the activities of the Group. The companies in the RWE Group are free to choose whether to have their environmental management systems certified entirely or in parts in conformity with ISO 14001. Virtually all the power stations in the RWE Group are certified in conformity with ISO 14001.

Occupational health and safety

Guaranteeing the health and work ability of our workforce and the employees of subcontractors is a top priority for RWE. We have therefore established competence centres to deal with issues related to occupational safety, occupational medicine and healthcare management. We agree our strategy and the associated measures in an international occupational safety forum with the aim of improving occupational safety. In particular, we apply international standards to companies operating in the sectors of oil and gas production, lignite mining, electricity generation and grid operation. Across the Group, 35.7 % of the management systems are certified in conformity with OHSAS 18001 or a similar standard. Occupational Healthcare Management has been centrally coordinated for all German companies since 2009. The remaining companies have autonomous responsibility for the issues of occupational health and occupational medicine.

Compliance

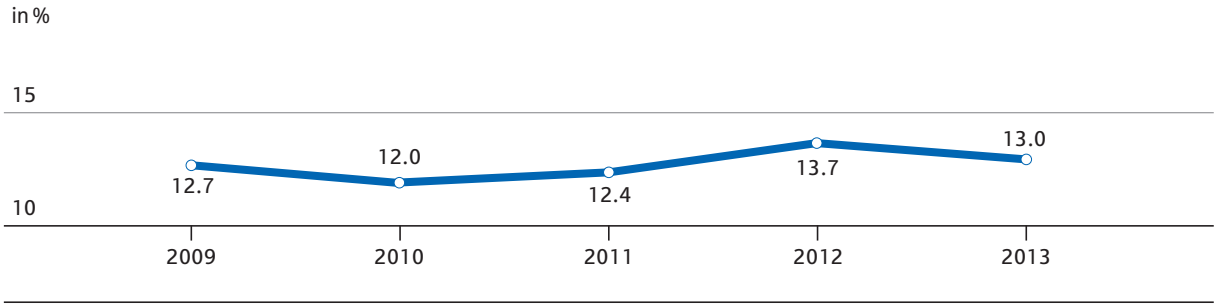
RWE does not tolerate any corruption or other breaches of compliance regulations. Compliance requirements are factored in when taking all business decisions in order to avoid potential material damage and serious reputational risks. This also applies to decisions on entering into business relations with suppliers or subcontractors. The main focus of our group-wide compliance management with employees and officers of the company is on raising the level of awareness and on prevention.

A group-wide reference standard sets out a guidance framework for our employees and this defines principles for compliant behaviour. This standard focuses on the prevention of corruption. Compliance with the guidelines is supported by organisational regulations, e.g. the double-checking principle, separation of functions, authorisation concept and rules for approval.

Compliance organisation and training sessions

The Compliance Department is responsible for handling Compliance Management in the Group Centre. Compliance Officers in all the operating companies are responsible for ensuring uniform implementation of group-wide compliance principles. An independent, external ombudsman is also available to receive information about breaches of the Code of Conduct from employees and from external third parties. Reports can be submitted in the relevant national language and must remain anonymous if requested by the whistleblower.

Share of sales of the RWE Group in countries with a high and very high risk of corruption*



* Countries that are classified with less than 60 on a scale of zero to 100 in the Corruption Perceptions Index of the Organisation Transparency International (TI) where 100 represents the least risk of corruption.

Regular communication of information in the media within the Group highlights behaviour that conforms with compliance guidelines and draws attention to potential risks if compliance is breached. Our workforce also receives training through a web-based training programme and at presentation events. Participation is obligatory and calibrated according to the risk of corruption associated with the relevant activity. Training sessions were delivered to more than 7,000 employees in 2013.

Compliance supervision and monitoring

We set up a group-wide database in 2010 so that we could track all compliance-sensitive procedures. The requirement to use this compliance IT tool means that we are able to guarantee maximum transparency within the company as well as offering comprehensive assistance in processing the defined transactions.

The identification and assessment of compliance risks, which arise for the RWE Group in the area of corruption, is carried out in a two-stage approach. After we established a baseline for the risk profiles of the Group companies reporting directly to RWE AG in 2012, we moved onto the second stage in 2013 which focused on developing detailed corruption risk scenarios.

The Group Audit Department regularly carries out preventive compliance audits in the Group companies in order to review the implementation and effectiveness of our Compliance Management across the Group and follow up any information relating to potential breaches of compliance. If necessary, measures to remedy the situation are subsequently initiated. The reviews carried out to date by the Group Audit Department for the year 2013 revealed no material or systematic breaches of our compliance guidelines. Any individual shortcomings in processes or in the documentation were eliminated.

The Executive Board of RWE AG commissioned audit firm KPMG to carry out the audit of the Compliance Management System (CMS) to combat corruption in accordance with the IDW Audit Standard 980 drawn up by the German Institute of Auditors (Institut der Wirtschaftsprüfer) in order to ensure independent scrutiny of the compliance system. The audit of the conceptual approach and the appropriateness of the CMS was completed in 2012. The audit of the effectiveness commenced in the third quarter of 2013.

Innovation management

Development and application of new technologies, procedures and processes are absolutely essential for the long-term success of the RWE Group and these activities are therefore managed by a dedicated department. Their central functions include drawing

up concepts outlining the future development of the energy supply and definition of the R&D activities that are necessary to achieve these objectives. The department also manages and coordinates the research and development activities in the operating companies. A key criterion for assessing new technologies is their contribution to mastering the two central challenges of climate protection and security of supply confronting the RWE Group.

Corporate security

Protection against criminal actions is a key factor for long-term earnings power, stability and the business success of the Group. The security concept of RWE covers the consistent, group-wide structures, reference standards and processes, which are geared to the individual national statutory regulations, and ensure inclusion of employees and co-determination committees.

Employees have a group-wide whistleblower system for capturing and recording criminal actions. The departments of Compliance, Auditing and Security (Group Security) work closely together as appropriate in any investigations and review of breaches that may be necessary. RWE also plays an active role in various security partnerships with government authorities and in industry.

Energy supply and in particular the supply of electricity constitute vital infrastructures, and supply bottlenecks occur if there are any outages or impairment of the infrastructure. Such problems may have major economic consequences and public security may be significantly compromised. We are well aware of our social responsibility and we have regular communication with politicians and the responsible government agencies.

Travel security

RWE has a duty of care towards its employees, most importantly also including periods when they are on business trips. RWE works together with specialist partners to provide information on the security situation in the destination countries and regions where we are operating or where we send our employees. Business travel to high-risk countries requires security clearance by Group Security and involves security measures. Appropriate security training can be provided as necessary to employees and members of their family for long-term secondments.

Crisis management

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

Stakeholder Dialogue

We are regularly in dialogue with customers, members of the scientific community, politicians, representatives of environmental associations, citizens and other stakeholders who engage with issues relating to the energy industry and the corporate activities of RWE. The dialogue contributes to understanding the expectations of the community and transferring them to the company. At the same time, we can communicate corporate decisions to our stakeholders and provide them with a better explanation for the underlying motives.

Dialogue at different levels

The issues covered by our dialogue include the further expansion of renewable energies, the future of conventional power stations and the modernisation of the grids for the energy transition. The exchange of opinions takes place in dialogues at different levels. At local level, we talk to residents and participants in citizens' initiatives, e.g. about construction measures and planning approval proceedings. Our projects and activities are often regarded with scepticism there because residents are anxious about the negative effects impacting on them and on their environment. We want to address these concerns with an honest exchange of ideas and an open attitude offering constructive proposals. At a national level, we talk to our stakeholders about issues like sustainability in international supply relationships, a responsible approach to customers, the future of the energy market or our respective contribution to the energy transition and climate protection.

The dialogue with representatives from the community is particularly important for our decision-makers. It helps them to gain a better understanding of different positions. The attitudes of different stakeholders here often share common ground with our goals and can lead to various forms of cooperation over the long term (p. 42). Dialogue may also yield appropriate conclusions for corporate policy. Our Chief Executive Officer Peter Terium therefore holds regular face-to-face discussions with our stakeholders from the region around the company, including major environmental conservation groups.

Adaptation of CR Strategy

The dialogue with our stakeholders serves to check the alignment of our CR Strategy and provides a platform for this to take place. In 2013, we undertook a comprehensive evaluation of our CR Strategy. With this aim in mind, we carried out extensive interviews with 37 representatives of community organisations and institutions from Germany, the United Kingdom, the Netherlands, Poland and Hungary. The survey involved questions about the relevance to RWE of our ten areas for action and the associated issues. The survey also asked respondents for an appraisal of the position of RWE in relation to the issues of sustainability and social responsibility. On the basis of these results, we adjusted the content of the areas for action (p. 33). The assessments obtained were also incorporated in our Materiality Analysis (p. 35).

Stakeholder dialogue in the regions

Our stakeholder groups and their attitudes vary according to the regions where we are operating. We therefore use a variety of formats for dialogue in order to keep up contacts.

Germany

Acceptance for the energy transition continued to be the focus of communication with our stakeholders in Germany. At national level, we discuss associated issues at events like RWE Talk, which is held on a regular basis in Berlin. It provides a platform that allows Executive Managers and Board Members of RWE to engage in debates on important current affairs with politicians, representatives from other companies, journalists, union leaders and a range of different interest groups.

Since 2011, RWE has also been holding an "Energy Round Table" ("Energiestammtisch"). This format gives local residents a forum for finding out about the latest energy issues. They can also put forward their suggestions or voice concerns about specific projects related to the energy transition. In 2013, Energy Round Tables were also held > RWE in dialogue at various locations in the RWE sales area.

Another successful project at regional level is the "Neighbourhood Forum" ("Nachbarschaftsforum") in Niederaußem which RWE set up in the Rhineland lignite area. The forum offers neighbours, associations and other stakeholders the opportunity to engage in discussion with RWE about issues related to electricity generation and power stations. RWE also engages in regular dialogue in the Rhineland industrial area, discussing local issues with politicians in the community including mayors, members of the "Landrat" (district council) and members of the "Landtag" (state parliament) across the political spectrum in order to facilitate an exchange of views about current developments and decisions. Regular so-called "power-station talks" are held at different locations with the same objective.

