

# Changing Energy

## About this Report

This is E.ON AG's third Corporate Social Responsibility (CSR) Report. Last year's report concentrated mainly on how we approach CSR. This report focuses on the dialog with our most important stakeholders and on our changing market environment.

The → symbol used in many places in this report indicates that additional information is available on our website. Along with detailed, up-to-date information, our CSR web pages at [eon.com](http://eon.com) > **Corporate** > **Responsibility** also contain a list of links to help readers find specific content. Words set in gray type are explained in greater detail in the glossary on page 54.

This annual CSR report supplements our other periodic reports: the Annual Report, the Annual Report on Form 20-F, Strategy & Key Figures, as well as other reports published by E.ON companies. Some of our market units publish their own CSR reports which meet the information needs of their main stakeholders and contain region- and country-specific content. This report aims to provide a view of E.ON's economic, environmental, and social achievements while also examining the challenges we currently face. It is also our Communication on Progress in the meaning of the United Nations' Global Compact, whose ten principles we expressly endorse.

This is a report for the entire E.ON Group encompassing all our market and business units. The data refer to all subsidiaries and power plants in which E.ON owns a majority stake and that are fully consolidated in E.ON's Consolidated Financial Statements. Figures for 2004 and 2005 were adjusted for discontinued operations.

In producing this report we adhered to the guidelines of the Global Reporting Initiative (GRI), which confirmed that our reporting meets Application Level A+, the highest category for companies following G3 reporting guidelines. When this report went to press, the Sector Supplement for energy sector companies had not yet been

published; however, this report takes into account the draft Supplement issued on January 8, 2007. A condensed GRI Content Index is on the inside back cover of the report. An index providing more detailed commentary and links is published on our website.

Stakeholder dialogs provided us with valuable input for the topics of this report, helping us to focus the print report on particularly relevant issues (see page 4). Information mainly of interest to individual stakeholder groups is published on our website. Besides our stakeholders' expectations and requirements, this report also takes into account the results of media analyses as well as the content-based and formal requirements of rating and ranking organizations.

We submitted this report to an independent auditor who audited certain sections of the report (those specified in the audit contract) for accuracy, completeness, and relevance. The audit results are described in an independent assurance report (see page 56).

The reporting period is the 2006 financial year. We have, however, also taken account of relevant information from 2007 that was available before the content submission deadline of February 28, 2007. This report is available in both English and German. Our next CSR report is scheduled for publication in the second quarter of 2008.



The E.ON reporting on CSR Issues meets Application Level A+ of the Global Reporting Initiative

# Highs and Lows in 2006

## Highs

January

**Foundation of E.ON Energy Research Center** RWTH Aachen University and E.ON sign an agreement to establish and operate the E.ON Energy Research Center. The aim is to work together to enhance international research on energy efficiency and climate protection. E.ON will provide €40 million in financing for the center through 2015. →

March

**Energy for Children** E.ON decides to focus its groupwide community involvement effort on support for the education of children and young people. Important aspects are energy and environmental awareness. The flagship initiative is called Energy for Children (see page 36).



June

**CSR dialog with 80,000 employees** Employees across E.ON take part in the second OneE.ON Day, with activities at all locations centering on CSR. Presentations, poster sessions, and discussion panels explored the importance of CSR to E.ON and the many ways employees play an active role (see page 12).

**Equal Opportunity and Diversity Guidelines take effect** E.ON's new Equal Opportunity and Diversity Guidelines take effect throughout the group. They define these core values and those of the Global Compact and establish a framework for programs to cultivate them (see page 10).

August

**New Code of Conduct** E.ON publishes a revised Code of Conduct which sets guidelines for ethical conduct for all E.ON employees on matters such as business-related entertainment and gifts (see page 13).

## Lows



November

**Power outage in Europe** A power outage affecting much of Central Europe originates in E.ON's transmission system. The main cause is human error. Investigations to date indicate that the problem was not due to a technical fault (see page 21).

Events over the whole year

**Seven fatal occupational accidents**

Despite our high safety standards, we had seven industrial fatalities in 2006, six of them involving employees of contractors. This is unacceptable. We regret these incidents very much and work continually to reduce workplace accidents (see page 45).

October

**More than 800 good ideas** E.ON confers the first OneE.ON Award and OneE.ON Innovation Award for Customer Orientation. The competition attracts 871 projects and ideas from more than 4,500 employees from across the group (see page 22).



a financial services provider, gives our CSR activities top marks, naming us as "best in class." Finally, in the Good Company Rating, which compares the social performance of Europe's 120 largest companies, E.ON climbs 23 places to number 37.



#### Focus on environmental protection

E.ON's first groupwide environmental conference gives subject experts and senior managers the opportunity to discuss ways to further enhance our environmental stewardship. The topics include climate protection and biodiversity as well as environmental, waste, and water management. →

#### Efficient, environmentally friendly energy

The purpose of E.ON's new technology initiative, innovate.on, is to spur the development of four key technologies for efficient, environmentally friendly energy production. Although we are a technology user and not a manufacturer, we plan to spend several hundred million euros annually to research the technologies of the future (see page 29).

November

#### Major improvement in CSR rating performance

The Accountability Rating, a ranking of the world's 50 largest companies on their corporate accountability performance, rates E.ON amongst the "most improved" for 2006, improving 41 places to number 25. Storebrand,

December

#### €22.4 billion over three years

E.ON publishes its investment plan for 2007 through 2009 consisting of investments of about €22.4 billion in property, plant, and equipment, in particular for modern, climate-friendly generation assets, robust and efficient power and gas networks, and improvements in the gas supply situation (see page 20).

#### Publication of groupwide climate protection goals delayed

Due to regulatory uncertainty, E.ON decides not to set a groupwide CO<sub>2</sub> reduction target, although it previously pledged to do so (see page 11 and 29).

#### Slight decline in customer loyalty index

E.ON's annual customer loyalty survey shows that in 2006 we improved our performance compared with our main competitors. Nevertheless, the slight absolute decline in our customer loyalty index is not in line with our objective of further improving our solid standing (see page 22).

# Changing Energy

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Dr. Wulf H. Bernotat

Christoph Dänzer-Vanotti

## Dear Readers,

We're pleased that you've decided to take a look at our third groupwide CSR report. It explains our CSR strategies and objectives and describes our CSR achievements during the reporting period.

Our objective is to be an industry leader in social responsibility. We explicitly endorse the United Nations' Global Compact and have pledged to comply with its ten principles for doing business ethically and responsibly. We want to foster a corporate culture—at all levels of our organization and along the entire value chain of our business—that ensures that we plan and operate in a socially responsible manner.

The theme of this year's report is "Changing Energy" to reflect the many ways in which our industry is changing. Energy markets worldwide are tight, with energy resources becoming scarcer and the global competition for them fiercer. Energy prices have risen in the past few years. We believe that one of our most important tasks is to make a substantial contribution to securing Europe's supply of energy at a fair price level. At the same time, climate change has become one of the biggest challenges of our time. That's why we support the ambitious goals of the European Union, which has become a pacesetter in climate protection. Due to regulatory uncertainty, particularly regarding the future of nuclear energy in Germany, we've only set a specific CO<sub>2</sub>-reduction target for our U.K. market unit. Despite differences between the energy-policy and regulatory environments we operate in, we intend to define a group-wide CO<sub>2</sub>-reduction target by the end of 2007. We're already doing a lot to reduce our CO<sub>2</sub>

emissions. One example is the technology offensive we launched last year called innovate.on, which aims to spur the development of key technologies for environmentally friendly energy supply. Between now and 2012 we plan to invest a total of about €8 billion in renewable energies and energy efficiency.

We're committed to meeting increased public expectations. As a major international corporation, we've received greater public scrutiny over the past several years. We're increasingly expected to provide information about our decision-making processes early on and to involve all affected parties in these processes. We see this as an opportunity to further expand objective, fact-based dialog with our different stakeholders. This report is an important part of this dialog. We want to demonstrate how we respond to changes in the economic, environmental, and social landscape in which we operate and how we're a leader in shaping new developments in our industry. We're focusing on achieving four key objectives for 2007. In this report we explain how we're:

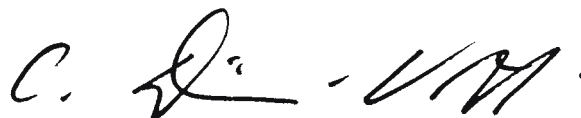
- developing a CSR culture throughout our organization
- becoming a leader in open, trustworthy, and self-critical corporate communications
- taking a leadership position in improving climate protection and energy efficiency
- acting as a credible and committed corporate citizen of the communities and regions where we operate.

We report openly, reliably, and also self-critically on what we've achieved and provide an accurate and balanced description of our economic, environmental, and social achievements in accordance with the most recent Global Reporting Initiative guidelines. We invite you to read this report and judge for yourself where we currently stand and how much progress we made in 2006. We'd be grateful to hear what you think ([info@eon.com](mailto:info@eon.com)) and hope you enjoy reading the report.

February 28, 2007  
Düsseldorf



Dr. Wulf H. Bernotat  
Chairman of the Board of Management and CEO



Christoph Dänzer-Vanotti  
Member of the Board of Management and CHRO

## Successful Dialogs

**Stakeholder Dialogs have a long tradition at E.ON** We have a long tradition of eng-

**at E.ON** We have a long tradition of engaging in periodic dialog with our stakeholders. Our regional utility companies in particular have developed, and continue to develop, their CSR effort in close consultation with local communities. As a company that now operates worldwide, our operations are subject to special public scrutiny. It's therefore important for us to maintain an ongoing dialog with local stakeholders directly impacted by our operations and with international stakeholders. This enables us to identify their expectations early and factor them in to our business decisions.

We've established numerous channels for dialog through which we systematically communicate with different stakeholder groups. This report takes a closer look at several of these groups. The people who live near our facilities constitute one of the most important. We can only operate successfully over the long term if they support our business. We use events, information hotlines, and comprehensive information materials to involve shareholders early in the planning of large infrastructure projects. For example, in 2006 E.ON Ruhrgas successfully allayed public reservations about the construction of a natural gas transport

pipeline. Another example is the visitor centers at our power stations where the public can obtain information about our operations.

Through numerous consulting and service offerings across E.ON, we seek dialog with our customers and periodically measure their satisfaction. We enhance these efforts in difficult situations. For example, last year E.ON Bayern employees went on a dialog tour throughout Bavaria to explain to customers the causes of higher energy prices. We also conduct annual employee surveys to find out what our employees think of their work environment and to identify areas where we can do better. In addition, we seek to raise our employees' awareness of the social and economic aspect of our operations and their ability to make responsible decisions. In the fall of 2006 E.ON Nordic conducted web-based CSR training programs for its employees which now serves as a model for the entire E.ON Group.

[illegible]<sup>1</sup>including Energy Mix<sup>2</sup>including Energy Advice<sup>3</sup>including Research & Development

For more detailed information on the issue Customer Relationships see our Stakeholder Feature "On the road with E.ON" on page 24. ●

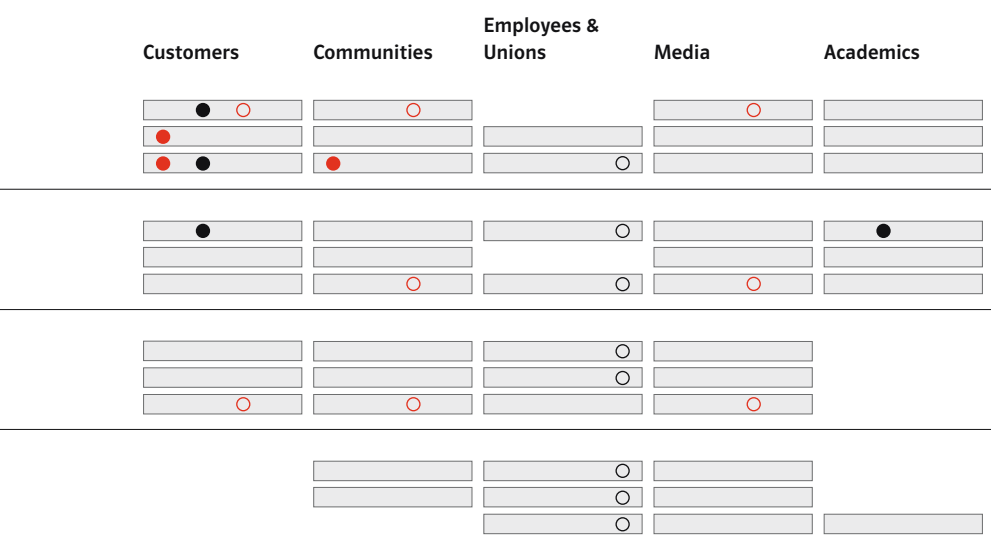
For more detailed information on our dialogs with environmental and climate protection organizations see our Stakeholder Feature "Accounting for carbon" on page 32. ●

We have long held lively discussions with numerous interest groups about how to achieve a sustainable energy supply. These discussions enable us to gauge public opinion early and learn more about the sometimes divergent expectations of different groups. They also give us the opportunity to tell these groups about what we do to protect the climate and the environment. In February 2007 E.ON UK held a workshop for representatives of governments and nongovernmental organizations (including Greenpeace) about our strategy and communications regarding climate change. The event featured lively discussions about the best climate-protection strategies.

State-of-the-art energy technologies are essential to a sustainable energy supply. As a leading technology user, we work closely with researchers and scientists. An important milestone was the founding, together with RWTH Aachen University, of the E.ON Energy Research Center. We also support science and research through scholarships for promising university students.

### Systematic stakeholder dialog at E.ON

In order to tailor our dialog programs even more closely to our stakeholders' needs, in 2006 we conducted an analysis of our most important stakeholder groups, drawing on a successful approach developed by E.ON UK. The diagram on this page displays the preliminary results: a classification of our stakeholder groups and the issues that are important to each. The gray bars indicate where each group's main interests lie. E.ON is already engaged in dialog with these stakeholder groups. The various symbols refer to the above-mentioned stakeholder dialogs featured in this report. We discuss all issues shown in the diagram in our print and/or online CSR reporting. This survey will provide the basis for refining our stakeholder dialogs.