United Kingdom

In the United Kingdom, significant focus of the stakeholder dialogue is on customers and consumer protection organisations. They are represented in the Customer Stakeholder Council, which met twice in 2013 to discuss current issues.

Netherlands

Since 2010, the Executive Board of Essent has been advised by a Corporate Responsibility Council, which is made up of five independent experts from the political sphere, universities, business, consumer organisations and environmental protection. Essent continued to participate in the Dutch Coal Dialogue (DCD) which deals with issues relating to the import of hard coal from non-European countries (p. 59). During the year under review, the DCD was brought to a close. After this project was concluded in 2013, the aim is to continue the work and the dialogue on the issue of supply chain.

Essent also supports the "Energy Agreement for Sustainable Growth". > The Social and Economic Council of the Netherlands More than 40 organisations, including companies, government representatives, unions and environmental organisations, use this platform to swap ideas and information about different interests and aspirations for a future-proof and sustainable energy supply.

Central and Eastern Europe

In Central and Eastern Europe, we also engage in an ongoing constructive dialogue with our stakeholder groups. In Hungary, we exchange views with a range of different stakeholders including customers, employees and representatives from the community. We also work together with universities and aim to engage in a debate on issues associated with the energy industry and career perspectives in the sector.

Cooperation as a result of stakeholder dialogue

At the end of 2013, we started a cooperation with the International Union for Conservation of Nature (IUCN) aimed at protecting biological diversity, after we had already signed a corresponding declaration of intent at the beginning of the year. The objective of the cooperation is to help us to better assess and manage our impact on ecosystems. An initial project is planned dealing with the recultivation for the sites of former lignite mines in the Rhineland industrial area (p. 51).

When it comes to supply relationships, we work closely together with all the affected stakeholders in order to develop suitable standards and assessment criteria (p. 59).

CR Programme

Climate Protection					
We are committed ...	**KPI**	**Target**	**Due**	**Action**	**Status 31.12.2013**
... to significantly reducing the CO_2 intensity of our generation portfolio.	CO_2 emissions in metric tons per megawatt hour of electricity generated (mt CO_2/MWh)	0.62 mt CO_2/MWh	2020	- New building of more than 7,200 MW gas-fired, 2,100 MW lignite-fired, 3,100 MW hard-coal fired power stations, and 4,300 MW of renewables in operation or under construction by 2014	- 787 MW gas-fired power station in Turkey with efficiency of 57 % brought on stream; all other newbuilds in progress, 3,496 MW renewables in operation; CO_2 intensity 0.76 mt CO_2/MWh
Energy Efficiency					
We are committed ...	**KPI**	**Target**	**Due**	**Action**	**Status 31.12.2013**
... to increasing both our energy efficiency and that of our customers.	Increase in energy efficiency in %	- RWE power plants: average energy utilisation ratio 41.3 %	2015	- Power plant modernising programme	- Average energy utilisation ratio 40.5 %
Biodiversity/ Environmental Protection					
We are committed ...	**KPI**	**Target**	**Due**	**Action**	**Status 31.12.2013**
... to operating our plants safely and in compliance with licensing regulations at all times.	Compliance with licensing requirements in %	100 % compliance	2014	- Monitoring and optimising operational management of our plants	- No significant breaches of environmental protection laws and licensing regulations
... to 100 % implementation of our environmental management system to ensure that our plants and grids throughout the Group are operated in compliance with legal requirements at all times.	Group-wide environmental management coverage in %	100 % coverage		- Installation of environmental management system in all new companies, regular internal audits	- 99.7 % coverage of environmental management

Community Engagement

We are committed ...	KPI	Target	Due	Action	Status 31.12.2013
... to strengthening our regional reputation by making efficient use of resources.	Reputation Index	- Best reputation in our peer group	2014	- Extension of Corporate Volunteering - Expanding impact assessment	- Best reputation in our peer group of energy utilities

Customer Trust

We are committed ...	KPI	Target	Due	Action	Status 31.12.2013
... to having satisfied and hence loyal customers over the long term.	Customer Loyalty Index	- Customer Loyalty Index of at least 74	2015	- Retention of good service quality - Expansion of energy-based services	- Customer Loyalty Index of 73

Employees

We are committed ...	KPI	Target	Due	Action	Status 31.12.2013
... to continuing to motivate our managers and employees, and carry out job reductions responsibly	Demography Index Motivation Index	- Demography Index of at least 84 - Motivation Index of 72.6	2014/ 2016	- Continuation of phased-in retirement and redundancy conditions - Programmes for improvement of management - Increase in the number of women in leadership positions - Retain high placement rate for apprentices	- Demography Index of 83.1 - Motivation Index of 71.1

Supply Chain

We are committed ...	KPI	Target	Due	Action	Status 31.12.2013
... to mitigating reputational risks by taking into account compliance with internationally recognised environmental and social standards as integral part of our counterparty approval processes and procurement processes.	Supplier management coverage in all procurement areas in %	- At least 98 % of annual purchase volume	2014	- Addition of CR criteria in the procurement processes - Continuation of dialogue with stakeholders about the purchase of coal and biomass	- Supplier management coverage of 99.5 % - Expansion of the sector initiative “BetterCoal”

Occupational Safety & Healthcare Management

We are committed ...	KPI	Target	Due	Action	Status 31.12.2013
... that all our own and our subcontractors' employees return home just as healthy at the end of the day as they were when they arrived for work.	Number of accidents leading to the loss of at least one person day per million working hours (LTI_F = X/1,000,000 h)	- LTI_F of max. 1.8*) including subcontractors	2016	- Ongoing implementation of "Sicher voRWEg" (The Energy to Lead Safely) for consistently developing an occupational safety culture including subcontractors	- LTI_F (own staff and subcontractors). 2.3
... to maintaining and enhancing the health and productivity of our employees.	Introduction of the Work Ability Index (WAI)	- 15,000 responses to the WAI in Germany	2015	- WAI to be introduced across Germany and the results evaluated	- More than 16,000 responses to the WAI in Germany

Security of Supply

We are committed ...	KPI	Target	Due	Action	Status 31.12.2013
... to supplying our customers with the energy they need at all times.	System Average Interruption Duration Index (SAIDI) in minutes per year and customer	- SAIDI < 30 min./customer (Germany only)	2014	- Approx. € 650 million per year for repair and expansion of our electricity and gas grids in the period from 2014 to 2016	- SAIDI (2012): 17.1 min./customer (Germany only)

Innovation

We are committed ...	KPI	Target	Due	Action	Status 31.12.2013
... to ensuring the availability of the best solution in our core processes through innovations.	Degree of coverage and communication of strategy, relevant R&D issues in %	- At least 98 %	2014	- Sample projects: improvements in power station efficiency, offshore wind power, solar thermal power, compressed air energy storage, smart grids, smart meters, Smart Home	- Processing and communication of strategically relevant R&D issues; management covers 98.7 %

CLIMATE PROTECTION

Our targets

Our objective is to reduce our CO_2 emissions relative to the generated amount of electricity and in absolute terms by investing in modern and efficient coal- and gas-fired power stations, and in renewables. We have defined our target as reducing the specific CO_2 emissions per megawatt hour to 0.62 mt by the year 2020.

Our motivation

By the year 2050, the long-term goal of the European Union is to reduce CO_2 emissions by 80 % compared with the baseline year 1990. As Europe's biggest single emitter of CO_2, we want to contribute to the achievement of this – through capital expenditure on climate-friendly generation of electricity, alongside packages directed towards energy efficiency and management at consumers. As well playing our part in climate protection, we are aiming to use this approach to position RWE on a robust platform.

Monitoring and performance measurement

We use the CO_2 emissions reduction for each megawatt hour of electricity (metric t CO_2/MWh) generated in percent as the key performance indicator for the level of target attainment in the area for action Climate Protection.

Key events

In the year under review, we brought 127 MW of power-station capacities in renewable energy on stream – primarily onshore wind. The capacities in the conventional power stations are around 45,000 MW. The specific CO_2 emissions derived from the generation of electricity came down from 0.792 mt CO_2/MWh in the previous year to 0.756 mt CO_2/MWh. Apart from the generating capacities coming on stream in the area of renewable energies, this development is particularly attributable to shutting down capacities of around 2,500 MW of obsolete and less efficient hard-coal power-station units in Germany and the United Kingdom. We made a further contribution by starting up 950 MW of gas-fired generating capacity.

0.76
mt CO_2/MWh emissions

20 %
reduction in the specific CO_2 emissions by 2020

CO_2 reduction by
16
million mt

Around
119
MW of wind power came into operation

More than
€ 5.6
billion of capital expenditure on renewable energies over six years

By comparison with the price of gas, the level of the electricity price in the wholesale markets is low. The use of highly efficient gas-fired power stations was therefore rarely profitable during the year under review. By the same token, this slowed the downward trend in specific emissions.

Initiatives and projects

RWE is currently in the final phase of the biggest programme of investment in the history of the company. This programme has made the biggest contribution to the reduction of greenhouse gas emissions achieved so far. In 2013, we started up a highly efficient gas-fired power station with a capacity of 787 MW and efficiency of 57% in the Turkish city of Denizli. Two hard-coal power stations with a combined output of around 3,100 MW and an efficiency of around 46% are still under construction. We are also planning the construction of a new lignite-fired power-station unit at the Niederaußem site with an efficiency of more than 45 %, which is intended to replace four obsolete plants each with 300 MW at the same site.

The last construction stage at the Thornton Bank wind farm located off the Belgian coast was completed in July 2013. The complete British offshore wind farm Gwynt y Môr is scheduled to come on stream as planned in 2014 (p. 9).

Most new capacities for onshore wind farms have been constructed in the United Kingdom (75 MW) and Poland (45 MW).

Construction work on our German offshore wind farm Innogy Nordsee Ost is planned for the end of 2014. During the year under review, we were also granted the licence for the Innogy Nordsee 2&3 and Galloper wind farms. A total of some 800 MW of renewables is being constructed at present and around 6,200 MW of additional projects are being developed.