#### Other topics online

##### Marketplace

Responsibility in the Value Chain

##### Environment


Operational Environmental Protection, Nature Conservation and Biodiversity


##### Community

Arts and Culture, Community Development, Promotion of Science, Charitable Donations

##### Workplace

Work-Life Balance, Diversity, Employee Participation and Identification, Terms of Employment, Idea and Knowledge Management

For more detailed information on our dialog with neighbors see our Stakeholder Feature "Listening to local concerns" on page 40. 

More detailed information on the issue of raising employees' awareness for CSR is available in our Stakeholder Feature "Developing our CSR capacity" on page 48. 

# E.ON Corporate Profile

**E.ON is the world's largest investor-owned energy services provider. Our 80,000 employees generated about €68 billion in sales in 2006.**

Since 2000, transactions totaling around €104 billion have transformed E.ON from a conglomerate into an integrated European power and gas company. The success of this process is evidenced by the significant improvement of our financial and earnings strength. Between 2001 and 2006, we increased adjusted EBIT by 166 percent to €8.2 billion.

## Corporate Strategy

We meet the challenges of our changing market environment around the world and have a clearly defined strategy:

- **Integrated power and gas business:** As an integrated power and gas supplier, we operate along the entire value chain, from production and trading to distribution and supply. This enables us to optimize our business throughout the value chain and to diversify risk. We also leverage the synergies of power-gas convergence.
- **Clear geographic focus:** Size is a decisive competitive advantage in the energy business. That's why we intend to strengthen our leading positions in our

current markets and create value for the long term through organic growth. However, we also intend to grow externally and tap new markets. This, we believe, is the only way to achieve above-average success.

- **Clear strategic priorities:** Our primary objective is to strengthen and expand our position in Europe. We intend to maintain our strong and diversified generation portfolio and build up an equity natural gas portfolio.
- **Strict investment criteria:** Investments and acquisitions must meet our strict strategic and financial criteria.

Our growth in Europe helps to improve the efficiency of Europe's internal market for energy. At the same time, we're able to make substantial investments in modernizing Europe's energy infrastructure and enhancing security of supply. →

## Organizational Structure

Our market-oriented organizational structure has three tiers. Located in Düsseldorf, Germany, E.ON AG is the E.ON Group's Corporate Center. It manages E.ON as an integrated energy group, charts the group's strategic course, defines areas for further development, manages business issues that transcend our individual markets, optimizes the group's business portfolio, and secures financial resources.

We have five market units which correspond to our target markets: Central Europe, Pan-European Gas, U.K., Nordic, and U.S. Midwest. The market unit lead companies—E.ON Energie, E.ON Ruhrgas, E.ON UK, E.ON Nordic, and E.ON U.S.—are tasked with managing the integrated operations in their respective markets and regions in a decentralized fashion, leaving responsibility for day-to-day operations to their business units, the third tier of our organizational structure.

E.ON Group Financial Highlights			
	2006	2005 <sup>1</sup>	+/-
Sales (€ in millions)	67,759	56,141	21
Adjusted EBIT (€ in millions) <sup>2</sup>	8,150	7,293	12
Electricity sales (in billion kWh) <sup>3</sup>	400.4	401.7	-
Gas sales (in billion kWh) <sup>3</sup>	949.0	924.3	3
Investments (€ in millions) <sup>4</sup>	5,161	3,941	31
Employees at year end	80,612	79,570	1

<sup>1</sup>Adjusted for discontinued operations.  
<sup>2</sup>Non-GAAP financial measure; see reconciliation to net income on page 36 of the E.ON 2006 Annual Report.  
<sup>3</sup>Unconsolidated figures, includes gas sales of E.ON Ruhrgas AG.  
<sup>4</sup>Excludes other financial assets.

## OneE.ON

We launched the OneE.ON integration project in 2004 with the aim of increasing employees' identification with E.ON, enhancing team work, and improving employees' grasp of E.ON's corporate strategy. One aspect of this project was the definition of our guiding principles which include five core values:

- Integrity: We do what we say.
- Openness: We say what we think.
- Trust and mutual respect: We treat others as we would like to be treated.
- Courage: We do and say what we believe is right.
- Social responsibility: We act in the long-term interests of society.

In 2006 we introduced the OneE.ON initiative at E.ON companies in Romania and Bulgaria in order to begin the process of cultivating a shared corporate identity in these new E.ON markets.

## Net Value Added

The calculation of our net value added clearly illustrates the resulting financial benefits for our stakeholders. In 2006 the net profit on sales (gross profit on sales less the cost of goods sold and services provided, depreciation, and other expenses)

and other earnings of our continuing operations totaled €13.4 billion.

Of this figure, about €4.6 billion went to our employees in the form of wages, salaries, and benefits. Corporate income taxes and other taxes totaled nearly €2 billion. This was adjusted for corporate tax credits which did not lead to an inflow of proceeds in 2006 (see page 133 of the 2006 E.ON Annual Report). We paid €1.4 billion in interest to our creditors. Minority interests totaled €526 million. Our net value added for 2006 was thus approximately €4.9 billion, equal to 7.2 percent of our sales.

At the E.ON Annual Shareholders Meeting on May 3, 2007, the Board of Management and Supervisory Board will propose that E.ON pay a cash dividend of €3.35 per ordinary share for a total dividend payout of €2.2 billion. The total dividend for the 2005 financial year was higher because E.ON paid its shareholders a special dividend equal to the proceeds from the Degussa disposal. In addition to the dividend, our shareholders benefited from a 17.7-percent increase in the price of E.ON stock in 2006.

Net value added does not include our expenditures for goods and services, which totaled €7.1 billion in 2006, most of which reflects services. In general, we buy services from companies in the region where our facilities are located.

Net Value Added			
€ in millions	Use	2006	2005
Value added <sup>1</sup>		13,414	12,713
Employees	Wages, salaries, benefits	4,573	4,232
Government entities	Current taxes, other taxes <sup>2</sup>	1,972	1,928
Lenders	Interest expense <sup>3</sup>	1,413	1,271
Minority interests	Minority interests' share of income from continuing operations	526	536
<b>Net value added</b>		<b>4,930</b>	<b>4,746</b>
Shareholders	Dividends <sup>4</sup>	2,210	4,614

<sup>1</sup>From continuing operations.  
<sup>2</sup>Adjusted with deferred tax.  
<sup>3</sup>Excludes accretion expense on provisions for nuclear waste management (SFAS 143).  
<sup>4</sup>Dividends are paid out of value added from both continuing and discontinued operations.

All major companies, especially energy companies, need to be ever more rigorous about CSR governance, and to be careful and thorough in reporting on that rigor. Such companies will have to continue to relate to all stakeholders, who expect ever more from businesses. But companies will also have to work more closely with one another and with governments, as business tries to figure out how far it can go on its own and where it needs the support of innovative government policies.

**"It is easy to imagine corporate risk management issues shifting from the mainly reputational issues of today to increasing profit and loss issues as well."**

Björn Stigson  
President World Business Council  
for Sustainable Development

It is clear that utilities cannot justify to their shareholders investments in areas such as energy efficiency or carbon capture and storage unless society will value and reward these activities. Unless companies feel they have a relatively clear view of the future. Only governments can provide that clarity and predictability, by setting policies that energy providers can base their activities on.

The transition to a more sustainable energy future will create winners and losers, both at national and corporate level. It is easy to imagine corporate risk management issues shifting from the mainly reputational issues of today to increasing profit and loss issues as well, caused by new regulations, new carbon markets, new technologies and the increasing willingness of groups to sue companies they see as doing evil.

We at the World Business Council for Sustainable Development asked eight younger CEOs to spend a year thinking about the attributes of the successful companies of tomorrow. Their two main conclusions were both predictable and unpredictable.

The expected conclusion was that companies' main contributions to society will continue to come through their core businesses, not from philanthropy. The more daunting conclusion was that the most successful companies will be those that help society manage major challenges such as poverty, climate change, ecosystem degradation and globalization.





## Corporate Governance

# Responsible Corporate Governance

## Guiding Principles of our Social Responsibility

**Above and beyond making their regular tax payments, large corporations today are increasingly expected to make a contribution to addressing social problems. At E.ON we are convinced that responsible corporate governance is the only way we can ensure the social acceptance of our company's business activities in the long term and thus to ensure its success. For this reason we have established Social Responsibility as one of our five Core Values:**

"We behave responsibly towards our colleagues, customers, suppliers, the environment and the communities where we live and work. We seek to improve lives everywhere we operate, aiming for a healthy safe and sustainable environment. We consider the needs of the present generation and also anticipate the needs of future generations."

With the publication of "Our Voluntary Commitment to Social Responsibility" last year the E.ON Board of Management emphasized its commitment to the Principles set out in the United Nations' Global Compact, which we signed in 2005. By doing this we committed ourselves, amongst other things, to the rejection of child and forced labor, all forms of corruption and reaffirmed our drive towards the development and implementation of environmentally friendly technologies.

To complement and support our commitment to the above we reworked our Code of Conduct last year (see page 14) and—particularly in the area of environment and climate protection—have initiated the technology offensive "innovate.on" (see page 29) as well as an international research initiative. → We are currently developing a detailed environmental program that will, amongst other things, establish groupwide environmental standards.

In this reporting period we have also endorsed the "Equal Opportunity and Diversity framework of the E.ON Group", which includes amongst its objectives the prevention of discrimination against employees. →

In parallel with establishing the Global Compact's Principles within the Group we would like to communicate and help implement these externally too. One instrument we are applying in this direction is awareness-raising measures with our suppliers: we have integrated the Principles within our Bidding Pre-Qualification Scan documents and also within our ongoing assessment procedures for goods and services suppliers. Furthermore we are currently considering how to integrate the Global Compact's Principles in the ongoing monitoring of services delivered by our business partners. When selecting and pre-qualifying suppliers our Procurement teams already check carefully whether the principles are fulfilled. In future we will also expect our suppliers to ensure that their own sub-suppliers have adopted these Principles; we also intend to enlarge the scope of this requirement including our fuels supply chain. →

## Our CSR Strategy

As a globally operating energy company we are particularly in the international public eye and we are well aware of the importance of an open and transparent dialog with our stakeholder groups: we wish to make ourselves aware of their expectations at an early stage. In terms of open, reliable and self-critical communication we have set ourselves the goal of becoming the leading company in the energy sector. Our clear rise in sustainability ratings and rankings in recent years indicates how far we have come along this road. Besides this we are making every effort to have

Commitment to

**Global Compact**

affirmed

→ [eon.com](#) > Corporate > Responsibility  
> Environment > Research & Development

→ ... Responsibility > Management  
> Global Compact

→ ... Responsibility > Marketplace > Value Chain  
> Procurement

our listed stock accepted within the Dow Jones Sustainability Index in 2007; achieving this means we will have moved into our industry's top ten companies showing the most effective sustainability policies. In our efforts towards this goal in 2006 we started developing a standardized non-financial reporting and data gathering process: we intend to have established this fully by the end of 2007.

E.ON intends to embed our responsibility oriented corporate culture more firmly at all hierarchical levels and at every stage of the value chain. In order to do this in 2007 we will involve our market units even more effectively in groupwide CSR programs—especially in the strengthening of our engagement in health and safety management and in our support of our employees' community involvement program. A key indicator of the progress we have made in establishing a corporate culture of responsibility is naturally our own employees' evaluation. When the next Employee Opinion survey is released in 2007, our target is for at least 80 percent of respondents to evaluate us as a responsibly acting company and to state that they have a good overview of all our related activities and goals in this respect.

As an energy utility we play a very important role for industry and the quality of life of people. Our responsibility is to supply our industrial and private customers with secure, reliable energy at acceptable prices. We are also committed to the wider community and to future generations to keep CO<sub>2</sub> emissions produced during electricity and heat generation to a minimum. In a nutshell, we are aiming for the right balance within the dynamic triangle of economic viability, security of supply and environmental sustainability.

We welcome the European Union's new targets for CO<sub>2</sub> emissions reduction and, with respect to climate protection and energy efficiency, have set ourselves the goal of assuming a leading role in the industry. However, given the as-yet undefined and partly contradictory political background in our markets, in particular

concerning nuclear energy and coal-fired electricity generation, we still have to set quantitative targets for the specific reduction of our CO<sub>2</sub> emissions; we expect to establish these targets by the end of 2007. In the meantime we are already doing a lot to reduce our emissions and will invest some €8 billion in renewable energies and increased energy efficiency by 2012. Our E.ON Energy Research Center at RWTH Aachen is planning to start its operational work by the end of 2007. With this center and the international research initiative started at the same time we fully intend to make a significant contribution in the fields of energy efficiency and climate protection. →

As a large company firmly embedded in local communities through its regional utilities, we also assume responsibility for the economic and social development of the communities neighboring our facilities. Wherever our businesses are active we wish to be considered as a trustworthy and committed partner; this is why we carry out regular customer loyalty surveys to measure our image as a responsible company. To be able to manage our investments in local communities even more closely in future, in 2007 we will develop indicators to evaluate the effectiveness of our measures. →

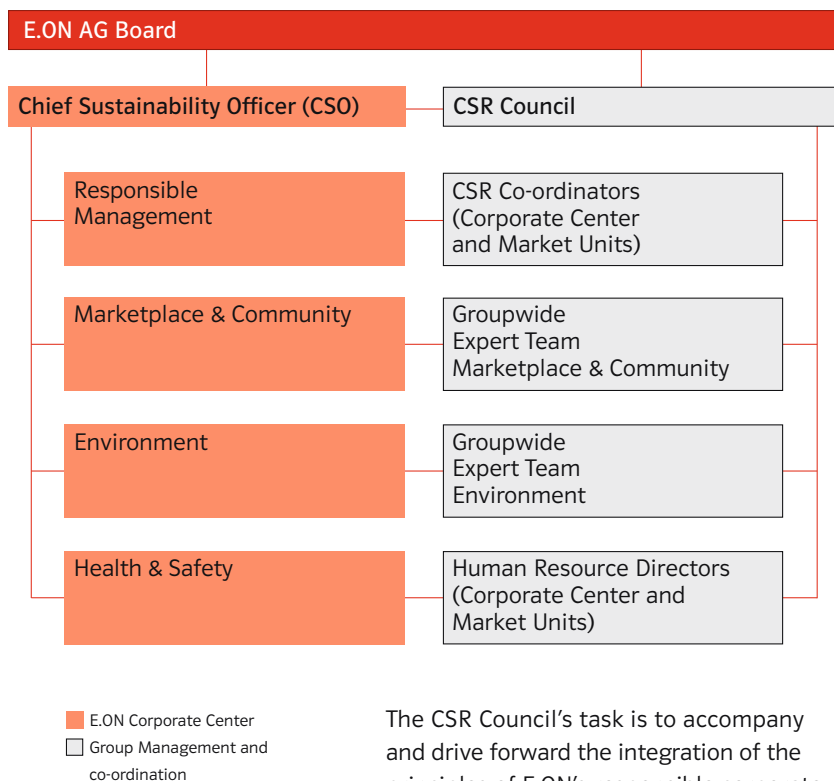
## Our CSR Organization

To embed responsible corporate governance within our corporate culture and business processes even more firmly, we have established a multilevel CSR organization headed groupwide by the CSR Council: this body has an advisory, recommendation and monitoring function towards the Group Board of Management in all areas of responsible corporate governance. Moreover, it monitors the implementation of CSR objectives and is responsible for the CSR Report. In recognition of its central role, in 2006 we specified and documented the CSR Council's functions and working procedures, then published these on our intranet.

You can find details of our further stated goals for 2007 within our CSR Program on page 16

→ eon.com > Corporate > Responsibility  
> Environment > Research & Development

→ ... Responsibility > Management > Strategy



The CSR Council's task is to accompany and drive forward the integration of the principles of E.ON's responsible corporate governance within our Group companies' daily business. In doing this our CSR and sustainability performance and benchmarks are regularly measured against those of other companies to be able to identify the need for action for E.ON. The CSR Council is able to call on the expertise of both internal as well as independent external experts and also to seek discussions with selected stakeholders.

It is not, however, an executive body: instead, it monitors the implementation of our CSR objectives and is responsible for producing the report on these. Since December 2006 the CSR Council has been jointly chaired by Christoph Dänzer-Vanotti, Member of the E.ON AG Board for Human Resources and responsible for CSR at E.ON, and Paul Golby, Chief Executive Officer of E.ON UK. Other members represent the five market units, the Group Works Council as well as those with Group responsibility for Compliance, Strategy and Public Relations. →

In early 2007 we began to transfer our CSR Project Team to fixed organizational units. In the Corporate Center the Chief Sustainability Officer (CSO) heads the

Responsible Management, Marketplace & Communities, Environment and Health & Safety Departments. These in turn co-ordinate the development of relevant group-wide guidelines and measures, as well as the production of the annual CSR Report.

The work of the "Sustainability Department" is supported by CSR Coordinators in all market units as well as by groupwide Expert and Implementation Teams, which are in turn each headed by managers of our market units and the Corporate Center: the former develop strategies and measures for our Action Fields of Responsible Corporate Governance, Marketplace & Community, Environment and Workplace, while the latter co-ordinate our groupwide CSR projects. →

The specific implementation of our CSR strategy takes place within the framework of our management structure in the market units, supported by the CSR Coordinators. These are often better placed to understand their communities' often differing perceptions of CSR issues. These Coordinators form the link between the expectations of regional stakeholders and the Group.

The Group Board of Management approves the goals and measures, recommended by the CSR Council, monitors progress towards the year's goals and targets and ensures the necessary resources are made available and is regularly informed about the content of discussions at the CSR Council's meetings. E.ON's Supervisory Board is involved in the CSR organization through the Board of Management's quarterly reports and discusses key related topics such as the CSR Report in detail at its meetings.

In our effort to embed our core value "Social Responsibility" our "OneE.ON" initiative is especially significant (see page 7). On the second "OneE.ON Day" that took place on June 21 2006, "CSR—Corporate Social Responsibility" was a central topic. 80,000 employees were invited at a range of E.ON facilities to take part in common events and welcomed speakers from other Group companies as well as external visitors. These events were accompanied by an

## OneE.ON Day

on Corporate Social Responsibility

exhibition at all our facilities that communicated our understanding of social responsibility to our employees and illustrated this with a host of Best Practice examples from across a diverse range of Group companies. →

## Corporate Governance and Risk Management

2006 was the first year in which E.ON was required to fulfill the requirements of the United States' Sarbanes-Oxley Act (SOA) governing foreign companies. We welcome the SOA as an important contribution to the strengthening of Corporate Governance. However, fulfilling the requirements of the SOA also entails significant costs: within the last two year period we have already invested some €50 million in the imple-

mentation and tests of our audit procedures. On top of this there are significant internal costs for the documentation and set-up of the system.

At E.ON, the Corporate Audit Area is responsible for the implementation of the SOA. At a two-day E.ON UK-hosted conference on "E.ON and SOA", experts from across the whole Group were able to exchange their views on SOA and related experiences and to then establish common benchmarks. →

Within a Risk Management System we now identify and document the many varied risks that are necessarily closely associated with our business operations. This system is now an integral part of our business and corporate decision-taking processes. Careful risk management enables our managers to identify and to avert risks early. Our "early warning system" is therefore regularly checked by Corporate Audit and by our external auditors according to existing legal requirements. We treat environmental and social risks according to the risk management standards established by the German Control and Transparency in Business Act ("KonTraG") and this legal framework sets out clear guidelines for action should incidents occur. →

E.ON generates over 93 percent of its turnover in countries assessed by Transparency International as having a Corruption Perception Index (CPI) of over 5, indicating that these countries are not seriously threatened by corruption.

We take the prevention of corruption very seriously in all countries where we do business. Therefore we took particular care last year over the reworking of our Code of Conduct, which lays down the guidelines for the ethical behavior of all of us as E.ON employees. There was a strong focus on the guidelines on the giving and acceptance of gifts and invitations: these are now much more clearly detailed and for the first time we included specific examples of these situations in the Code. Wherever there is doubt on the interpretation of the Code or any section of it, all employees are expressly requested to discuss the case

### Transparency International Global Corruption Perceptions Index (CPI) 2006

Country <sup>1</sup>	Ranking	CPI-Score <sup>2</sup>	Share of E.ON Group Turnover (%) <sup>3</sup>
Finland	1	9.6	0.17
Denmark	4	9.5	0.22
Sweden	6	9.2	3.51
Switzerland	7	9.1	1.44
Norway	8	8.8	0.28
Netherlands	9	8.7	2.65
Austria	11	8.6	0.53
Great Britain	11	8.6	19.79
Germany	16	8.0	56.15
France	18	7.4	0.47
Ireland	18	7.4	0.07
U.S.A.	20	7.3	3.05
Hungary	41	5.2	5.30
Italy	45	4.9	1.25
Czech Republic	46	4.8	1.57
Slovakia	49	4.7	0.07
Bulgaria	57	4.0	0.40
Poland	61	3.7	0.06
Romania	84	3.1	1.63
Russia	121	2.5	0.06
Other	-	-	1.35

<sup>1</sup>countries with a percentage of turnover (by customer location) where turnover is more than €100,000.

<sup>2</sup>figure produced by business representatives and country experts and illustrating the extent of corruption from 10 (not corrupt) to 0 (extremely corrupt).

<sup>3</sup>by customer location.

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> Dialog > Events

→ ... Management > Guidelines > Standards  
→ eon.com > Investors > Corporate Governance  
> Corporate Governance Report 2006 > Risk Policies

with the Compliance Officer responsible without delay. The main reason for the strengthening of this regulatory framework was above all the public discussion of E.ON Ruhrgas-financed informational trips for customers.

The new Group Code of Conduct came into effect at the Corporate Center and in all market units at the beginning of 2007; in some market units there are additional guidelines that go beyond the requirements in the Code of Conduct. Since the introduction of the new Code of Conduct—which is available on our website—Compliance Officers have been frequently approached for advice. New employees are given a copy of the Code on enrolment and its significance is explained in detail during orientation and induction events. The Code is also an integral part of the E.ON Academy's courses and special training for senior management staff in its interpretation is being planned. →

Another important way of combating bribery and corruption is the "Whistle-blower Hotline", which has been in existence since the beginning of 2005. This communication channel is available for employees to raise any doubts and concerns they may have around irregularities, for instance in connection with invoicing. All employees can communicate possible cases for investigation or inappropriate procedures in full confidentiality by telephone or in writing. E.ON takes thorough and appropriate follow-up action in each of these cases.

## Reporting Area and Performance Benchmarking

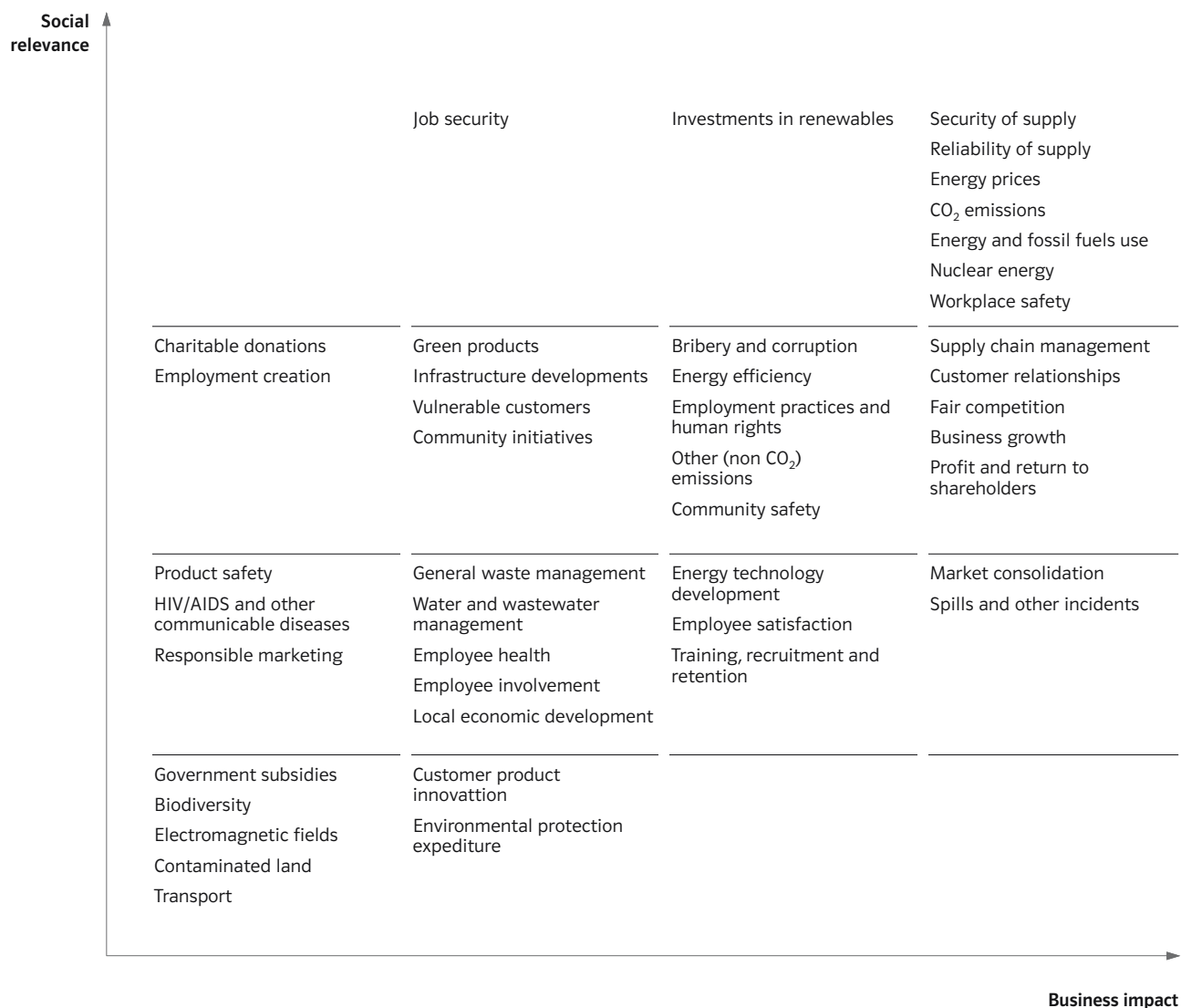
CSR reporting is strongly oriented towards our goal of highly transparent and open communication: for this reason we support the Global Reporting Initiative as an "organizational stakeholder" and follow the Initiative's current G3 Guidelines in our CSR reporting processes. We are an active participant in the development of the GRI Electric Utility Sector Supplement, which aims to improve the comparability of CSR reporting within this sector; here, we are able to contribute our significant depth of international experience. →

We would also welcome better comparability in the field of sustainability rankings. This is why we are currently working together with the "Institut für Management" at the Humboldt-Universität in Berlin on a series of seminars designed to test sustainability ratings against the background of internationally differing legal environments and to make detailed suggestions for improvement concerning the methods and transparency of the evaluating organizations.

Beyond this, in 2006 we started an internal process to further improve our reporting: having identified key topics for our CSR Report, we then evaluated these according to their relevance—or 'materiality'. Within this evaluation we were above all guided by the "Social Concerns", which reflect the expectations of our stakeholders, as well as by the current or probable future "Business Impact" of these key topics.