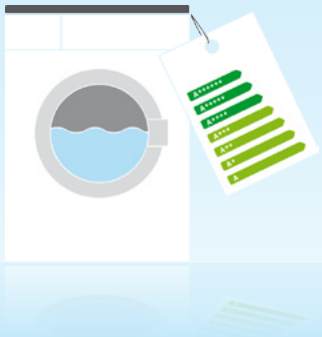
In September 2013, commercial factors forced us to remove from the grid the former coal-fired power station which had been converted to generation of electricity from biomass located in Tilbury (United Kingdom) with an output of 742 MW. The power station no longer met the technical specifications defined in the subsidy requirements for the new British energy legislation.

Development of CO_2 emissions

	Unit	2013	2012	2011	2010	2009
Specific CO_2 emissions[1]	mt/MWh	0.756	0.792	0.787	0.732	0.796
CO_2 emissions from biogenic fuels	million mt	10.4	7.0	3.6	2.0	2.5
Scope 1 emissions[2]	million mt	165.7	181.7	163.8	167.1	151.3
Scope 2 emissions[3]	million mt	1.5	1.9	2.4	3.1	3.5
Scope 3 emissions[4]	million mt	105.0	105.2	121.0	135.7	128.1

1 Calculated on the basis of electricity generated, without emissions from biogenic fuels.
2 Scope 1: direct CO_2 emissions from in-house sources (oil and gas production, gas transmission, electricity generation).
3 Scope 2: indirect CO_2 emissions from transport and distribution of electricity generated by third parties.
4 Scope 3: indirect CO_2 emissions that do not fall under Scope 1 or 2: They are produced through the generation of electricity procured from third parties, the transmission and distribution in electricity grids of third parties, the production and transmission of used fuels, and the consumption of gas that we have sold to customers.

ENERGY EFFICIENCY



Our targets

We want to increase energy efficiency for our own power stations, our other company activities, and the energy consumed by our customers. We are modernising our power plant portfolio so that we can achieve an average efficiency of 41.3 % by 2015. At the same time, we are supporting domestic and commercial customers, as well as public institutions, by helping them to save energy when they use electricity and heat.

Our motivation

Energy efficiency is part of our core business. Already today, we are not simply earning our money by supplying electricity, gas and heat. Rather, we are also offering customers intelligent products and services which deliver more convenience, comfort and efficiency when energy is being used. The statutory legislation in the United Kingdom makes it a requirement for us to help private households save energy.

We take account of business and environmental interests when we make efficiency improvements at our power stations. Higher levels of efficiency enable us to reduce fuel costs and our CO_2 emissions for each unit of energy generated, enabling us to bring down the costs of CO_2 certificates.

Savings in our own property portfolio and in the vehicle fleet only represent a small proportion in the overall energy footprint of the company. Nevertheless, these efforts have a high symbolic value which heightens the awareness of our employees for the conservation issue in their everyday lives and enhances our identity as a role model in the eyes of our customers.

Monitoring and performance measurement

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

Rise in efficiency of energy use at power stations to **41.3 %** by 2016

More than **680,000** users of our online energy advice tool

26 % improvement in the energy efficiency of buildings

More than **2,800** charging points for electromobility across Europe

Successful completion of the "Cleverer Kiez" project

Key events

We increased the energy efficiency of our power stations by a robust 3 % to 40.5 % (2012: 39.2 %) in 2013. This was the result of expanded capacities due to new power stations coming on stream, such as the Turkish gas-fired power station in Denizli. Shutting down older and less efficient lignite-fired and hard-coal power stations contributed to this development (p. 7).

We improved the overall efficiency in our real estate by 26 %. Measures such as upgrading roofs or modernising heating systems contributed to this. We also provide consumers with initiatives to save energy. More than 680,000 visitors have taken advantage of the energy advice tools on our Internet pages. We deal with hundreds of thousands of inquiries at our 80 energy shops and service stations of the RWE Vertrieb AG throughout Germany.

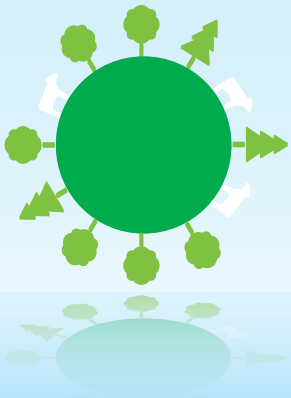
During the year under review, we replaced 479 older vehicles in our fleet with 400 new vehicles. The CO_2 emissions per kilometre are 10 % less in the new vehicles.

Initiatives and projects

RWE set up an energy management system in conformity with ISO 50001 to enhance the efficiency of its production plants for the generating sector "RWE Generation Deutschland", which includes the German businesses of RWE Power AG and RWE Generation SE. In 2013, the system was installed in the sectors lignite-fired power stations, opencast mines and hard-coal/gas. The sectors nuclear energy, hydropower and refinement will follow in 2014.

In 2013, the RWE "Cleverer Kiez" or "Smart Neighbourhood" project supported by RWE was brought to a successful conclusion. This project trained people who are long-term unemployed as energy-saving consultants in Berlin's Marzahn district. They gave advice to tenants of Berlin housing associations on how they could reduce their energy costs. Smart meters for electricity yield a better overview of energy consumption. Detailed information empowers consumers to influence their own behaviour, reduce their energy consumption and cut their energy costs. So far, RWE has installed more than 100,000 meters in Germany's biggest pilot project for smart meters in Mülheim an der Ruhr.

BIODIVERSITY/ENVIRONMENTAL PROTECTION



Our targets

We essentially want to avoid or at least minimise the impacts on ecosystems caused our value-adding activities. Where this is not possible we will deploy appropriate measures to mitigate the damage that has been created. We have defined our objective to achieve this goal as commitment to 100 % compliance with all licencing regulations related to the operation of our plants and 100 % group-wide coverage of our activities by our environmental management system.

Our motivation

We have to ensure that we retain operating licences and obtain acceptance in the public domain if we are to secure the future of our business. Furthermore, we are also committed to playing a proactive role in eliminating or reducing environmental impacts. Our dedication to achieving this objective means that our measures extend beyond the statutory requirements for the protection and reinstatement of healthy, fully functional ecosystems.

Monitoring and performance measurement

The key performance indicators in the area of environmental protection are monitoring and controlling compliance with the licensing regulations for the operation of our plants. The percentage coverage by our environmental management system is a further key performance indicator.

Key events

During the year under review, there were no major incidents at the plants of the RWE Group that resulted in significant impacts on the environment. Compliance with licensing regulations continued to be ensured. In 2013, 16 notifiable events at notification level 0 were registered for our nuclear power stations. There were 24 notifiable events in 2012. Our fossil-fired power stations were operated in 2013 without any major unplanned operational downtimes and in compliance with the statutory licencing regulations. As we upgraded our power plant portfolio, we

0
major environmental events

Expenditure on environmental protection amounting to
€ 2.6
billion

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

99.7 %
coverage by an environmental management system

Cooperation with environmental protection organisation IUCN

succeeded in reducing emissions of the pollutants SO_2 and NO_x by 7.5 % and 1.4 % to 0.37 g/kWh to 0.68 g/kWh respectively.

Our Group guidelines specify that all RWE companies must set up a dedicated environmental management system in conformity with the ISO 14001 international standard. Compliance with this standard is ensured annually by internal audits. In 2013, the focus of these checks was on internal lines of reporting and responsibilities. In the year under review, group-wide expenditure on environmental protection amounted to € 2.6 billion.

As far as possible, waste from our power stations is recycled for further downstream usage. This primarily relates to ash and gypsum. The disposal of radioactive waste is carried out under the supervision of the responsible government authorities. At the end of 2013, we entered into a cooperation with the International Union for Conservation of Nature (IUCN) with the objective of continuously developing our biodiversity management and reporting. We therefore want to better internalise biodiversity values into RWE policies and practices. This involves starting a pilot project in the Rhineland lignite region where we will be looking into the measures for restoration of

Development of specific pollutant emissions

	Unit	2013	2012	2011	2010	2009
Specific NO_x emissions	g/kWh	0.68	0.69	0.60	0.58	0.67
Specific SO_2 emissions	g/kWh	0.37	0.40	0.31	0.29	0.34
Specific dust emissions	g/kWh	0.022	0.025	0.021	0.019	0.024

Initiatives and projects

While operating our plants we implement measures directed towards reducing the impacts on local ecosystems. These include fish ladders at run-of-river power stations, the use of technical measures to protect marine species at offshore wind farms and measures to protect birds at overhead power lines.

When we supply our thermal power stations with cooling water, we ensure that our use of water exerts minimum impact on natural resources. We prevent environmental impacts and contamination of water by recycling water, more intensive use of pumped water from opencast mines and internal water treatment, and by collecting rainwater. As a result of our renewal programme for upgrading power stations, we were able to reduce water consumption from 1.56 m^3/MWh to 1.45 m^3/MWh in 2013.

opencast mining areas with the focus on protection and promotion of biodiversity. On the basis of our collective experiences, we want to develop an approach and draw up some procedures and guidelines for the Group. This will enable the value of biodiversity to be taken into account when decisions are made within the company.

COMMUNITY ENGAGEMENT

Our targets

We promote positive development in the regions where we operate by implementing a versatile set of measures and by providing financial support. Our aim is to further improve our reputation through this engagement and create a distinct profile to set us apart from competitors in the sector.

Our motivation

The challenges of the energy transition can only be solved at the level of society as a whole. At the same time, our activities are dependent on the acceptance and the support of the local and regional communities within society. We therefore want to enhance trust in RWE as a reliable partner in our regional environment.

Monitoring and performance measurement

We want to strengthen our regional reputation by applying the resources at our disposal to meet specific needs. The Reputation Index is a key performance indicator that we calculate every year and we use this as a basis for making comparisons with our competitors.