The matrix shown above illustrates an analysis that was carried out on the basis of the two above-mentioned factors. The prioritization was checked by E.ON employees who have regular contact with the corresponding stakeholder groups; what is more, within the framework of the ongoing stakeholder dialogs we expect further decisive feedback of this

## CSR Reporting: Focus by Topic Area



type. We see those topics that appear in the top right of the matrix as the most important for our CSR Reporting—but this does not mean that we will neglect the other topics! →

To further raise the accuracy and efficiency of our reporting and performance benchmarking we implemented the Internet-based "credit 360" system in 2006 to help in the analysis of CSR data: this enables

a groupwide consistent data gathering. We tested all our performance indicators for consistency with the GRI G3 guiding principles, the Global Compact and the requirements laid down by sustainability ratings and rankings. →

CSR Program 2007		
Objective	Status	
<b>Values: CSR is an integral part of our corporate culture</b>		
<b>E.ON employees are aware of CSR scope and 80 percent consider E.ON a responsible company (result of Employee Opinion Survey)</b>	80,000 employees throughout the Group were invited to take part in the second OneE.ON Day at which the main focus everywhere was CSR 63 percent of E.ON employees think that social responsibility is taken seriously within the Group (Employee Opinion Survey 2006) Integrated Global Compact principles within our pre-qualification and assessment procedures for material and service suppliers	↗
<b>Successful engagement by each market unit in current groupwide CSR programs, e. g. energy research, energy for children</b>	Established appropriate structure for our CSR organization at Corporate Center and market unit level, realization started	↗
<b>We have developed clear objectives and KPIs for our employee involvement (matched funding, matched time, employee volunteering)</b>	Developed a concept for employee involvement at Group level which will be adopted by market units and aligned with regional characteristics	↗
<b>We will further strengthen our health and safety management and reduce groupwide LTIF by 10 percent p.a.</b>	Established a multitude of health programs on Market Unit level (e.g. FIT-Program for employees older than 45 years at E.ON Ruhrgas) Held One E.ON forum on Work-Life Balance in 2006 Reduced groupwide LTIF from 5.0 in 2005 to 4.0 in 2006	↗
<b>Transparency: We are an industry leader in open, reliable and self-critical communication and dialog</b>		
<b>E.ON is among the top 10 percent of our industry and therefore listed on the Dow Jones Sustainability Index (DJSI)</b>	Started developing a systematic approach on stakeholder dialog and a groupwide stakeholder management strategy Strongly improved in DJSI assessment in 2006 compared to 2005. Linked performance measurement to the 2007 assessment results Climbed 41 places to reach 25th place in the Accountability Rating Ranked as "Best in Class" company by Storebrand in terms of sustainability performance Launched transparency initiative on power plant data of our power plants in Europe Pledged to connect every new power plant built in our network territory in Germany within 16 weeks Simplified the way competitors can use our natural gas pipeline system in Germany Created a new retail energy supplier in Germany ("E WIE Einfach") offering attractive tariffs that are easy to calculate	↗
<b>We have an accredited and standardized process of non-financial reporting and data collection</b>	Published a yearly Group report on economic, environment and social issues since 2005 Started implementing a standardized, internet-based data collection process across the Group Had parts of the CSR Report 2006 accredited by a certified accountant	↗
Achievement of objectives level: ↗ → >		

## CSR Program 2007 (Continuation)

## Objective

## Status

**Environment: We are an industry leader in climate protection and energy efficiency improvement****We have developed clear and ambitious objectives for specific CO<sub>2</sub> emission reduction**

Delayed publication of a quantitative CO<sub>2</sub> reduction target due to uncertain political frameworks

Improved groupwide "Carbon Strategy"

Allocated €1 billion for renewable energy projects in 2007–2009

About €500 million for Robin Rigg wind farm (capacity: 180 MW, operational: 2009)

More than €750 million for our share in London Array wind farm (1.000 MW, 2011)

About €1.3 billion for offshore projects in Germany (500 MW, 2011)

**The E.ON Research Initiative, including the E.ON Energy Research Center, is established and operational**

Founded the E.ON Energy Research Center

Established a multitude of co-operations with research institutes and universities across the Group

Started technology initiative "innovate.on" as an integral part of our RD&D activities

Started a broad variety of initiatives on Carbon Capture and Storage activities throughout the Group

Established E.ON Bioerdgas GmbH in 2006

**Reputation: We are a trustworthy and committed partner in the regions and communities where we operate****We increased our image as a responsible corporation as measured in the customer loyalty index**

Integrated questions regarding our image as a responsible company in the CLI-questionnaire

Started exchange of best practices in energy efficiency services across the Group

Established the Energy Performance Certificate for Buildings in Germany in cooperation with the Deutsche Energie-Agentur (dena)

Continued with CaringEnergy and Powergen HeatStreets for vulnerable customers at E.ON UK

**We have developed an appropriate set of KPIs to assess the effectiveness of our community investments incl. reliability of supply**

Started the process of KPI selection

Developed strategy for community engagement

Decided to invest €7.3 billion in our gas and electricity networks between 2007 and 2009



Achievement of objectives level: ➤ ➡ ➤

The new European Council's "Energy Policy for Europe" has clear objectives, including secure supplies, a well functioning internal market, sustainable economic growth and key climate change goals. The mainstay of the new policy is a unilateral and binding core energy objective: that the EU should reduce its greenhouse gas emissions by 20 percent by 2020.

However, this objective is not just about climate change, it is also about Europe's security of energy supply, economy and the wellbeing of its citizens. Achieving the 20 percent objective can limit the EU's growing exposure to volatile prices for oil and gas and possible future uncertainties over market developments, bring about a more competitive EU energy market, and stimulate growth and jobs.

**"Without an Internal Energy Market that is truly characterized by intense European-wide competition none of the EU's core energy objectives will be achieved."**

Andris Piebalgs  
European Commissioner  
for Energy

Without an Internal Energy Market that is truly characterized by intense European-wide competition none of the EU's core energy objectives will be achieved. Big multinational utilities, like E.ON, have to play a decisive role in reaching these goals and in realizing a truly internal energy market.

Nevertheless two of a series of measures need to be taken now: The first of these measures concerns unbundling. There are two options that might be considered to redress this: a full Independent System Operator or ownership unbundling. Of these two, the Commission believes that ownership unbundling is clearly the preferable option. Secondly, the Commission proposes an improvement in the effectiveness of energy regulation. Regulators must be given not only the task of promoting the effective development of their national market, but also that of promoting the development of the Internal Energy Market.

The new Energy Policy for Europe establishes a long term strategy to make a U-turn in the way we use energy. It will mean the EU taking global leadership in catalysing a new industrial revolution, benefiting the developed and developing world alike, while accelerating the change to low-emission economic growth and dramatically increasing the amount of local, low-emission energy produced and used.



Marketplace

# Marketplace

€22,4 billion in fixed-asset investments between 2007 and 2009

Visit [eon.com](http://eon.com) for the advantages and disadvantages of individual energy sources

For decades, Europe had access to secure and economically priced energy. Those days are past. Asia’s booming economies have dramatically increased the world’s energy consumption, which will more than double over the next two decades according to the International Energy Agency. Greater demand is leading to fiercer global competition for finite fossil fuel resources and to higher prices.

Europe’s own resources are becoming exhausted, exacerbating its import dependency. At the same time, Europe’s internal market for energy is undergoing profound change, and the liberalization of power and gas markets is moving forward rapidly. Politicians and other stakeholders assume that more competition will result in lower prices. Moreover, climate change has increased the call for environmentally friendly technologies and emission-free energy.

E.ON welcomes liberalization in important markets and plays a leading role by taking concrete measures to secure the supply of energy and by helping to transform Europe’s energy structures. Between 2007 and 2009, we plan to invest more than €22 billion to build state-of-the-art power

plants, power networks, and pipelines and to access new supply sources for natural gas. At the same time, we’ve taken a variety of measures to shield our customers from high energy prices. We see ourselves as a pacesetter in this area and have launched a series of initiatives to further spur competition. Europe’s energy markets have the innovative power, the willingness to take entrepreneurial risks, and the capital to rapidly press forward with liberalization. For this to happen, though, policymakers must give energy companies enough leeway to develop the best solutions in the competitive marketplace.

## Security of Supply

E.ON pursues three main strategies to secure its customers’ supply of energy for the long term. We maintain a broad energy mix in our generation business, invest continually to modernize our generation and network infrastructure, and work towards diversifying the sources and pathways of the fuels we procure. The high reliability and low outage times of our electricity networks are also aspects of supply security.

**Energy Mix** Our balanced mix of coal, nuclear, renewables, and natural gas enables us to avoid dependency on a single energy source and to secure the supply of electricity for the long term. Many experts believe that for the foreseeable future coal will remain the world’s most important energy source. That’s why we’re developing innovative technologies to reduce emissions from coal-fired power plants (see page 29).

**New Power Plants** Our program to expand and modernize our generation fleet makes us a technology pacesetter in many of the countries where we operate. Our coal-fired power plants in Datteln, Staudinger, and Maasvlakte will have a

Energy Mix of Electricity Generated and Supplied by E.ON						
Percentages	2006		2005		2004	
	Gener-ated	Sold	Gener-ated	Sold	Gener-ated	Sold
Coal	45.5	34.3	44.0	34.0	42.1	33.3
Nuclear	34.1	32.4	34.3	32.4	33.9	31.8
Natural Gas	7.5	13.4	8.8	14.3	7.9	13.9
Hydro	7.9	9.1	9.1	9.6	9.0	10.0
Oil	2.3	3.3	1.9	3.0	1.6	2.7
Wind	0.4	1.3	0.4	0.8	0.3	0.6
Biomass	0.6	<sup>1</sup>	0.3	<sup>1</sup>	0.4	<sup>1</sup>
Other	1.8	6.1	1.3	6.0	4.9	7.6
Total	100	100	100	100	100	100
Total TWh	230.3	419.6	235.3	421.6	233.7	409.6

<sup>1</sup>Biomass data included in "Other".

E.ON's New Large Scale Power Generation (in planning)				
Type	Capacity (MW)	Power Plant	Country	Start of Operation
Coal	1,100	Datteln 4	Germany	2011
	1,100	Staudinger 6	Germany	2012
	400	"50plus"	Germany	2014
	1,100	Maasvlaakte	Netherlands	2012
	2 x 800	Kingsnorth	U.K.	2012/3
	750	Trimble County	U.S.A.	2010
NGCC	800	Irsching 4	Germany	2009
	530	Irsching 5	Germany	2011
	800	Livorno Ferrais	Italy	2008
	400	Gönyü 1	Hungary	2010
	1,200	Grain	U.K.	2009
CHP	440	Malmö	Sweden	2009
Fossil	2,400	Several	Eastern-Europe	>2010
Nuclear	+430	Oskarshamn (upgrade)	Sweden	2008/12
Wind	3,200	Wind energy projects	Europe	2011
<b>Total</b>	<b>16,250</b>			

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Visit [eon.com](http://eon.com) for a link to the UCTE's investigation report

thermal efficiency of about 46 percent—a new achievement for this generating technology. One of our more ambitious projects is called 50plus, a generating unit of at least 400 megawatts (MW) which will have a thermal efficiency of more than 50 percent. Plans call for the unit to enter service by 2014 at a site in Germany. → E.ON U.S.'s Trimble County 2, a new hard-coal-fired generating unit, will set new standards for environmental protection in the United States, which the U.S. Department of Energy has recognized with a roughly €94 million tax credit. Going forward, we also intend to have our own generation assets in Eastern Europe, thereby making an important contribution to economic development and environmental protection in these regions. We also intend to install more than 3,200 MW of additional renewables capacity by 2011 (see page 30).

**Securing Natural Gas Supplies** In 2006 we extended our supply contracts with Gazprom through 2036. Gazprom will supply about 24 billion cubic meters (bcm) annually, enough for about 10 million households. This secures, well into the future, one

third of E.ON Ruhrgas's current gas procurement needs. Our objective is to source up to 20 percent of our gas requirements from our own production assets by 2010. In 2006 we made progress towards achieving this objective by acquiring stakes in exploration blocks in the British and Norwegian North Sea, where E.ON was awarded its first operator's license.

E.ON is entering the liquefied natural gas (LNG) business. LNG, which is transported by ship, will in the future give us access to more distant supply sources such as Africa. Our first large LNG project is the construction of an LNG terminal and re-gasification plant in Wilhelmshaven, a port city in northwest Germany. Plans call for the terminal, which will have an annual throughput capacity of about 10 bcm, to enter service in 2010.

Greater import dependency and seasonal fluctuations in consumption have increased the need for natural gas storage facilities. This is particularly true in the United Kingdom, which in recent years has gone from being a net exporter to a net importer of natural gas. E.ON UK therefore plans to build two of Britain's largest gas storage facilities. →

**Supply Reliability** Despite our high standards for network maintenance and operation, parts of Europe's transmission system experienced a brief outage on November 4, 2006. Our own and independent investigations have determined that human error by employees of E.ON Netz, which operates our transmission system in Germany, played a significant role in the incident. The investigations conducted by the Union for the Coordination of Transmission of Electricity (UCTE), have also confirmed that the incident wasn't caused by technical failure due to insufficient infrastructure investment. In order to avoid the disturbance of network operation in the future, E.ON thoroughly analyzed the incident and initiated counter-measures.

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> Environment > Research & Development  
> [innovate.eon.com](http://innovate.eon.com)

→ ... Responsibility > Marketplace  
> Security of Supply > Gas Supply

## Competition

Last year the European Commission conducted a sector inquiry that criticized the lack of competition in Europe's power and gas markets. The Commission's analysis accords, in many respects, with our own experience. For example, there's still insufficient market transparency in a number of EU member states. E.ON is taking strong action to spur competition in Europe's energy markets, for example by expanding our electricity networks and cross-border transfer capacity.

In 2006 E.ON Ruhrgas substantially simplified the way competitors can use its pipeline system in Germany. In February 2007 we launched a new subsidiary called E WIE EINFACH ("E AS IN EASY"). It's Germany's first retail energy supplier to offer all customers nationwide easy-to-calculate and attractive energy prices. The company's pricing policy ensures that its gas and electricity rates are always more favorable than the local incumbent supplier's standard tariff. →

We're very skeptical of the European Commission's proposal to require ownership unbundling of energy networks. We don't consider this to be an appropriate method of fostering competition. Moreover, it makes it more difficult to plan much-needed investments in network infrastructure.