Key events

We maintained a slight lead in our direct competitive environment with a value of 59 (2012: 59) for the Reputation Index. RWE wants to make an active contribution to the development of the local communities and regions in the areas where the company has operations. The volunteer commitment by our employees plays a key role here and this takes place under the umbrella brand of the RWE Companius programme. We also use RWE Companius selectively in order to develop the expertise of our employees further. We have a mission to join forces with young people and develop the energy supply of the future. RWE offers comprehensive information and teaching materials, trips and advanced training courses on the subject of energy for school children and teachers through our education initiative “3malE – Education

Highest reputation among comparable companies in the sector

Study by the RWE Foundation on energy literacy in Germany completed

3,355
school children take part in the RWE Schools Competition

11,129
projects sponsored by RWE Companius since 2007

Donations amounting to
€ 4.5
million handed over

with Energy" ("3malE – Bildung mit Energie"). Packages and campaigns can be accessed through the central online portal. > Online portal 3malE

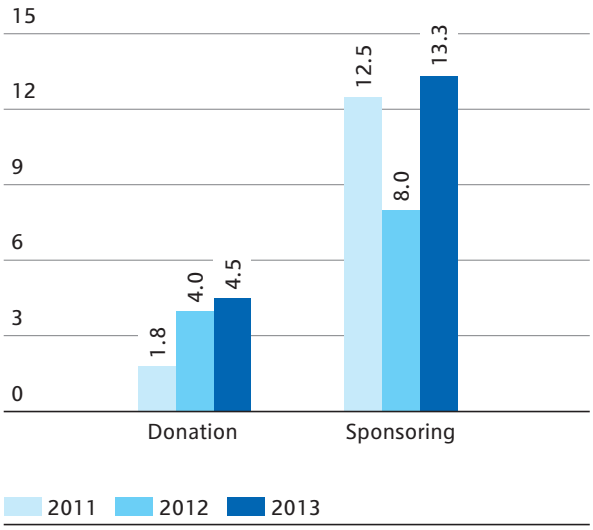
We want to be in a position to assess and monitor our social contribution in qualitative and quantitative terms. In order to work out appropriate methods of evaluation, RWE advanced its objectives in this area by participating in the WIE Corporate Citizenship initiative. in Germany and joining the London Benchmarking Group in the United Kingdom. This involves close cooperation between business, community organisations and public institutions.

Initiatives and projects

In 2013, a total of 5,577 employees made a contribution to their region within Germany and engaged in volunteer activities abroad through the RWE Companius volunteer scheme. The activities of the RWE Foundation complement our community engagement. In 2013, the foundation contributed a total of € 750,000 to an array of projects in the promotional areas of education, culture and social engagement.

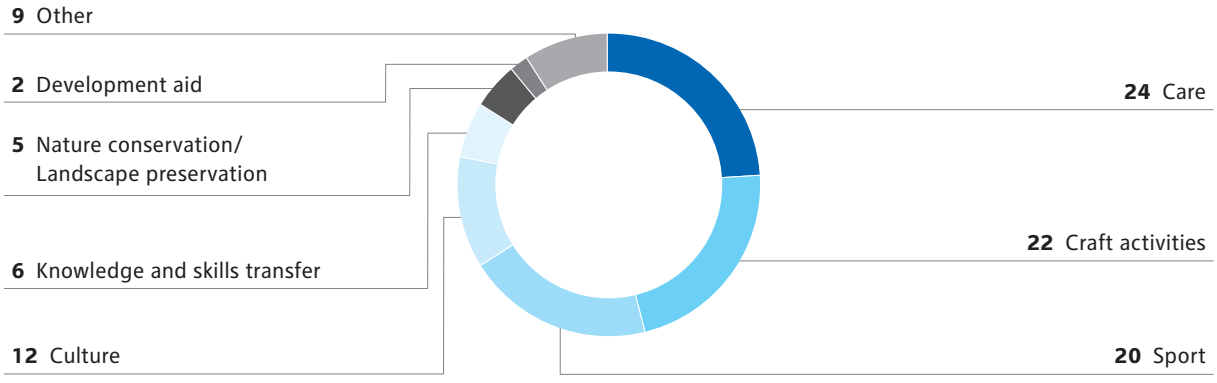
Donation and Sponsoring

in € million



Distribution of volunteering activities for RWE Companius projects in 2013

in %



CUSTOMER TRUST

Our targets

Our aim is to be the credible and empowering partner for our customers in the change taking place in the European energy system. Credible partner in terms of customer trust means that we will offer products and services to citizens and local authorities, as well as cooperative ventures, which take the energy transition forward. These packages are intended to improve customer orientation and at the same time strengthen security of supply. Our objective is to increase customer loyalty and achieve a score of at least 74 index points in Germany by 2015.

Our motivation

We want our customers to remain loyal to us over a long period of time. They need to be interested in further products and recommend our company to other people. The satisfaction and trust of our customers will play a key role in the success of RWE.

Monitoring and performance measurement

Since 2009, we measured Customer Loyalty uniformly for all sales companies in Germany. The customer Loyalty Index is based on surveys conducted among our residential and commercial customers. Loyalty is rated low for scores of 70 or less, moderate for scores of 70 to 79 and high for scores above 80.

Key events

During the year under review, we achieved a Customer Loyalty Index of 73 in Germany and in the previous year the value was 72. This positions us in the upper range of our comparable peer competitors. We also survey the loyalty and the satisfaction of our customers in other countries where we are operating.

Surveys carried out in Poland for 2013 showed a score of 71.4 points for small and medium-sized companies and 81.2 points for some households. This represents a significant improvement compared with the previous year.

Customer Loyalty Index in Germany up by 1 point to **73**

54 % of our consumers in Germany trust us

Customer Satisfaction in the Netherlands over **80 %**

Accolade with the "Super Brand Award" for the Mátra site in Hungary

Increase in Customer Loyalty Index for residential customers in Poland to **81.2**

We want to be perceived as the most trusted and high performing partner by our sales customers, as well as in local authorities. In September 2013, we succeeded in winning back a concession contract for the first time with the municipality of Wehrheim in the Taunus Valley, which we had lost in 2008.

Initiatives and projects

The trust of our customers is important to us. In order to reinforce and promote trust further, we carry out surveys with consumers and forge close links with our partner municipalities in order to enhance the trust of customers in RWE.

A consumer survey carried out in Germany in 2013 found that RWE was perceived by 54 % of its customers as a trustworthy company in dealings with consumers. We want to improve our customer service and offer additional advice packages on saving energy in order to build on these results. Initial successes are already evident: RWE Vertrieb AG took first place for the German Service Prize 2013 among a field of 65 competitors.

An independent study in the United Kingdom has shown that RWE npower with a score of 57 % is trailing behind in competition with other major utilities on the issue of customer satisfaction, in spite of the highest rate of increase at 9 %. At the moment we are in sixth position and we want to climb to first place in a comparison by 2015.

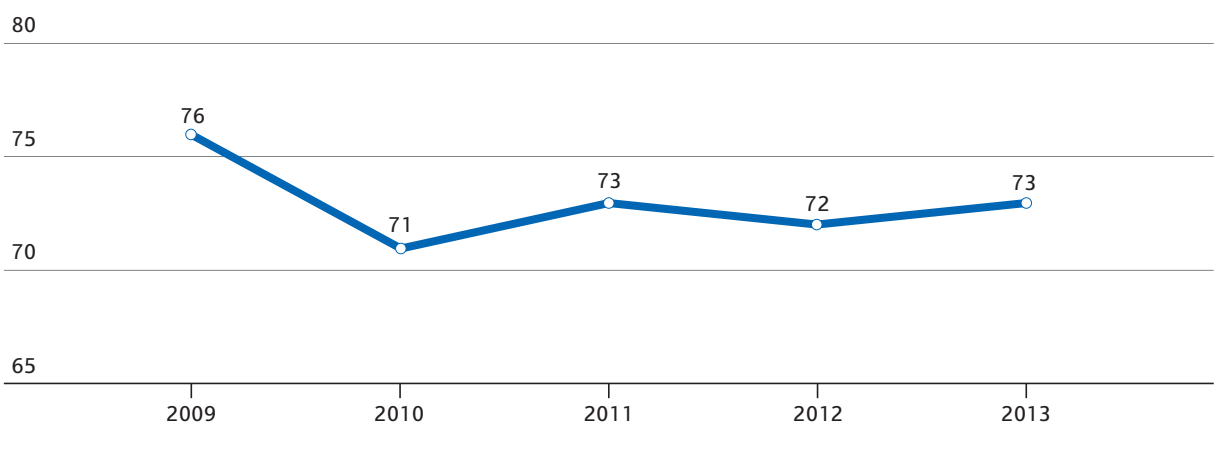
Results from surveys carried out by our ELMŰ-ÉMÁSZ Group in Hungary show that our industrial and commercial clients are satisfied with the quality of our service.

In the Netherlands, more than 80 % of residential customers surveyed in 2013 responded that they were satisfied with the contact to Essent.

We have strategic partnerships with some 3,000 local authorities in Germany based on concession contracts. Joint projects like the sponsorship programme "Municipal Energy Concept" (KEK) enable us to get closer to customers, build trust and further enhance the loyalty of our customers.
> Municipal Energy Concept

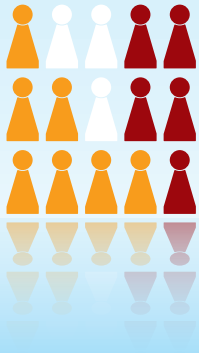
In our role as a partner for our customers, we take action to tackle fuel poverty in our markets by providing households with advice on how to save energy (p. 14).

Customer Loyalty Index*



* based on residential electricity customers in Germany

EMPLOYEES



Our targets

We want to make ourselves future-proof. RWE therefore needs to become leaner, more flexible, closer to the market and more performance-oriented. The changed market for energy generators means that restructuring, personnel relocations and fewer jobs will be unavoidable. We want to carry out this change in a responsible approach with socially acceptable conditions. We are aiming to structure these changes so that the high level of motivation in our employees is maintained. Furthermore, our commitment is to increase the proportion of women in leadership positions to 22 % by 2018.

Our motivation

Motivated and capable employees form the platform for the economic success of RWE. The realignment of RWE can only succeed if we continue to retain the motivation of our employees in a more difficult business environment. We perceive diversity as an opportunity for the restructuring process and we are promoting diversity and inclusion in the company.

Monitoring and performance measurement

As a result of the changed framework conditions for energy generators, we defined a new indicator in the area for action Employees in 2013 – the Motivation Index. This is recorded in a staff survey across the entire Group. Since 2011, the Motivation Index has been a performance indicator for defining the variable compensation paid to the Executive Board of RWE AG.

Key events

In 2013, the Motivation Index achieved a value of 71.1 points. This means that we have fallen slightly short of our target value for 2013. Over the next few years, we will be carrying out fewer major projects as a result of the changes in the energy market and we will concentrate on building up and expanding decentralised business close to the customer. This will also lead to changed requirements for personnel. Last year, the number of people in our workforce came down from 70,208 to 66,341. On the basis of the current planning status, we will employ around 6,400

Motivation index at **71.1** points

Demography Index at **83.1** points

More than **2,715** apprenticeship places at 50 sites

Top **150** managers in the Leadership Programme

13.9 % of management positions held by women

fewer people (in FTE) by 31 December 2016. We want to structure this process in a fair way with employee representatives.

Initiatives and projects

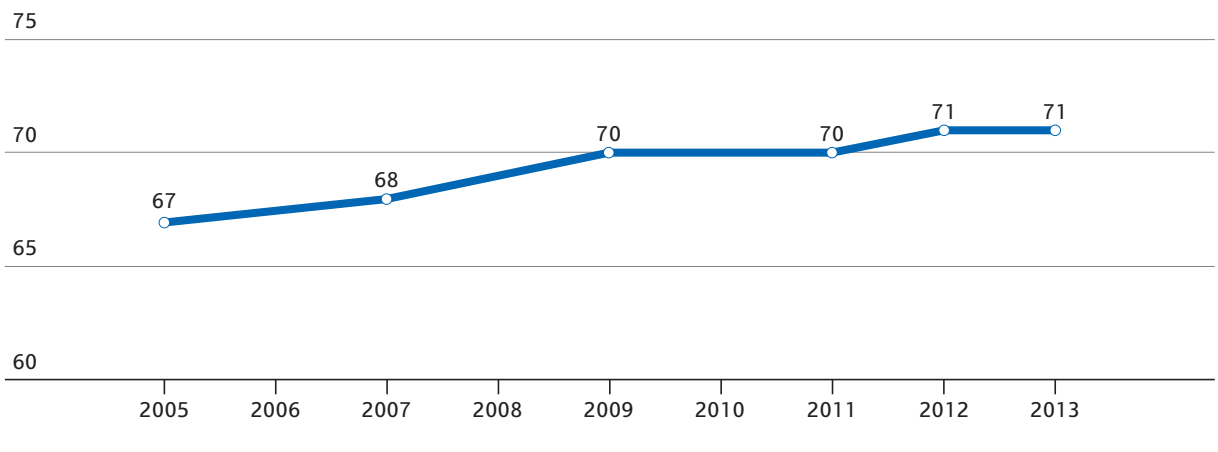
In November 2013, the Chief Human Resources Officer and the Chairman of the Group Works Council signed a settlement and social plan. RWE has also been trying to arrange placement in vacant positions for employees whose jobs are at risk.

In 2013, we used the Organisational Health Index (OHI) based on a management survey to assess the effectiveness of our management team. The results demonstrate that the current challenges to our business model require a major change in management behaviour. We took the first step by setting up a Leadership Programme for the top 150 managers. The seminar taught leadership skills and raised the awareness of attendees to leadership styles.

In order to be able to offer innovative products and services more intensively, we want to develop a corporate culture in which all employees can optimally develop the full potential of their varied talents and experiences. Selectively increasing the proportion of women in management positions is also part of this approach. In 2013, the percentage of women in the entire workforce was 27.7 % (2012: 27.5 %) and the percentage in senior management positions was 13.9% (2012: 12.3 %). In the year under review, there are no women on the Executive Board of RWE AG. Three women are currently members of the 20-strong Supervisory Board of RWE (two are employee representatives).

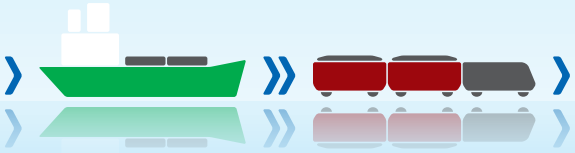
In December 2013, RWE joined forces with the "Association for Women on Supervisory Boards" ("FiDAR – Frauen in die Aufsichtsräte") to launch a promotion programme directed towards preparing women for Supervisory Boards in Group companies and external subsidiaries.

Development of the Motivation Index*



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

SUPPLY CHAIN



Our targets

We are joining forces with our suppliers and cooperating with our stakeholders to implement and improve environmental and social standards in our supply chain. Our sourcing of fuel for energy generation, goods and services, as well as power-station components is based on our Code of Conduct. Where necessary we have defined further detailed requirements. The goal in the CR Programme is to achieve coverage of at least 98 %.

Our motivation

We also want to take into account and promote international environmental and social standards in our supply chain, as they are defined in our Code of Conduct. Our stakeholders, too, are increasingly expecting this from us.

Monitoring and performance measurement

We use the proportion of the purchase volume underlying sustainability requirements as the KPI and indicator for target attainment in the area for action Supply Chain.

Key events

In 2013, we used a total of 11.6 million mt of hard coal at our coal-fired power stations. Out of this volume of hard coal, 20 % originates from Colombia, 15 % from the USA, 19 % from Russia and 12 % from South Africa (a complete overview of the supplier countries is provided on p. 16).

In 2013, we shut down generation of electricity from biomass at our Tilbury power station in the UK. We are currently equipping our coal-fired power station in Lynemouth to operate on biomass. RWE is also using biomass to generate electricity in the Netherlands and to a lesser extent in Germany and Hungary. Socially acceptable methods of cultivation in compliance with environmental standards need to be guar-

€ 8.5
billion for standard goods, services and power-station components

99.5 %
of the purchasing volume is subject to sustainability requirements

100 %
of the imported wood pellets are certified

"Bettercoal" Initiative adopts Code of Practice and prepares assessments

Implementation of tool for automated early identification of corruption risks started

anteed for this energy carrier if it is to become established as a sustainable alternative to fossil fuels. We are therefore using the GreenGold Label for certification of our imported wood pellets.
> Green Gold Label

In 2013, the RWE Group purchased standard goods, services and power-station components to a value of some € 8.5 billion. Specific requirements on social and environmental standards for suppliers are defined in the Group Guidelines and in the General Terms and Conditions of Business.

During the year under review, 99.5 % of our total purchasing volume was covered by the Code of Conduct.

Initiatives and projects

In February 2012, we were one of the cofounders involved in the establishment of the "Bettercoal" initiative and in June 2013 its Code of Practice entered formally into force. > Bettercoal Code The initiative is intended to lead to a continuous improvement in the ethical and social conditions prevailing in coal mines, alongside advances on environmental issues. This code was developed in a global consultation process and it has been discussed at round-table talks in the most important hard-coal supplier countries (Colombia, South Africa, Russia and Indonesia). It serves as a platform for the development of new assessment tools and preparations are currently being made for the first audits in international coal mines.

The results of the Dutch Coal Dialogue (DCD) have also been included in this initiative. After the DCD finished in 2013, the participants of the dialogue in the Netherlands agreed to continue their efforts to take responsibility in the supply chain for hard coal. Even if the risk of breaches against environmental and social obligations is comparatively low when sourcing standard goods, services and power-plant components, we are continually updating and improving the group-wide internal regulations. Furthermore, we integrate these regulations within a uniform reporting framework for the supplier surveys. The contractual requirements placed on business partners with regard to the issues of occupational safety, compliance and data protection have been transferred to the risk management tool of Group Purchasing. During the period under review, a software tool was additionally developed in order to automatically identify any emerging risks of corruption in the procurement process at an early stage. It assesses the compliance risk for a purchasing process on the basis of value limits, country and sector profiles.

OCCUPATIONAL SAFETY AND HEALTHCARE MANAGEMENT

Our targets

We want both our workforce and employees of our partners to return home healthy. We defined our goal as reducing the number of accidents involving at least one day of absence to a maximum of 1.8 in one million working hours by the year 2016. The aim of our Occupational Healthcare Management (OHM) is to promote health and work ability. We also use the Work Ability Index (WAI) to achieve this. Our goal: 15,000 responses on the Work Ability Index in Germany.

Our motivation

As an employer we need to minimise the risk of industrial accidents and promote the health of our employees. We achieve this with comprehensive occupational safety management and a safety structure. This is a challenge given an ageing population and the changes in the company.

Monitoring and performance assessment

The key performance indicator for occupational safety is the number of accidents with the loss of at least one day of work for every million hours worked (lost time incident frequency, LTI_F). We measure progress on the basis of the number of employees who have access to the Work Ability Index (WAI) in Germany.

Key events

We achieved our goal of reducing the number of industrial accidents by 2013 ($LTI_F < 2.7$) with an LTI_F of 2.3. This enabled us to reduce the number of industrial accidents by around 18% compared to 2012. Unfortunately, despite the consistent improvement in health and safety culture, we very much regret having to report that a fatal industrial accident occurred with an employee from a subcontractor in 2013.

Training for managers of subcontractor partners has enabled us to raise the awareness of external employees on site and this has reduced the risks of industrial accidents. Workshops were held on developing dis-

0
accidents is our target

Current LTI_F is
2.3

Reduction of the accident rate by an average of
17 %
each year during the past eight years

We treat employees of subcontractors in the same way as our own workforce

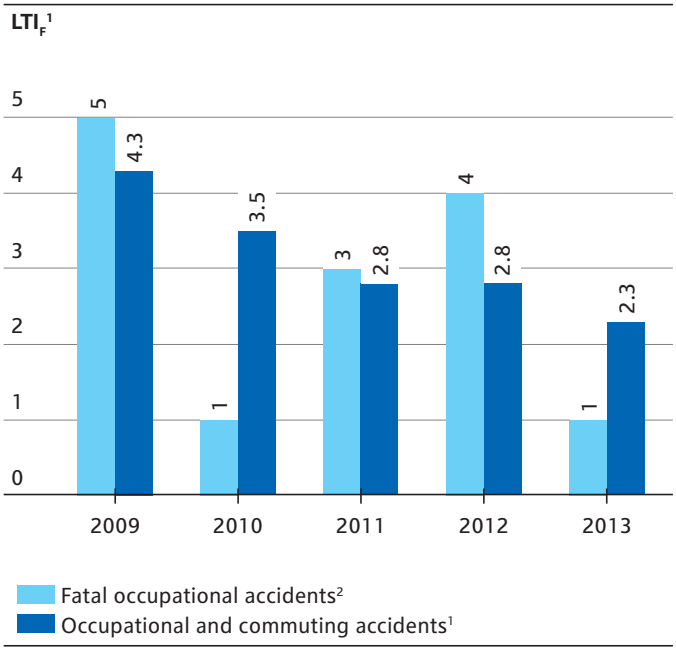
16,000
responses to the WAI in Germany

cussion strategies and consistent implementation of methods in workplace safety in the course of our integrated management of subcontractors.