## Customer Orientation

The more competitive a market, the more important it becomes to deliver quality customer service. That's why customer orientation is one of the five corporate behaviors that guide our actions. In early 2006 we held a groupwide Customer Orientation Week during which we identified best practices as well as ways to further improve our service. The results are available to all employees on our best-practice platforms. For example, all E.ON Nordic employees received three half-days of customer-service training in late 2006 and early 2007.

### OneE.ON Award for Customer Orientation

In 2006 we conferred the OneE.ON Award for Customer Orientation, creating an incentive for our people to develop new ideas for improving customer service. More than 2,400 employees submitted a total of over 500 projects and ideas. First prize went to a team from E.ON U.S. for using new software to reroute incoming customer calls to experienced staff at the company's 25 walk-in business offices across Kentucky, significantly reducing response time to customer inquiries. It's no surprise that a J. D. Power and Associates survey ranked E.ON U.S. as the Midwest's best customer-service utility for the seventh time.

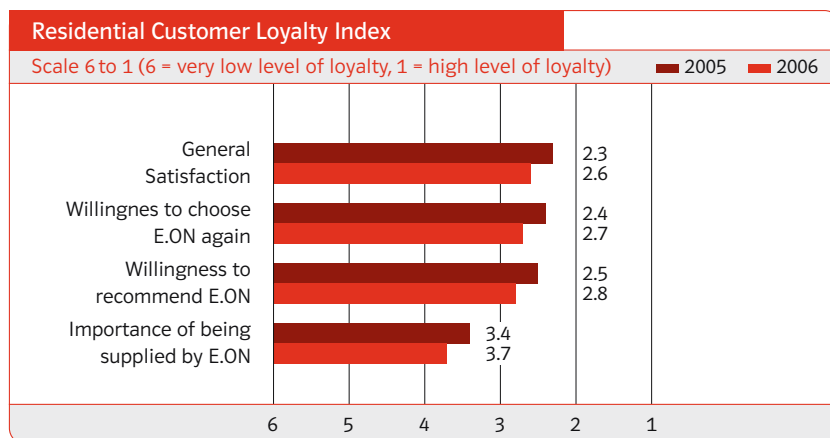
**Customer Satisfaction** It's especially challenging for energy companies to retain their customers' trust in an environment of higher energy prices. This fact is reflected in E.ON's customer loyalty index for 2006, which declined relative to the prior year. In most countries we improved our performance compared with our main competitors. We responded to the decline in absolute terms by launching numerous initiatives. These include products with a price guarantee, information campaigns, more energy-saving advice, and investments to improve service quality. →

E.ON UK, for example, has implemented a variety of measures—including improving processes, and simplifying electricity bills—that together have substantially reduced the number of customer complaints relative to previous years. According to energywatch, a U.K. consumer organization, E.ON UK had the second-lowest customer-complaint rate among U.K. energy companies in 2006 compared with the fifth-lowest rate in 2005.

**Price-sensitive Products** E.ON UK also continually develops new products to meet particular customer needs. For example, it introduced a new power and gas product called Capped 2010 which is designed to shield customers from extreme price volatility. The product caps potential rate

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Energy-saving advice  
for **2.8 million**  
customers

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increases through 2010 but passes price reductions on to customers. E.ON Hanse and E WIE EINFACH in Germany adopted this best practice in early 2007. →

In cooperation with two German charitable organizations, in 2006 E.ON Bayern began offering qualifying low-income customers an annual rebate of more than €100 on their energy bill.

**Customer Energy Efficiency** The energy supply businesses in all of our market units offer a variety of services to help their customers use energy more efficiently. → E.ON UK, for example, invested about €80 million in 2006 as part of the United Kingdom's Energy-Efficiency Obligation.

We believe our energy-saving advice is an important way to enhance customer loyalty and help protect the earth's climate.

E.ON provided energy-saving advice to more than 2.8 million customers in 2006, thereby helping to reduce their energy costs. For example, since 1997 E.ON Nordic's business customers have used the company's energy-consulting services to reduce their annual electricity consumption by an aggregate 120 gigawatt-hours, which prevents nearly 100,000 metric tons of carbon dioxide from entering the atmosphere each year.

Space heating, which accounts for three quarters of residential energy consumption, offers great potential for energy saving. That's why our market and business

units in Germany are currently setting up an energy-efficiency service center that will provide end-customers with independent advice on how to save energy. In addition, E.ON is working with the German Energy Agency to introduce an energy-efficiency certificate for commercial and residential buildings. The purpose of the program is to help our customers learn more about their building's energy profile so that they can take sensible measures to improve its energy efficiency. We plan to share the insights from this program throughout our organization.

In addition to providing customers with energy-saving advice, we also support micropower solutions, such as small-scale combined-heat-and-power units and wind turbines. →

Along with the energy-saving potential in power and heating consumption, there's also room to improve the energy efficiency of motor-vehicle transportation. E.ON therefore also supports the development of natural-gas vehicles and infrastructure. →

#### Other Topic Online

- Responsibility along the value chain

→ [eon.com > Corporate > Responsibility > Marketplace > Customer Orientation > Pricing](#)

→ ... Marketplace > Energy Advice

→ ... Marketplace > Energy Advice > Generation

→ ... Marketplace > Energy Advice > Natural Gas Vehicles



## On the road with E.ON

**In a competitive marketplace we know how important it is to show customers we care. That is why, in several markets including the UK and Germany, E.ON has launched a program to go out and meet customers and give them the chance to share their concerns with us face-to-face.**

In recent years wholesale electricity and gas prices have risen sharply across Europe. A number of factors are at work here, the most fundamental being the balance between supply and demand. The EU is also currently investigating how the structure of the European electricity and gas industry—that is, which companies have access to gas or electricity generating capacity, and the means to distribute them—may be affecting the price of energy.

By the end of 2005 our retail customers in Germany were worried about gas price rises, so as part of our customer outreach program, we undertook a series of 'Dialog tours' across the country.

In Bavaria for example E.ON Bayern invited about 30,000 customers to visit an E.ON mobile information center. More than 1,000 customers came along to discuss their concerns about the price of gas with E.ON staff in person. And we were able to show our customers how being more energy-efficient would reduce their bill.

We also attend a wide range of events including exhibitions, trade fairs and political party conferences. At the CDU conference in Dresden in November 2006 we used an infrared camera to show delegates how their body loses heat, which encouraged them to think about insulation and energy efficiency.

E.ON is also going out on the road in the UK to meet customers face-to-face. Between August and October 2006 the E.ON UK Customer Care Roadshows spent 24 days in 12 major towns and cities. Customers could speak directly to E.ON staff and we were able to promote CSR initiatives such as energy efficiency and our service for vulnerable customers.

The feedback from customers was very positive, with 92 percent saying they were in favor of more roadshows and personal contact with us.



Karsten Schätzer  
Leipzig

"The E.ON display was one of the best at the party conference and definitely a must-see. I received interesting information about the future of energy procurement. And your thermal image was a fun opportunity to view oneself in a different light."

"I thought it was a very successful event, particularly since energy efficiency is an increasingly important issue. Your thermal image helped raise awareness of energy issues."

Dirk Kappenhagen  
Head of the Young  
Christian Democrats,  
North Rhine-Westphalia

Bernhard Lang  
Windischeschenbach

"I was fascinated by the technology, especially the infrared camera. As an amateur photographer my first thought was: where can I get a camera like that?"

Climate change has become a reality as global temperatures are increasing noticeably. If we don't start taking action at this late stage, we will have to answer to our grandchildren some time in the future. The EU has already set new standards in climate-protection measures: By 2020, renewables

**"However, here, the focus will not so much be on avoiding energy consumption altogether, but rather on studying consumer behavior and identifying areas that harbor major energy savings potential."**

Univ.-Prof. Dr. ir. Rik W. De Doncker  
Director E.ON Energy Research Center,  
RWTH Aachen

are to account for one fifth of Europe's energy supplies and CO<sub>2</sub> emissions are to be reduced by 20, perhaps even as much as 30 percent—ambitious but achievable goals.

As might be expected, a major share of the associated responsibility has to be shouldered by the continent's energy utilities. With its "innovate.on" initiative, E.ON has assumed a leadership role in this regard. The company is investing heavily in increasing renewable generation capacity, especially in the fields of wind power and biogas. However, it is also continuing to work on reducing the CO<sub>2</sub> emission levels of its coal-fired power stations, increasing their efficiency to 46 and, at a later stage, even to 50 percent. In 2014, E.ON plans to commission a 100 percent emissions-free coal-fired pilot plant.

The new E.ON Energy Research Center at Aachen University is the center piece of a groupwide research initiative, which will receive a total of €100 million in funding up until 2016. Of this amount, at least €4 million will be used to finance the Research Center's numerous activities each year. For instance, in Aachen we are working on optimizing the integration of wind power feed-ins into our grid infrastructure as well as researching power storage techniques. Geothermal energy, safe CO<sub>2</sub> sequestration, and energy-efficient building technology are also core research topics, as is energy conservation. However, here, the focus will not so much be on avoiding energy consumption altogether, but rather on studying consumer behavior and identifying areas that harbor major energy savings potential. This information can then be used to develop appropriate measures in conjunction with industry. My colleagues and I are doing all we can to position the E.ON Energy Research Center as one of Germany's leading research facilities, driving innovations to safeguard our future energy supply.



## Environment



# Environment

Carbon intensity reduced by  
**32 percent**  
 between 1990 and 2006

**Around the world, nature and people are being forced to adapt to the effects of climate change. The fourth world climate report, published in early 2007, removed any lingering doubts that humans are largely responsible for global warming.** Carbon dioxide (CO<sub>2</sub>) emissions, about one fifth of which come from the generation of electricity and heat, play a substantial role. For this reason, climate protection is becoming an important issue for energy utilities along with security of supply and economic efficiency. The European Union has sent a strong signal, setting three targets for 2020: to reduce CO<sub>2</sub> emissions by 20 percent from 1990 levels, to increase energy efficiency by 20 percent, and to raise renewables' share of total energy consumption to 20 percent. It is predictable that this will cause a significant change in the European energy supply.

Before the EU announced its plans, E.ON had already taken action: we earmarked €8 billion for investment in renewables and enhancing energy efficiency through 2012. Without building facilities ourselves, we expect these investments to help spur the development of key technologies of the future. We systematically leverage the strengths of our international organization. Our company has the necessary financial resources. And our employees have the necessary know-how which we tap by creating project teams bringing together subject experts from across the Group. This enables us to develop innova-

tive technologies for enhancing the efficiency of coal-fired and gas-fired power plants, for carbon capture and storage, and for renewables, making us a pacesetter in our industry.

## Climate Protection

The fourth world climate report of the Intergovernmental Panel on Climate Change (IPCC) has served to heighten public awareness of global warming. The IPCC estimates that by the end of this century temperatures will increase by 1.1 to 6.4 degrees Celsius compared with temperatures during the last two decades of the twentieth century.

E.ON is responsible for about 0.6 percent of the world's man-made CO<sub>2</sub> emissions. We're intensifying our efforts to make a significant contribution to climate protection. We're already making good progress in reducing our carbon intensity (the amount of CO<sub>2</sub> emitted per megawatt-hour of electricity produced). Between 1990 and 2006 we cut our carbon intensity by 32 percent to 0.49 metric tons per megawatt-hour. →

E.ON has recognized the need to reduce its own CO<sub>2</sub> emissions and discussed the attendant opportunities and risks such as those resulting from a change in our investment focus. These discussions enabled us to make good progress in 2006 in developing a groupwide carbon strategy. Never-

Carbon Intensity of E.ON Group							2006 energy mix in percent		
metric tons per MWh of electricity	1990	2002	2003	2004	2005	2006	Fossil, other	Nuclear	Renewables
Central Europe	0.45	0.39	0.41	0.41	0.41	0.41	45.4	47.8	6.8
U.K.	0.94	0.67	0.72	0.79	0.75	0.71	98.7	-	1.3
Nordic	0.02	0.12	0.14	0.01	0.01	0.02	5.6	56.4	38.0
U.S. Midwest	0.99	1.01	1.00	0.93	0.92	0.93	99.2	-	0.8
<b>Total</b>	<b>0.72</b>	<b>0.54</b>	<b>0.55</b>	<b>0.49</b>	<b>0.49</b>	<b>0.49</b>	<b>57.0</b>	<b>34.1</b>	<b>8.9</b>

## 50 percent

thermal efficiency at a hard-coal fired power plant by 2014

theless, we've chosen, at this stage, not to release specific emission-reduction targets due to regulatory uncertainty, particularly the uncertainty surrounding the design of the EU's emissions-trading scheme beyond 2012 and the evaluation and use of nuclear energy (see page 31). In 2005 E.ON UK set an ambitious target of reducing its carbon intensity by 10 percent by 2012.

Our climate protection effort isn't limited to our power generation business. A pilot project is also under way to identify ways to reduce the carbon footprint of our administrative functions and business travel. → Our energy consulting services, which help many customers lower their energy consumption, also make an important contribution to climate protection (see page 23).

**Technologies of the Future** We coordinate our research and development activities groupwide and share the insights and advances we achieve throughout our organization. Our research, development, and demonstration (RD&D) projects have four main components: our new technology initiative called innovate.on, our international research initiative, the E.ON Energy Research Center and the RD&D activities of our market units. →

Launched in 2006, innovate.on is designed to leverage our energy and technological expertise in order to spur the development of key technologies to make energy supply more environmentally friendly. We will expend several hundred million euros in the implementation phase of major projects in the years ahead. The initiative concentrates on four areas:

- boosting the efficiency of hard-coal-fired power stations
- carbon capture and storage (CSS)
- offshore wind power (see page 30)
- biogas (see page 30).

In a project called 50plus, we intend to build the world's first hard-coal-fired power plant with a thermal efficiency of more than 50 percent. Plans call for the unit, which will have a capacity of at least 400 megawatts (MW), to enter service in 2014 at a site in Germany. If built with a capacity of 800 MW, the unit would emit 1.4 million metric tons less CO<sub>2</sub> than a typical coal-fired power plant in Germany.