By the end of the year 2013, 70 % of the employees at our German companies had access to the Work Ability Index (WAI). This is equivalent to the value for the previous year. We use the index to record the extent to which employees regard themselves as being in a position to carry out their work. By the end of 2013, approximately 16,000 questionnaires on the Work Ability Index had been completed

Initiatives and projects

Every year, RWE presents an Occupational Safety Award for partner companies. More than 100 applications were received from partner companies in 2013. RWE awarded first prize to a plant construction company for its innovative concept designed to protect against falls at power stations.



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

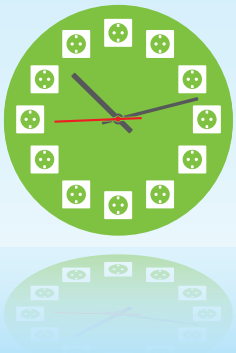
The RWE workplace safety programme "Sicher voRWEg mit Partnerfirmen" ("The Energy to Lead Safely with Partner Companies") received the German Health and Safety Prize 2013 in the category "Process solution for large companies". In particular, the award acknowledges the consistent improvement of workplace safety at construction sites and in company facilities.

In 2013, we developed our methodology for accident analysis to achieve a uniform approach throughout the Group and to enhance the quality of analyses. We also established a group-wide workshop series on the issue of accident analysis for managers and operational specialists.

The OHM principles programme "Sustainably Positive Influence of the Health Ratios" was launched at RWE Power in 2012 and this programme was presented and recommended for implementation in other RWE companies in 2013. The OHM principles programme encompasses a range of different measures, including incorporation of the issue of health into employee meetings and drafts of goal agreements for managers.

In 2013, we carried out three nationwide OHM campaigns in Germany dealing with the issues of colorectal cancer screening, rheumatism screening and type classification for the German Bone Marrow Donor Register.

SECURITY OF SUPPLY



Our targets

We want to provide our customers with a reliable and affordable supply of electricity and gas at all times – even in an environment where the framework conditions for the energy industry are changing. We have therefore defined a target of restricting power outages in Germany to a maximum of 30 minutes per customer each year.

Our motivation

The uninterrupted supply of energy is an essential platform for economic stability and security. As an energy utility, our objective is to guarantee this over the long term.

Monitoring and performance assessment

The key performance indicator in the area of security of supply is the number of minutes of power outages per customer and year (System Average Interruption Duration Indicator, SAIDI).

Key developments

In 2012, we were able to continue to provide a largely uninterrupted supply of gas and electricity (data for 2013 were not available at the time when this report went to press). Non-availability for the electricity distribution grid amounted to an average of 17.1 minutes for each customer in Germany (2011: 18.1 minutes). The average non-availability for the gas supply resulting from faults in Germany was less than one minute per customer and year in 2012 (2011: 1.3 minutes).

The energy sources necessary for secure energy supply were available throughout 2013. RWE is committed on the one hand to using a mix of fuels and on the other to procuring fuels diversified by region and over time. Our assessment is that the supply of energy sources over the short and medium term is associated with a comparatively low level of risk.

17.1
min/customer non-availability of the distribution grid each year

Electricity distribution grids with a total length of
392,981
km

One of the biggest operators of distribution grids
330,160
km in Germany

Gas distribution grid of
48,200
km in Germany and 63,860 km in the Czech Republic

250
test households in the "Smart Operator" project

Initiatives and projects

The biggest challenge for security of supply in 2013 once again related to the changes in the energy industry resulting from the expansion of renewable energies (p. 9). This places a high technical burden on the stability of the supply system. The secure supply of energy comprises two components: reliable generation and secure transport and distribution of gas and electricity. We are working in both areas to secure supplies, as well as through further expansion of renewable energies.

In 2012, RWE launched the "Smart Operator" project for progressing "intelligent" grid solutions at low voltage. 250 test households were taking part in the trial across three local communities. In November 2013, RWE presented the first development stage of the model project in Wincheringen (Rhineland-Palatinate). The local electricity grid was expanded by a battery storage system, smart meter, a controllable local grid transformer and remotely controllable distribution boxes. "Smart Operator" is a building block in intelligent grid management of the kind that we are currently using in the "Smart Country" project. Even when the feed-in from renewables is constantly fluctuating, this approach enables us to guarantee reliable operation of the distribution grid.

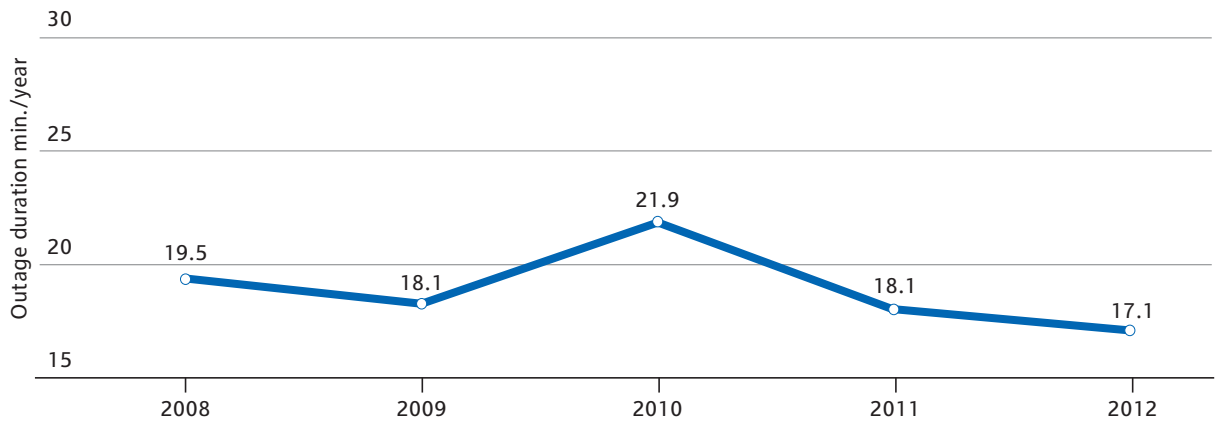
> Research project Smart Country

When the development phase of the project "AmpaCity" was brought to a successful conclusion at the beginning of 2014, a high-temperature superconductor (HTS) cable around one kilometre long had been integrated in the distribution grid in Essen. HST cables allow electricity to be transmitted at temperatures of around -200°C with virtually no losses. They can be laid on a large scale and are likely also to prove cost-effective over the medium-term. At the same voltage, they transmit five times more electricity than conventional underground cables.

In a pilot project in Haren (Ems), RWE is currently testing an energy management system that has been developed in cooperation with Twente University (Netherlands). A central control unit HEC (Home Energy Controller) manages the operation of all domestic appliances and harmonises this with the availability of local electricity from renewable resources. For this purpose, the control unit uses the floor of the building and the consumer appliances as flexible energy stores.

> Pilot project Haren

System Average Interruption Duration per year and customer (RWE distribution network in Germany)



INNOVATION

Our targets

We want to ensure through continuous innovations that we always have optimum solutions to meet the challenges and targets in our core processes and areas of business.

Our motivation

Our objective is to play a role in structuring the energy transition to create a carbon-neutral electricity supply while at the same time being in a position to make provision for future energy needs with high quality of supply over the long term. If we are to achieve this mission, we need to optimise existing technologies, processes and products, and develop new ones.

Monitoring and performance measurement

We use the extent of coverage of strategically relevant R&D issues through innovation management in percent as the KPI and indicator for target attainment.

Key events

We have set up a group-wide innovation management system to coordinate all our research and development (R&D) activities. All the relevant RWE companies are integrated in the standard processes like R&D planning and reporting. In 2013, the level of compliance with our key performance indicator for innovation management was 98.7 %. Our R&D activities extend over the entire value chain of the RWE Group.

In February 2014, the RWE Group was ranked in third place in the latest Innovation Index drawn up by the European School of Management and Technology (ESMT). RWE was singled out for praise among the 16 biggest European energy utilities for its wide spectrum of innovation and for its activities in the areas of intelligent electricity grids, electromobility and energy services.

200
R&D projects along the entire value chain

CO_2 from lignite-fired power stations is suitable for making chemical feedstocks

90 %
energy savings in the RWE Future House

Consumers adapt their behaviour to flexible tariffs

AmpaCity: first tests for the superconducting cable are successful

Initiatives and projects

We have submitted the CO_2 scrubbing process installed at the Niederaußem site to the long-term test using the "RealPlus" CO_2 scrubbing upstream, innovative flue-gas desulphurisation unit. > CO_2 scrubbing In 2013, we succeeded in concluding our investigations into the production of chemical feedstocks from the CO_2 generated by our coal-fired power stations (Dream Production and CO2RRECT) with verification of the feasibility. > Chemical conversion of CO_2

In 2013, we launched our latest project "Vibro" under the Offshore Wind Accelerator Initiative run by the British Carbon Trust. The objective is to anchor wind power plants more cost-effectively on the seabed. In order to achieve this aim, we are testing a vibration system that will support this process. It will also reduce the very high noise emissions under the water which cause significant impairment to marine mammals such as dolphins and porpoises.

The completed field trial on intelligent energy use in Mülheim has demonstrated in the area of distribution grids that consumers adjust their behaviour to flexible tariffs. > Project E-DeMa In a power-to-gas demonstration plant located at Ibbenbüren, North Rhine-Westphalia, we are testing how excess electricity generated from wind and sun can be converted into hydrogen by electrolysis and stored in the existing gas grid.

In Fót (Hungary), we have officially opened an innovative energy park. The objective was to establish an almost entirely self-sufficient supply of electricity and heat based on renewable energy for a riding-therapy and instruction centre. This is achieved by combining solar, wind and micro-hydro power plants, a battery storage system, as well as a heat pump and an energy-management system.