Enhancing the efficiency of coal-fired generating units is also an important step towards developing CCS technology, which reduces the thermal efficiency of power generation by about 10 percent.

We're studying all CCS technologies intensely and have already initiated a number of projects. →

- **Post-combustion** carbon capture is an important option because it offers the potential of retrofitting existing power plants. Examples: E.ON Energie (CATO), E.ON Nordic (Karlshamn).
- **Pre-combustion** carbon capture involves mixing coal with air and water, reducing it to hydrogen and CO<sub>2</sub>, and capturing the latter prior to combustion. Examples: E.ON U.S. (FutureGen), E.ON UK (Killingholme).
- **Oxyfuel** involves burning coal in a mixture of pure oxygen and flu gas, essentially limiting emissions to CO<sub>2</sub> which can be captured and stored. Example: E.ON UK (Power Technology).

The successful use of CCS will not only require technical refinements and the development of new materials, but also experience with storage options for captured CO<sub>2</sub>. That's why E.ON Energie is currently working with geologists to screen its coal-fired generation sites for their suitability for carbon storage. We expect a pilot storage facility to become operational in 2014. In terms of planning and regulatory approvals process, there is extensive expertise in underground natural gas storage existing at E.ON Ruhrgas.

## Renewable Energies

The EU has proposed that renewables cover 20 percent of the Europe's primary energy consumption by 2020. We believe this is a realistic goal if the EU succeeds in harmonizing the member states' divergent subsidy programs and if electricity storage solutions are developed.

In 2006 we had 6,612 MW of renewable-source generating capacity, with renewables accounting for 8.9 percent, or 20.5 TWh, of our total generation. →

We plan to invest more than €5 billion in renewables over the next ten years, of which about €1 billion is earmarked for specific projects through 2009.

**Wind Power** E.ON's goal is to add 1,700 MW of new offshore wind capacity by 2011 and become Europe's leader in this technology. We plan to build an aggregate 3,200 MW of additional onshore and offshore capacity during this period. Offshore wind farms offer greater potential because they benefit from stronger, more reliable wind conditions compared with onshore wind farms. Moreover, there is greater public support for offshore facilities.

We face special challenges in Germany where nature-conservancy laws require that offshore wind farms be sited farther from land in water depths of up to 40 meters. We're therefore testing new 5 MW offshore turbines on land and setting up

small-scale test facilities offshore before we begin constructing large offshore wind farms. →

As we move forward with wind power projects in Germany, there is some experience existing in other parts of our organization. E.ON UK operates Scroby Sands, a 60-MW wind farm. The company is also part of a consortium that will build London Array, the world's largest offshore wind farm. This facility is sited off the mouth of the River Thames and will have a capacity of 1,000 MW. In addition, E.ON Nordic is Sweden's largest supplier of wind power.

**Biogas** In addition to using biomass to generate electricity, we've also launched a biogas offensive to expand the use of biomass in Germany. For example, E.ON edis and E.ON Bayern have built four new biogas plants. →

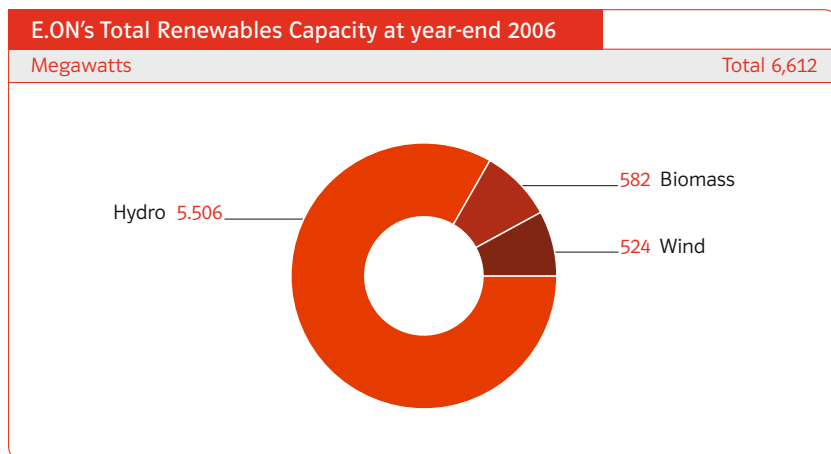
In Sweden we also plan to increase our energy-production capacity from biogas: we aim to grow our biogas heat generation capacity by almost 200 percent to 3,150 MW and our biogas electric generating capacity by 160 percent to 400 MW by 2015.

We also think that upgrading biogas to pipeline-quality gas has considerable potential. Pipeline-quality biogas offers greater flexibility, since it can be injected into the natural gas pipeline system and transported to consumption centers. E.ON Nordic has years of experience operating plants for injecting upgraded biogas into natural gas pipelines. In early 2007 E.ON Ruhrgas created a new company called E.ON Bioerdgas GmbH, which will build its own biogas production and processing facilities and also trade pipeline-quality biogas. Its first step will be to construct Germany's largest biogas processing facility, to be located in Dorsten. The facility, which is expected to enter service in 2007, will produce about 9 million cubic meters of pipeline-quality biogas each year. E.ON Bioerdgas is working closely with E.ON's regional distribution companies in Germany.

Foundation of  
E.ON Bioerdgas GmbH

# 8.9 percent

of E.ON's owned generation  
came from renewables in 2006



→ [eon.com > Corporate > Responsibility](#)  
→ [Environment > Renewable Energy Sources](#)

→ [... Renewable Energy Sources > Wind](#)

→ [... Renewable Energy Sources > Biomass](#)

## Nuclear Power

Many governments around the world are reconsidering nuclear power in view of its contribution to climate protection and energy security. For example, the operating lifetime of Borssele nuclear power station in the Netherlands was extended from 40 to 60 years. The United Kingdom is discussing whether to build new nuclear power plants. Sweden is currently implementing a modernization program to extend the operating lifetimes of its nuclear power plants to 60 years. Existing legislation calls for Germany to gradually phase out nuclear power. We call for Germany to reevaluate nuclear power. We believe that the EU will only be able to achieve its climate-protection targets if nuclear power remains part of Europe's energy mix. →

In 2006 E.ON's Isar 2, Brokdorf, and Grohnde nuclear power plants in Germany took first, second, and fifth place, respectively, in terms of total generation among the 437 nuclear power plants currently operating worldwide. This superb performance is only possible with reliable technology, careful maintenance, and above all highly qualified and dedicated personnel and a robust safety culture. Safety always comes before commercial considerations in our nuclear power operations. Nuclear emissions in 2006 at E.ON Nordic ( $1.7 \times 10^{13}$  becquerel) and E.ON Energie ( $9.4 \times 10^{12}$  becquerel) were extremely low.

Compared with many other countries, Germany is well advanced in its effort to design a plan for managing its nuclear waste. Germany has approved a final disposal facility for low-level and medium-level radioactive waste (the Konrad mine near Salzgitter) and has identified a potential site for a final storage facility for high-level radioactive waste (the Gorleben salt caverns). As things currently stand, the Gorleben final storage facility could become operational between 2025 and 2030. The German federal government is respon-

sible for building the country's final storage sites. In Sweden E.ON is participating in a number of research projects to find an appropriate storage facility over the medium term. →

Our responsible approach to using nuclear energy extends beyond the operating lifetimes of our nuclear power stations. Along with managing nuclear waste responsibly, we're also committed to dismantling decommissioned nuclear power stations in a way that poses no danger to people or the environment. We're currently dismantling the Würgassen and Stade nuclear power stations in Germany. This is a unique opportunity to develop expertise that we can offer to companies outside the E.ON Group. E.ON recognized the costs of dismantling the plants during their operating lifetimes and recorded the necessary provisions.

### Other topics online

- Operational environmental protection
- Nature conservation and biodiversity



## Accounting for carbon

**In the UK, the Government has made it clear that climate change will be a key driver of energy policy for the foreseeable future, and has set a target of reducing UK CO<sub>2</sub> emissions by 60 percent by 2050, through more energy efficiency and much greater use of renewables. The energy sector, currently responsible for 37 percent of CO<sub>2</sub> emissions is likely to shoulder much of the burden for meeting this target.**

To inform future strategy and communications, E.ON UK invited organizations with an interest in UK energy policy to a workshop in London in February 2007. Organizations invited included those from Government, regulatory authorities, NGOs and customer representatives.

Stakeholders were keen to discuss E.ON UK's shift towards being a customer focused energy retailer, and the need for demand side management to limit the company's carbon footprint. Stakeholders also questioned the merits of building new super-critical coal-fired power stations when carbon capture to reduce CO<sub>2</sub> emissions is still an unproven technology.

In response, E.ON UK outlined its plan to reduce the carbon intensity of electricity generated by increasing renewables and distributed generation and reducing demand, as well as investing heavily in new

technology. However, new carbon-capture-ready coal-fired power stations are also necessary. E.ON UK is committed to striking the right balance—delivering energy that is low carbon, affordable and sustainable.

E.ON Nordic accounts for its carbon dioxide emissions in a booklet called the Climate Balance Sheet. The booklet, published for the second time in 2005, shows how the measures taken by the company in the year helped reduced carbon dioxide emissions by 82,000 tonnes, or eight percent of its total CO<sub>2</sub> emissions.

E.ON also uses the booklet to show potential industrial or commercial customers how choosing E.ON as their energy provider can help them reduce their carbon footprint, for example by using bio-fuels for heating instead of traditional oil-based systems.



**Jeremy Nicholson**  
Director of the Energy  
Intensive User Group

"What possibilities are there for establishing long term contracts with industrial customers, for example relating to new generation capacity, both to establish security of demand and some insulation against carbon price movements?"

"Do you have an approach to future carbon pricing? Are you using a shadow carbon price in your modeling now?"



**Clive Bates**  
Head of Environmental  
Policy, Environment Agency



**Trewin Restorick**  
Director  
Global Action Plan

"There is clearly massive potential for establishing creative links with customers on the issue of climate change, so what opportunities do you see for building innovative relationships with your customers?"

"Your core business is about selling more energy and the more a consumer buys the cheaper it is. What is needed is a radical change—an entire change in your business model—to get customers to use less."



**Matthew Lockwood**  
Senior Research Fellow  
Sustainability Programme,  
Institute of Public Policy  
Research

We live and work in Bulgaria. The Government of the Republic of Bulgaria, represented by the Ministry of Labour and Social Policy, is open to cooperation and partnership with all private companies which aim at contributing to the steady economic and social development of Bulgaria, to a better future.

As of this moment, we can already give different examples of a purposeful and consistent business culture with respect to corporate social responsibility in Bulgaria. This significant fact is, in the first place, a consequence of the efforts of the entire Bulgarian society, and particularly of the stabilization of the Bulgarian business, the overall reform of the social policy and the entry of international companies to the Bulgarian market. The new realities and the international companies that are a herald of their own business culture and practices of social engagement exert a positive influence on the business society in our country and influence the Bulgarian traditions in this sphere as well.

**"I am convinced that we should all work together,  
close to the people and for the people."**

Ivanka Hristova  
Deputy Labor and Social Policy Minister, Bulgaria

Some Bulgarian telecommunications companies with their initiatives for support in the field of art, education, sports, child prosperity, etc., E.ON Bulgaria—through its support for the victims of the floods in 2005—are only some of the international companies that in the past year brought in a lot of energy while carrying out different social projects and campaigns.

The Ministry of Labour and Social Policy initiates, works on and supports significant projects for our country toward improving the prosperity of children, families, adults and young people, toward improving the quality of life of every citizen in the different regions of the country, providing employment and programs for training, qualification, requalification, etc.

I am convinced that we should all work together, close to the people and for the people, mobilizing our full potential and building each day our common present and future as Bulgarian and European citizens.



Community

# Community

**Cities and communities in western industrialized countries often lack sufficient public funds and can no longer provide some services. In recent years, many have been forced to cut education and social programs. This has created an opportunity for companies to further expand their community involvement, which takes the form of financial support and, increasingly, employee volunteer programs.** Community involvement enables companies, particularly global companies, to strengthen their local ties and help gain public support and acceptance. Modern news media are global, too. This means that all companies are subject to public scrutiny well beyond the regions where they operate. Moreover, stakeholder groups increasingly expect to be involved early in companies' decision-making processes. Their concerns are understandable, since companies, particularly energy companies, play an important role in regional and community development. It's therefore essential that companies act—and are seen to act—as community partners and work with stakeholder groups to develop solutions for difficult issues.

E.ON is a leader in community involvement. We meet our responsibilities as a community partner and address the challenges created by the change processes described above, particularly as these challenges relate to the energy industry. Our efforts concentrate on key issues like child education. For example, we make investments in education institutions. Some of the subject areas we focus on are energy and the environment. We systematically measure the success of these programs and work continually to improve them. We share information about highly successful programs throughout our organization. We meet the public's increased demand for information by providing early and comprehensive information about our plans and by meeting with local residents and with other stakeholder groups. For example, we

work with residents and stakeholder groups to develop viable solutions for new construction projects. Our facilities are open to visitors, and our visitor and information centers provide extensive information about all facets of our operations.

## Children and Young People

E.ON has long been active in a variety of ways to support children and young people, particularly in education and training. We see our support for childhood education as an investment in society's—and our company's—future. We therefore have a substantial interest in ensuring that future generations of children have education opportunities. → Our flagship program is our groupwide "Energy for Children" initiative.

**Energy for Children** Between now and 2011, E.ON will invest €50 million through Energy for Children. The initiative is based e.g. on partnerships with existing full-day education institutions (childcare facilities, preschools, and elementary schools) which we intend to develop through targeted support measures. One area of our support is aimed at helping children discover and experience energy and the environment. As Europe's leading energy company, we want children to benefit from our energy expertise so that they will use natural resources responsibly as adults.