In the area of new products, we have developed an innovative product with RWE HomePower solar for storage of solar electricity and it has now been launched in the marketplace. In combination with our SmartHome system, this will therefore create an integrated solution which will help to increase the customer's own use of self-generated solar electricity by as much as 70 %.

During the year under review, RWE also invested in venture capital projects like the startup Kiwigrid. The technology company develops and operates an open communication and control platform for intelligent energy management. This system helps decentralised units to generate, store and consume energy in distribution grids. Kiwigrid also facilitates new product and service packages, e.g. achievement of virtual power stations, readout of electronic meters and charge management for electric vehicles.

You will find more information on the subject of innovation at RWE by going to
> www.rwe.com/innovationen

ABOUT THIS REPORT

Report Profile

This report entitled "Our Responsibility.Report 2013" is aimed at analysts and investors, non-governmental organisations (NGOs), our workforce, customers and suppliers, policymakers, government agencies and the people living in the regions where we do business. It describes the most important social, environmental and economic challenges facing our core business, the conflicting aims that can arise, and the Corporate Responsibility (CR) strategy we have developed in response.

The report is published in pdf format. This report was audited in its entirety by the accountancy firm Pricewaterhouse Coopers (PwC), which assessed it against compliance with the Accountability Standard AA1000-AccountAbility (p. 68). The CR Report includes an overview of all the important Indicators (p. 76). We provide detailed indicators for the years 2006 to 2013 interactively with the Indicator tool and as an Excel download.

Approach

We developed our CR strategy on the basis of the challenges posed by our business and taking account of the general conditions prevailing in individual regions. The report is introduced with a detailed description of our Greatest Challenges and a Portrait of the RWE Group. The report is based on the Ten Areas for Action of the CR strategy. We assess the relevance of the individual Areas for Action and the expectations of the stakeholders for our company in a Materiality Analysis. The report also serves as our progress report for the Global Compact of the United Nations (p. 74).

Basic principles

The report is based on our CR strategy and developed out of our ongoing dialogue with stakeholders. The relevant data are presented in line with the latest guidelines of the Global Reporting Initiative (GRI) to allow our readers to compare our performance with that of other companies. We explain how we have implemented these guidelines and the requirements of the GRI Sector Supplement Electric Utilities in the GRI Index (p. 71). Our self-assessment of the level of compliance with the GRI guidelines (Version 3.0) is A+. This assessment was confirmed by the GRI (p. 73).

Data

The period under review is fiscal 2013, which began on 1 January and ended on 31 December. The data provided in this report relate to all affiliated companies of the RWE Group which are included in the consolidated financial statements. Any deviations from this are clearly stated. The financial data were taken from the RWE Annual Report 2013. We present financial data denominated in the relevant national currency and have converted these based on the aver-

age annual values for 2013 (1 US dollar = € 0.75 €, 1 UK pound sterling = € 1.18, 100 Czech crowns = € 3.84, 100 Hungarian forints = € 0.34, 1 Polish zloty = € 0.24).

For reference

This report is published in German and English. The Executive Board of RWE AG has approved the report for publication. The editorial deadline was 14 March 2014. This report continues our policy of annual reporting. > Archive CR Reports The next report will be published in the spring of 2015. The term "employee" refers to male and female employees.

Forward-looking statements

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

Independent Assurance Report

To RWE AG, Essen

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft has performed a moderate assurance1 engagement on the German version of the Corporate Responsibility Report and issued an independent assurance report, authoritative in German language, which has been translated as follows:

We have been engaged by RWE AG, Essen to perform an independent assurance engagement to attain moderate assurance on the adherence to the AA1000 AccountAbility principles in "Vertrauen verdienen: Unsere Verantwortung. Bericht 2013" (the Corporate Responsibility Report) of the RWE AG, Essen for the fiscal CR-Reporting 2013 as well as selected data in the key data tool (in the following the "CR Reporting"). The CR Report is published online in PDF format at www.rwe.com/cr-report and the key data tool online on http://rwe-datatool.com/.

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 CR Reporting 2013 in accordance with the criteria set out in the Sustainability Reporting Guidelines Vol. 3.0 (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 AA1000 AccountAbility Principles and the preparation of the CR Reporting using assumptions and estimations that are appropriate under the given circumstances.

Responsibility of the auditor

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 AA1000 AccountAbility Principles of inclusivity, materiality and responsiveness; or
- the selected quantitative sustainability information set out in the CR Reporting has not been prepared in compliance with the criteria set out in the Sustainability Reporting Guidelines Vol. 3.0 (p. 7 to p.17) of the Global Reporting Initiative (GRI).

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.

Our engagement concerns the German version of the CR Reporting. The reviewed figures in the key data tool are marked with "Reviewed 2013".

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 fulfill 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 as well as 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

[1] "Moderate assurance" as specified by AA1000AS (2008) is equivalent to "limited assurance" as specified by IS AE 3000.

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 judgment of the independent auditors performing the engagement.

We conducted examination procedures at the level of the headquarters – RWE AG, Essen, RWE Deutschland AG, Essen, RWE Power, Essen, RWE npower, Swindon (UK) and RWE Innogy GmbH, Essen.

With regard to compliance with the AccountAbility Principles we conducted the following examination procedures:

- obtaining a fundamental understanding of the application of the AA1000 principles by interviewing responsible employees for stakeholder management at the Group headquarters;
- random sampling concerning the understanding of the documentation regarding stakeholder dialogue, communication with stakeholders as well as of evaluation of stakeholder dialogues for the respective subsidiaries of RWE AG;
- understanding the materiality analysis at group level for analyzing and prioritizing sustainability topics and deducting CR areas for action.

With regard to selected sustainability information in the CR Reporting, our work included inter alia the following examination procedures:

- interviews with the responsible employees for reporting of sustainability information;
- examination of the systems and processes for data collection, calculation and reporting of sustainability information as well as their review in the context of random sampling and analytical procedures based on group wide target-processes and the respective reporting software;
- review of the GRI G3-indicators Content Index in terms of reliability of information;
- assessment of internal documents.

Material findings and judgments

Findings with regard to the AA1000 AccountAbility Principle of **inclusivity**:

- Internal and external stakeholders are involved in various dialogue formats to discuss current issues.
- Supraregional stakeholder dialogues are organized and controlled at group level by the central CR management and the responsible departments, regional stakeholder dialogues controlled and organized by the operating subsidiaries. If there are group-wide issues, coordination took place by central CR management according to the established internal rules of cooperation.
- A regular exchange is established between the responsible departments and the central CR management.

Findings with regard to the AA1000 AccountAbility Principle of **materiality**:

- Stakeholder concerns and expectations are gathered and evaluated in context with the so-called issue radar.
- This issue radar is part of the annually materiality analysis, by which the CR areas for action are subject to a revolving assessment. Based on the materiality analysis conducted in 2013 the CR areas for action have been adapted.
- The results of this analysis and the expectations and concerns expressed during the stakeholder dialogues are, dependent on the materiality, systematically included in the CR reporting, the CR management and single CR projects both content and structure-wise.

Findings with regard to the AA1000 AccountAbility Principle of **responsiveness**:

- The interaction and communication with relevant stakeholders takes place in a systematic and comprehensive manner via various communication channels.
- The communication process enables a comprehensive and thematically balanced communication with stakeholders.

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

- There has been a process established between the holding company and the different subsidiaries, which enables them to react quickly on demands and expectations.

Based on our independent assurance engagement to obtain moderate assurance, nothing has come to our attention that causes us to believe that, in all material respects the systems and processes installed by RWE AG are not appropriate for compliance with the AccountAbility Principles, and selected sustainability information set out in the CR Reporting 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:

- Continuance of the group-wide implementation of the processes defined in the context of the Stakeholder Management work stream
- Establishment of a process for a continuous update of the manuals for valid CR data
- Integration of all subsidiaries into CR software solution and stabilization of processes as well as ensuring consistency of available data in all reporting systems especially considering the new group organization.

Berlin, 26. March 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Michael Werner ppa. Juliane von Clausbruch

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AR = Annual Report 2013
Internet = detailed GRI Index
* = Status: partially reported
** = not reported

All core indicators are presented. Some of the numbers have been skipped because the additional GRI indicators are not recorded in the index.

A detailed > GRI Index including information and explanations in case of reporting partially is available on the Internet.
A self-assessment we have carried out estimates that the level of compliance with the GRI G3 guidelines is A+.
We had this self-assessment checked by the GRI and it was confirmed.

GRI Level Check Statement

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **RWE AG** has presented its report "Our Responsibility. Report 2013" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 26 March 2014

Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative

The "+" has been added to this Application Level because RWE AG has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 19 March 2014. GRI explicitly excludes the statement being applied to any later changes to such material.*

UN Global Compact Progress Report 2013

RWE supports the United Nations Global Compact and wants to help with the worldwide implementation of its ten principles, which have been adopted word for word in the RWE Code of Conduct. The following chart identifies the guidelines, programmes and management systems which we have also introduced within our sphere of influence. The table also highlights the measures that have been taken during the period under review and the specific results obtained.