Following the completion of planning and a comprehensive pilot phase involving exemplary institutions, in 2007 we will continue to push forward with the groupwide implementation of the initiative. The Corporate Center, E.ON Energie, E.ON Ruhrgas, E.ON UK, E.ON Nordic, and E.ON U.S. will use Energy for Children not only in terms of financial support. The involvement of our employees will play an equivalent

**€50 million** for  
'Energy for Children'

role in this effort. In 2006 we laid the groundwork for the initiative to be implemented in our new markets of Romania and Hungary. →

### Energy and Environmental Awareness

All power generation and natural gas supply options have advantages and disadvantages which need to be weighed carefully against each another in the interest of security of supply (see page 28). A key challenge is for societies to reach a consensus on a sustainable energy supply. E.ON's many energy and environmental awareness programs are intended to awaken children and young people's interest in this important issue. →

We believe that "plugin2engineering," a project launched in 2006 by E.ON UK to interest school children in technical occupations, has been a noteworthy success.

Employees of E.ON UK's Central Networks business unit support the project by visiting elementary and secondary schools. Through a variety of modules, children learn how electricity gets from power plants to their homes and about career opportunities in the utility sector. E.ON UK also developed "The Energy Experience," an interactive Web portal, and in 2006 informed all elementary schools in Great Britain about the portal's existence. School children who visit the portal find a series of energy scenarios acquainting them with the problems that need to be solved in energy production, distribution, and consumption. In 2007 we intend to develop a groupwide Web portal on which all our information and educational materials about energy will be available for downloading.

Another example of our education effort is a wind energy workshop that E.ON Energie held in conjunction with Science Lab, a learning institute. Children aged six to ten participated in a variety of activities, including assembling models of wind energy turbines, helping them to understand how turbines work. The visitor centers at our power stations also offer numerous courses on energy and the environment. One example is E.ON UK's state-of-the-art

Hams Hall Environmental Studies Centre, where each year up to 350 groups of school children participate in day-long seminars on ecological issues under the guidance of Hams Hall's energy experts. In 2006 E.ON's energy and environmental education programs reached out to 158,010 children and young people.

## Employee Community Involvement

E.ON has targeted programs to support its employees' volunteer activities. This creates a win-win situation: our company benefits from the enhanced local presence created by our employees' community involvement, while our employees benefit from the rich experience they gain outside the workplace. In particular, we support our employees' involvement in projects designed to help children and young people. →

In line with our best-practice approach, our groupwide program for supporting employee community involvement is based on E.ON UK's proven and highly successful "Energy in the Community" initiative. The groupwide program has three components.

**158,010** children and young people participated in energy and environmental education programs in 2006

You'll find more information on "The Energy Experience" at [eon.com](http://eon.com)

→ [eon.com](http://eon.com) > Corporate > Responsibility  
> Community > Children and Young People  
> Energy for Children Initiative

→ ... Community > Children and Young People  
> Energy and Environmental Awareness

→ ... Community > Employee Involvement

Under the first, called Matched Time, we make a monetary donation to charitable organizations for which our employees volunteer. Under the second program, called Employee Volunteering, we grant individual employees or teams of employees time off from work to pursue their community involvement. Under the program's third initiative, called Matched Funding, we supplement employee donations to charitable causes and organizations. For example, E.ON Energie and E.ON Ruhrgas employees round their monthly salaries down to their nearest euro, setting aside the remaining cents for a charity fund, which is matched at the end of the year by both companies. Under this program, E.ON Energie and its employees donated a total of €120,000 to charitable institutions for children and young people in 2006. →

The degree to which our employees are involved in their community depends on cultural factors and legal issues. In the United Kingdom, where community involvement has a long tradition, E.ON UK employees spent more than 32,000 hours volunteering in 2006. In keeping with our best-practice approach, E.ON Nordic is benefiting from E.ON UK's experience and is currently laying the groundwork for the program's rollout. We're also looking at ways to introduce our volunteer program to Hungary and Romania. In 2006 the Corporate Center, E.ON Energie, and E.ON Ruhrgas developed a joint plan for implementing the program at our operations in Germany. E.ON U.S. is adapting its existing employee volunteer effort to align it more closely with our focus on children and young people.

## Dialog with our Neighbours

Stakeholders increasingly expect companies to respect their interests, listen to their concerns and to factor these interests and concerns into decision-making at an early stage. For example, people who live near our facilities naturally expect to be well informed about our operations. Dialog with our neighbors is therefore an essential part of our corporate philosophy (see page 40). →

**Invitation to Dialog** We believe that being a good neighbor means involving local residents early when we plan infrastructure projects. This can represent an economic advantage to us because it can help eliminate concerns, thereby speeding up the project's implementation. We inform communities early about our planned infrastructure projects and remain open to their suggestions and criticism throughout the process. The approaches we take include:

- information materials or a Website about the project,
- discussions with the media, public officials, and environmental organizations,
- public dialog forums and site visits,
- complaint-management programs,
- dispute-resolution specialists.

We continue to stay in touch with the community after construction is completed. Our complaint-management programs and information hotlines give people the chance to offer suggestions or voice criticism about our operations. Whenever possible, our employees serve as our spokespeople in their community. In nearly all our market units, power station managers play a personal role in community dialog and regularly participate in community events. E.ON UK recently demonstrated how vital it is to take a systematic approach to gaining the local community's trust when under-

taking large-scale infrastructure projects. Residents were initially apprehensive about our plans to build Britain's biggest underground gas storage facility (see page 21). E.ON UK responded with a large number of public discussion forums, periodic information events, a project newsletter, and an information hotline. These measures help provide answers to residents' questions, eliminate misunderstandings, and thus allay residents' fears. Ongoing and open dialog is one of the main reasons the project is now widely supported by local communities.

**Information and Visitor Centers** Many of our power stations have visitor centers which offer a detailed look at how the stations operate and provide comprehensive background information. → Safety is always a key topic, particularly at our nuclear power stations. At E.ON Nordic's Oskarshamn nuclear power station, for example, expert employees are on hand to respond to questions and concerns about issues such as the interim and final storage of nuclear waste. In 2006 E.ON Nordic put together an extensive exhibition on the future of the energy supply called "Next Generation Energy" at Öresundsverket power station. E.ON Hanse, a business unit of E.ON Energie, has an information center at a wind farm that provides an detailed look at the history of wind energy.

**Initiatives and Events** In addition to the visitor centers at our power stations, we also try to establish contact with the public in every region where we do business. → In 2006 E.ON Nordic sponsored a traveling exhibition on climate change designed by Stockholm's Swedish Museum of Natural History and, in conjunction with the exhibition, held a number of public discussion forums. The exhibition shows how human behavior affects the earth's climate and what individuals can do to help slow climate change. Employees of E.ON Bayern, an E.ON Energie business unit, visited 300

communities in the "Energy Mobile," offering extensive information about energy, energy-usage consultation, and energy-consumption analyses. This way, employees can interact directly with people in the community (see page 24). But we not only support activities directly related to our core business. We also support numerous art and cultural events in the cities and communities where our facilities are located, → thus helping to maintain cultural diversity and creating opportunities for dialog with the community.

#### Other Topics Online

- Supporting arts and culture
- Community development
- Charitable donations
- Promoting science



## Listening to local concerns

**Companies need to engage with local communities when seeking to build new infrastructure. The backing of regulatory authorities is needed as is the support of local communities. This cannot be treated lightly. Protecting and enhancing our social license to operate builds up goodwill, reduces transaction costs and ultimately helps us deliver on our strategy.**

E.ON Ruhrgas sought to engage key stakeholders when planning the 125 kilometer long Lauterbach-Scheidt gas pipeline in western-central Germany. To assess how well the company did, E.ON went back to speak to four stakeholders affected by the pipeline project:

- a representative from the Regional Council in Giessen
- a representative of the Environmental Authority in Giessen
- a landowner
- the manager of the Lahnhang camping ground.

In general the comments from all four stakeholders were very positive. For example, the campside manager was concerned about loss of income over the summer, but was pleased that E.ON proved to be flexible over timing and keen to find an acceptable solution.

E.ON identified the key success criteria as:

- providing information at the beginning of the process
- involving the authorities early on and communicating with them regularly
- having staff on the ground to meet with local people
- providing flexible compensation.

As we continue to engage stakeholders, this analysis will help us make improvements to our approach.

In Trimble County, Kentucky, USA, E.ON recently organized three public information sessions about plans to install 40 miles of new transmission lines. The lines are needed to distribute the electricity generated at the new super-critical coal-fired power station.

The key here was to include easement acquisition specialists and engineers to answer questions from property owners. As well as presenting its plans, E.ON listened to people's concerns. And following subsequent individual discussions with landowners, changes were made to the routing of the lines.



**Dieter Wolf**  
Manager of the Lahn-  
gang camping ground

"And there is a fear of confrontation because as an individual, you usually don't have much power against such a company. And I think it is really good when there are contact points where people can get in touch with the company. I am satisfied with the way things have gone."

"But the question is always, is the compensation fair or not? Interference like this cannot necessarily be completely compensated with just a sum of money."



**Martin Stroh**  
Regional Council in  
Giessen

"E.ON distinguished itself through early, comprehensive, complete and fair information. E.ON campaigned for approval locally and this had a very positive effect."

"I really think it is very positive for companies to try and receive feedback about how their activities resonate with authorities and with the public."



**Philipp Riedesel**  
Freiherr zu Eisenbach  
a landowner affected by  
the pipeline



**Reiner Diemel**  
Upper Environmental  
Protection Agency in  
Giessen

Globalization has led to a host of changes and most particularly to radical changes in the sphere of employment. There is little doubt that this change process is set to continue, but it is a process that must take the interests of our employees clearly into account. In the past, most companies preferred to base their business processes in the locations where the results of those processes were required; however, globalization and related centralization measures that increasingly implement technically advanced systems have altered the framework within which E.ON can take its employment decisions today. Admittedly, this does not always work to the advantage of our local employees and business processes.

**“The challenges facing us all at E.ON are to find effective and coherent employment solutions that will ensure the success of our company in the long term.”**

Hans Prüfer  
Chairman of the Combined  
Works Council, E.ON AG

The challenges facing us all at E.ON are to find effective and coherent employment solutions that will ensure the success of our company in the long term. Realigning an ageing workforce and responding to the intercultural differences between employees at our various international market units are just two of the urgent issues we are tackling in this area. What is more, in keeping with our reputation as a reliable employer and within the context of our corporate social responsibility—one of our company's values—E.ON will in future be focusing harder on the following tasks:

- Strengthening our public presence and contacts “on the ground”, that is, right there where our customers are located
- Strengthening our commitment to and support for those communities in which we work and purchase our materials and services
- Ensuring fair levels of pay that reflect levels of performance, under consideration of negotiated pay structures and related remuneration systems
- Ensuring that the interests of our employees, investors, customers and politicians are constantly and clearly communicated between all these stakeholder groups.

For the above reasons, the subject of “corporate social responsibility” is most certainly a key subject for employee representatives. It also highlights the importance of our employees' level of personal identification with their employer, E.ON, as the analyses of recent years' Employee Opinion Surveys have made clear. Our future success in these tasks will make a major contribution to securing jobs and will also contribute to the positive overall image of our Group in the employment marketplace.





Workplace

# Workplace

Life expectancy in Europe is rising while birth rates are declining, resulting in profound demographic changes. Today, the average European is just under 40 years old; by 2050, the average European will be over 50. This will have a dramatic effect on companies' employee structures. Employees will work to an increasingly older age before retiring, while qualified new hires will become scarcer. Companies will therefore have to do more to maintain their existing staff's long-term employability and to attract and retain qualified new staff. Key aspects of this effort include good health-management programs, employee-friendly work schedules, attractive career opportunities, top-quality professional development programs, and a commitment to work-life balance.

E.ON is already a highly attractive place to work, and we aim to extend this leading position in the future. Above-average compensation, top-quality development programs, and individually tailored work schedules are key parts of our corporate culture. We're the industry leader in occupational safety, and our health-management programs have received numerous awards. We offer recent university graduates attractive opportunities for an international career and at the same time are sharpening our profile as an employer. In the latest ranking of Germany's most popular employers released by the Berlin-based "Trendence Institute for HR Marketing", E.ON took second place in the

category "Year's Most Improved." And in 2006 a study released by the "Great Place to Work Institute" again ranked E.ON Ruhrgas as one of Europe's top 50 places to work.

## Occupational Health and Safety

Occupational health and safety have long been top priorities at E.ON. Thanks to our excellent and rigorous safety standards, a job at E.ON is one of the safest in the entire energy sector. Our health-maintenance initiatives have earned numerous awards. Although proud of our success, we work continually to improve our safety performance. →

**Groupwide Standards for Occupational Health and Safety** In 2006 we extended our groupwide minimum standards for occupational health and safety to our new business units. Our lost-time injury frequency (LTIF) index, which measures the number of job-related injuries per million hours of work, underscores our strong safety record. The E.ON Group's LTIF for 2006 was 4, another consecutive 20-percent improvement from our prior-year LTIF.

In 2006 we included contract employees in our LTIF reporting for the first time and began factoring contractors' safety performance into our contracting decisions (see page 52).

Our objective is to reduce our LTIF by 2010 to the superb levels of the oil or chemicals industries, where LTIFs of between 1 and 3.5 are common among leading companies. Safety performance will also be included in the annual performance targets of our top executives in 2007. →

### LTIF of 4.0 in 2006

Visit [eon.com](http://eon.com) for more about our contractors' LTIF

Lost Time Injury Frequency			
Accidents per million hours of work (E.ON Group employees only)	2006	2005	2004
Central Europe	4.5	5.4	6.3
Pan European Gas	4.1	5.8	8.2
U.K.	2.9	4.8	6.2
Nordic	2.2	4.2	4.5
U.S. Midwest	1.2	0.8	1.2
E.ON Group	4.0	5.0	6.0

Despite our high groupwide safety standards, there were seven fatal accidents in the E.ON Group in 2006, six of which involved contractors. This is unacceptable, even though the investigations by government agencies determined that in none of the cases was E.ON guilty of negligence. We regret these incidents very much and work to continually improve our safety culture. We've made safety an executive matter. The CEO of an E.ON business unit must report a fatal accident to the E.ON AG Board of Management within 24 hours. In a subsequent discussion, the circumstances surrounding the accident are analyzed and conclusions are drawn.