Principle	Systems	Measures	Results
Principle 1: Support of human rights	Social Charter and minimum standards for restructuring operations carried out for the European companies in the RWE Group, covering 99.5 % of the workforce Principles of personnel policy for employees in Egypt and Libya ILO core standards are defined in the Social Charter Supplier management (p. 59)	Restructuring with social compensation scheme in cooperation with employee representatives (p. 57) Assessment and review of suppliers (p. 59) Co-founder of "Bettercoal" initiative, development of a Code of Practice for coal mining. (p. 59) Participation in "Dutch Coal Dialogue" (p. 42)	Compliance with principles 1 – 5 assured through national legislation in Europe, cooperation with the unions and RWE's own principles which apply to employees of the companies
Principle 2: Elimination of human rights violations			
Principle 3: Ensuring freedom of association			Pay and social benefits above national average
Principle 4: Abolition of all forms of forced labour			
Principle 5: Abolition of child labour			
Principle 6: Elimination of discrimination	Diversity management (p. 57)	Senior Women's Network Promotion programme in cooperation with the "Association for Women on Supervisory Boards" ("FiDAR – Frauen in die Aufsichtsräte") (p. 57)	Percentage of women in management positions increased to 13.9 % (p. 57) Percentage of people with severe disabilities constant at 6.0 % in Germany
Principle 7: Precautionary environmental protection	Environmental management (p. 51) Strategy to reduce the CO_2 emission factors (p. 46)	Climate protection, energy efficiency and biodiversity/ environmental protection as part of the CR Programme (p. 43 ff.) Cooperation with IUCN (p. 51) Revision of internal lines of reporting and responsibilities for environmental protection (p. 50)	Reduction of water consumption (p. 51)
Principle 8: Initiatives to promote greater environmental responsibility		Consultancy and services for intelligent use of energy with residential and business customers (p. 10 ff., 63)	Smart Meters replace old meters (p. 11, 49) Support for energy refurbishments in buildings with thermographic images (p. 12)

Principle	Systems	Measures	Results
Principle 9: Development and diffusion of environmentally friendly technologies	Strategy to reduce the CO_2 emission factors (p. 46) financial risks of CO_2 are presented in Risk Management Innovation management (p. 39 f.)	Research intelligent energy management (p. 65) Research on manufacture of chemical feedstocks from CO_2 (p. 65) Expansion of renewables-based energies (p. 46)	Modernisation of the power plant portfolio (p. 6 ff.) Start-up of plants in the area of renewable energies (p. 47) Expansion of charging infrastructure for electromobility (p. 12)
Principle 10: Anti-corruption measures	RWE Code of Conduct and Group guidelines for prevention of corruption and organisational regulations (p. 38 f.)	Drawing up detailed corruption risk scenarios (p. 39) Training of the workforce with an Intranet-based training programme and on-site training (p. 38 f.) Review of the Compliance Management System (CMS) for anti-corruption commissioned in accordance with the German Institute of Auditors (IDW Audit) Standard 988 partially completed (p. 39)	Compliance training sessions for employees (p. 38 f.)

KEY FIGURES AT A GLANCE

Field	Performance indicator		2013	2012	2011	2010	2009
Economy	External electricity sales volume	billion kWh	270.9	277.8	294.6	311.2	282.8
	External gas sales volume	billion kWh	335.0	306.8	322.2	395.4	332.0
	Electricity customers	million	16.1	16.4	16.6	16.2	16.5
	Gas customers	million	7.4	7.7	7.8	7.9	8.0
	External revenue	€million	54,070	53,227	51,686	53,320	47,741
	Share of the RWE Group's revenue earned in countries with a high or very high risk of corruption[1]	%	13.0	13.7	12.4	12.0	12.7
	Net income	€million	-2,757	1,306	1,806	3,308	3,571
	Value added	€million	990	1,589	1,286	2,876	3,177
	Capital expenditure	€million	4,624	5,544	7,072	6,643	15,637
Environment	Power plant capacity	MW	49,036	51,977	49,238	52,214	49,582
	NO_x emissions Particulate emissions	g/kWh	0.68	0.69	0.60	0.58	0.67
	SO_2 emissions	g/kWh	0.37	0.4	0.31	0.29	0.34
	Particulate emissions	g/kWh	0.022	0.025	0.021	0.019	0.024
	Primary energy consumption	billion kWh	409.6	435.7	390.6	403.0	368.2
	Water consumption[2]	m³/MWh	1.45	1.56	1.62	1.41	1.70
	Specific CO_2 emissions	t/MWh	0.756	0.792	0.787	0.732	0.796
	Scope 1 CO_2 emissions[3]	million metric t	165.7	181.7	163.8	167.1	151.3
	Scope 2 CO_2 emissions[4]	million metric t	1.5	1.9	2.4	3.1	3.5
	Scope 3 CO_2 emissions[5]	million metric t	105.0	105.2	121.0	135.7	128.1
	Share of the Group's electricity generation accounted for by renewables	%	6.4	5.5	4.3	4.0	3.5
	Employees[6]		66,341	70,208	72,068	70,856	70,726
Society	Share of women in the company	%	27.7	27.5	27.1	26.2	26.1
	Share of women in executive positions[7]	%	13.9	12.3	11.3	10.8	9.0
	Fluctuation rate	%	11.5	10.8	10.1	8.3	8.7
	Health ratio	%	95.4	95.5	95.8	95.6	95.4
	Lost-time incident frequency	LTI_F[8]	2.3	2.8	2.8	3.5	4.3
	Fatal work-related accidents[9]		1	4	3	1	5

1 Countries rated lower than 60 on a scale of zero to 100 in the 2013 Corruption Perceptions Index by the anti-corruption organisation Transparency International, with 100 corresponding to the lowest risk of corruption.

2 Difference between power plant water withdrawals and returns to rivers and other surface waters; excluding power plants with seawater cooling.

3 Scope 1: direct CO_2 emissions from in-house sources (oil and gas production, gas transmission & electricity generation).

4 Scope 2: indirect CO_2 emissions from the transmission and distribution of electricity purchased from third parties.

5 Scope 3: indirect CO_2 emissions that do not fall under scope 1 or 2, produced through the generation of electricity procured from third parties, the transmission and distribution of electricity in third-party networks, the production and transmission of used fuel, as well as the consumption of gas sold to customers.

6 Converted to full-time employees.

7 2009 excluding Essent.

8 Lost Time Incident Frequency (Number of accidents leading to the loss of at least one person day per million working hours); until 2011 excluding employees of contractors, from on 2012 occupational accidents including employees of contractors.

9 Including employees of third-party companies.

Commentaries to the figures

The following commentaries are specific annotations to the figures. Those are assorted corresponding to the categories in the data tool. Commentaries to the same category are displayed among each other.

Category	Commentaries
Power Generation	Including electricity procured from power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In fiscal 2013, it amounted to 21.8 billion kWh, of which 18.5 billion kWh were generated from hard coal.
Power plant capacity	Including capacities of power stations not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. As of 31 December 2013, these capacities amounted to 6,424 MW, of which 4,259 MW were based on hard coal
CO_2 emissions	Includes power stations not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In the year under review, they produced 19.5 million metric tons of CO_2 and stopped receiving free allocations of CO_2 certificates. Based on the electricity production, not including emissions from biogenic fuels. **Scope 1:** direct CO_2 emissions from in-house sources (oil and gas production, gas transmission & electricity generation). **Scope 2:** indirect CO_2 emissions from the transmission and distribution of electricity purchased from third parties. **Scope 3:** indirect CO_2 emissions that do not fall under scope 1 or 2, produced through the generation of electricity procured from third parties, the transmission and distribution of electricity in third-party networks, the production and transmission of used fuel, as well as the consumption of gas sold to customers.
Pollutant emissions	Not included plant fired by gas from blast furnaces.
Fuels	Fiscal 2007 adjusted since “Our Responisbility.Report 2007”. Fossil fuels used, without biomass.
Waste	Owing to a change in the rules the use of ash to refill disused opencast mines no longer counts as recycling as of 2010.
Water	Difference between power plant water withdrawals and returns to rivers and other surface waters excluding power plants with sea water cooling.
Reportable nuclear incidents at our nuclear power stations (INES)	INES: International Nuclear Event Scale.
Workforce	FTE = Full-Time Equivalent: Converted to full-time positions. 2009 excluding Essent.
Occupational Health and Safety	Lost Time Incident Frequency (Number of accidents leading to the loss of at least one person day per million working hours); from on 2012 occupational accidents including employees of partner companies.

Category	Commentaries
Customers	Not included minority stakes.
External electricity & gas sales volume	2011 including gas trading. Including small volumes subsumed under “other, consolidation.” Including small volumes in the Conventional Power Generation Division.
Financial figures	RWE Innogy was established in February 2008. Countries rated lower than 60 on a scale of zero to 100 in the Corruption Perceptions Index by the anti-corruption organisation Transparency International, with 100 corresponding to the lowest risk of corruption. Since 2008, EBITDA has also included operating income from investments.
Dividend/dividend payment	Dividend proposal for RWE AG’s 2013 fiscal year, subject to approval by the 16 April 2014 Annual General Meeting.
Value added	2007 adjusted as per the Annual Report 2008, 2006 excluding discontinued operations (American Water). Only the taxes actually paid are included, not tax expenditure 2007 adjusted as per the Annual Report 2008, 2006 excluding discontinued operations (American Water). 2008 adjusted as per the Annual Report 2009, 2007 adjusted as per the Annual Report 2008, 2006 excluding discontinued operations (American Water), 2013 proposed[2] dividend.

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OUR COMPANY

RWE ranks among the leading electricity and gas utilities in Europe. We cover virtually the entire value chain from production of lignite, oil and gas, to the supply for our customers.

Production 2013
105 million mt lignite[1]
22,000 hectares of recultivated land[1]
2,625 million m³ of gas produced
2.3 million m³ of oil produced

Procurement and trading 2013
1,145 TWh of electricity
304 billion m³ of gas
2,019 million barrels of oil
626 million CO_2 certificates

Power and heat generation 2013
81.2 TWh of lignite
51.3 TWh of hard coal
37.0 TWh of gas
30.5 TWh of nuclear energy
13.8 TWh of renewable energies
2.9 TWh other

Distribution 2013
393,000 km of distribution grid for electricity
112,055 km of distribution grid for gas
300,000 renewable energy plants

Sales and use 2013
16.1 million residential and business customers for electricity
7.4 million residential and business customers for gas
271 TWh external sales for electricity
335 TWh external sales for gas

The fundamental transition in European energy systems presents major challenges for us at every stage of the value chain and impacts on our earnings situation. Despite difficult framework conditions, we want to play our part in the continued development of the energy system, proving that we are trustworthy and high performing.

THE KEY CORPORATE INDICATORS FOR 2013 AT A GLANCE:

€ 54.1
billion external revenues

66,341
employees

0.76
Metric tons of CO_2 per MWh of electricity

7.1 %
Share of renewable energies in power plant capacity

€ 2.6
billion in investments and expenses for environmental protection

2.3
LTI_F[3] Occupational accidents

1 Data on lignite production relates to opencast mines in the Rhineland mining area
2 Programme for promoting volunteer employee engagement
3 Lost Time Incident Frequency (Number of accidents leading to the loss of at least one person day per million working hours) including employees of contractors

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