**Employee Health** Last year we further enhanced health programs throughout our organization. → These programs, which are popular with employees in all our market units, include pre-cancer screening, health days, stop-smoking courses, diabetes tests, and a wide range of sports activities and instruction.

In 2006 E.ON Ruhrgas expanded its employee health program to include "Health Dialogs," a comprehensive range of talks presented and hosted by renowned health experts. In addition, E.ON Ruhrgas has a comprehensive wellness program called FIT for employees aged 45 and older who are in the company's own health-maintenance organization. In 2006 E.ON UK launched an individually tailored employee health program called "Active Energy." It offers employees personalized health analysis, a variety of fitness programs, and the opportunity to periodically measure their progress with the help of health professionals. E.ON U.S. also enlarged its preventive healthcare program in 2006. The company's new "ChooseWell" program offers financial support to employees participating in a number of health-maintenance initiatives. The "Family Assistance Program" was also expanded and now offers support to employees who are caregivers to family members. In September 2006 E.ON Energie

brought health manager on board. E.ON Nordic also takes a systematic approach to employee wellness. In early 2007 it participated in a scientific study whose objective was to provide a comprehensive picture of participants' psychological and physical health. All E.ON Nordic employees were eligible to participate. At the end of the study, E.ON Nordic received an evaluation of its employees' wellbeing and health status. If necessary, employees were given the opportunity to obtain individualized health advice or medical care.

## Apprenticeships

To ensure that we can meet our own long-term needs for qualified employees and to live up to our commitment to social responsibility, E.ON has long provided apprenticeships to more people than we can actually hire. In 2006 we had 2,574 apprentices in Germany, with these therefore accounting for more than 7 percent of our German workforce. E.ON UK's Apprenticeship Scheme is a four-year line technician training program from which nearly 200 people graduated at the end of 2006. E.ON U.S.'s line technician training program is certified by the Commonwealth of Kentucky. →

We're particularly committed to providing training to people with special educational needs. For example, we launched a program in 2005 called "Equal Opportunity for All," and in 2006 increased the number of developmentally disabled trainees from 22 to 33 at E.ON companies in Germany. →

# 2,574

apprentices at E.ON in Germany

### Apprenticeship Initiatives in Germany

In 2006 we considerably expanded our involvement in the German Federal Government's apprenticeship initiative. We created 100 additional apprenticeships and 100 additional internships at E.ON companies in Germany. We also funded 400 internships (120 more than in 2005) at non-E.ON companies in Germany for socially disadvantaged young people. We're proud that on average over 80 percent of program participants subsequently obtained an apprenticeship or found other employment.

Number of Apprentices at E.ON in Germany			
	2006	2005	2004
Apprentices	2,574	2,471	2,289

**E.ON Graduate Program** In 2006 we expanded our groupwide management trainee program to include E.ON U.S., and now all of our market units participate in it. This challenging program is integral to helping us meet our future demand for talented young managers. It offers highly qualified recent university graduates from a variety of disciplines an attractive opportunity to launch their international career with our company. The 18-month program currently has 45 participants groupwide. The first trainees successfully completed the program and were offered positions at E.ON companies. →

## Human Resources Development

Global energy markets are changing rapidly, as are the political and social environments in which we operate. This makes it more important than ever for our employees to be committed to lifelong learning. Our supervisors meet regularly with their

staff in order to identify high-potential employees, to provide them with the support they need, and to help all our employees achieve their personal goals. We believe this benefits both E.ON and our employees.

**Professional Development** A commitment to lifelong learning is the only way to maintain and develop skills. That's why E.ON offers its employees a broad and attractive range of professional development opportunities, which also include topics like health, safety, and the environment (see page 48). Our employees completed more than 240,000 training days in 2006. One of the main vehicles of our management training effort is E.ON Academy, which expanded its programs to 10,000 training days in 2006. → Our employees are taking increasing advantage of Academy Online, our e-learning platform, which they visited more than 85,000 times last year. The high quality of our professional training programs was underscored by the Special Award for Lifelong Learning which E.ON Ruhrgas received for its qualification and training programs as part of the Germany's Best Employer 2007 competition. →

**Executive Development** We place great emphasis on identifying emerging leaders early and providing them with custom-tailored development plans. We offer attractive career opportunities to high-potential employees in order to continually develop their talents. → In the future we intend to further expand our Senior Management Pool and improve targeted career planning beyond market unit boundaries. Another key part of this program is the E.ON Executive Pool for top executive positions, the effectiveness of which was thoroughly reassessed and optimized in 2006. We also systematically manage the filling of vacancies in senior leadership positions by means of our Global Placement Network,

→ [eon.com](http://eon.com) > Careers > Opportunities  
> Graduates > E.ON Graduate Program

→ [eon-academy.com](http://eon-academy.com)

→ [eon.com](http://eon.com) > Careers > Job Prospects > Further Education & Training

→ ... Job Prospects > Career Opportunities

which we introduced last year. It creates groupwide guidelines, enhances transparency about vacant senior management positions, and identifies development opportunities.

**Expatriate Assignments** As E.ON has transformed itself into an international energy services provider, the number of our employees with diverse cultural backgrounds has risen significantly. To leverage this diversity, our managers will have to have a thorough understanding of cultural issues. One of the ways we promote this understanding is the systematic expansion of expatriate assignments. →

In 2006 we significantly expanded the processes for expatriate placements on the basis of the expatriate policy we introduced in 2005. At year end 2006 we had about 200 employees on expat assignments. Our objective is to significantly increase this figure going forward. We would also like to standardize our assistance initiatives across the Group for the reintegration of returnee expats, for instance through mentoring programs and focused workshops.

#### Other Topics Online

- Work-life Balance
- Diversity
- Employee Participation and Identification
- Terms of Employment
- Idea and Knowledge Management



## Developing our CSR capacity

**If E.ON is to meet its corporate responsibility commitments, employees must understand the issues and how they affect their working life. But CSR issues are complex, and deciding what to do is not always straightforward. The solution lies in designing specific CSR training programs that raise awareness, improve understanding and increase employees' confidence in their decision-making.**

From September to November 2006, E.ON Nordic ran just such a training program in Sweden. Using the E.ON Nordic intranet, employees viewed a series of fictional scenarios involving an imaginary employee called 'Cesar' and were asked to decide how Cesar should act. Dilemmas Cesar faced included conflicts of interest and competing demands for local water resources. Every week about 1,000 of the 5,200 employees visited the CSR training area on the Intranet.

In general the employees found the Cesar training very useful because it accurately reflected situations they face every day, where different interests need to be balanced to reach a solution.

E.ON management feels the training has been a success because the employees seemed to identify with Cesar and the decisions he had to make. Employees clearly

reflected on what action to take, and considered the relationship between corporate values and corporate behavior, which lies at the heart of responsible business practice. A second version of the Cesar training program will be produced in 2007.

Raising awareness about CSR issues happened right across the Group in 2006, with the OneE.ON day on June 21st focusing on CSR. Market units presented CSR information in various ways such as exhibitions, quizzes and special publications. The idea was to engage employees so they learnt about the issues and how they affect their work.

For example, E.ON Czech managers used a special CSR edition of the employee magazine as a talking point in 122 discussion groups for staff at 13 different locations.



**Roger Bergman**

E.ON Nordic  
OKG Nuclear power plant

"Currently I make similar decisions myself from time to time, so for me the dilemmas were a good way of raising some questions about 'what if?'"

"At first I thought the dilemmas were clear-cut, then I started to think about them some more. It was interesting to reach within yourself and ask what should be done."



**Marcus Blohm**

E.ON Nordic Customer  
Service & Sales

"Most important is the connection with our stated values and beliefs. There are no easy answers, and the dilemmas show the complexity of the situations we face on a day to day basis."



**Jonas Andrén**

E.ON Nordic  
Water Power

"I think there are a lot more issues related to our business and CSR that you could reflect through a Cesar. Cesar generates a discussion and makes people think twice concerning what is right or wrong."



**Anna Grauers**

E.ON Nordic  
Business Strategy

"It was the right approach not to provide an immediate answer to the dilemmas, but I look forward to reading a view from the experts in the company in due course."



**Åsa Lindell**

E.ON Nordic Gas

## Key figures

Due to changes in record keeping methods at E.ON Energie, E.ON UK and E.ON U.S. as well as the sale of E.ON Finland (coal-fired plant), figures shown are consistent, but may differ from past years report.

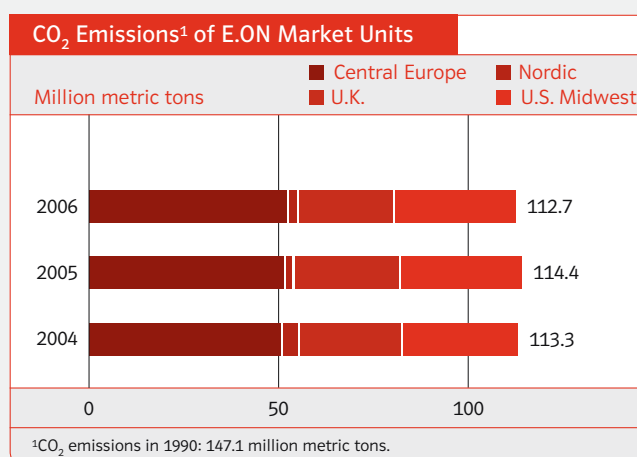
Energy Mix of Owned Generation and Fuels Used by E.ON							
	Owned Generation					Fuels used	
	2006		2005			2006	2005
	%	TWh	%	TWh	+/- %	Mtce <sup>1</sup>	Mtce <sup>1</sup>
<b>Total Generation</b>	<b>100.0</b>	<b>230.3</b>	<b>100.0</b>	<b>235.3</b>	<b>-2.1</b>	<b>68.9</b>	<b>71.3</b>
Coal	45.5	104.8	44.0	103.4	1.2	38.7	39.8
Nuclear	34.1	78.5	34.3	80.6	-2.6	22.1	22.9
Natural gas	7.5	17.3	8.8	20.8	-17.0	6.4	7.0
Hydro	7.9	18.2	9.1	21.4	-14.5	-	-
Peat	0.4	0.9	0.4	1.0	-	-	0.3
Wind	0.4	0.9	0.4	0.9	-	-	-
Oil	2.3	5.3	1.9	4.4	19.8	0.6	0.5
Solid Waste	0.4	0.9	0.4	0.9	-	0.7	0.4
Biomass	0.6	1.4	0.3	0.8	62.5	0.4	0.4
Other	0.9	2.1	0.5	1.1	100.0	-	-
Total Renewable Sources	8.9	20.5	9.8	23.1	-11.3	-	-

<sup>1</sup>Million metric tons of coal equivalent.

In 2006, our groupwide electricity generation was slightly lower than in 2005. We used 17 percent less natural gas as well as 2.6 percent less nuclear energy to produce electricity than in 2005. Due to high gas prices 1.2 percent more coal as well as 19.8 percent more oil was consumed group wide for electricity generation.

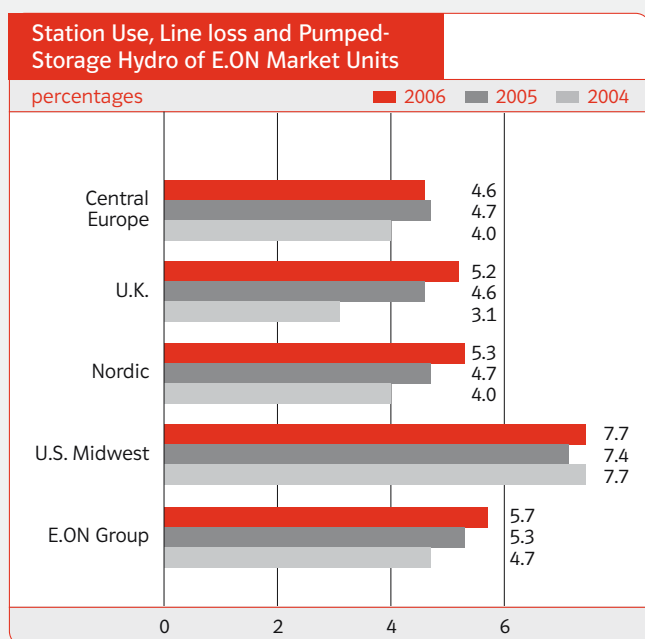
Our generation fleet produced 11 percent less renewable-source electricity in 2006. Renewable sources accounted for about 9 percent of the E.ON Group's total generation. The decrease is largely due to lower reservoir inflows as well as the sale of hydropower plants in E.ON Nordic.

**CO<sub>2</sub> Emissions** CO<sub>2</sub> emissions are the most important of all greenhouse gas emissions. Measuring our carbon intensity therefore functions as a primary indicator in response to climate protection efforts. In 2006 absolute CO<sub>2</sub> emissions declined to 112.7 million metric tons. Read more about our specific CO<sub>2</sub> emissions in the environmental chapter.

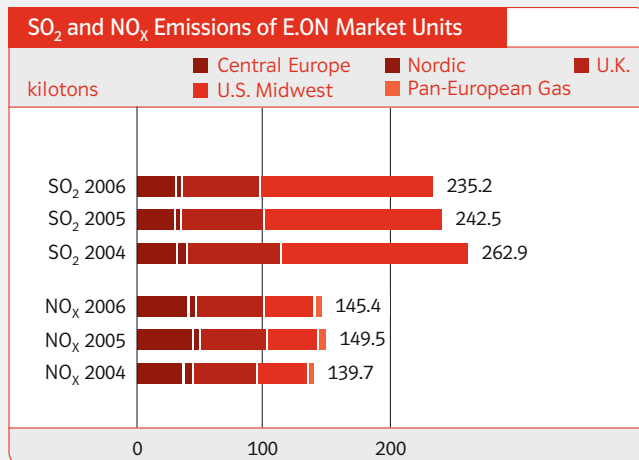


**Nuclear Emissions** E.ON Nordic reported nuclear emissions of  $1.7 \times 10^{13}$  becquerel ( $3.7 \times 10^{13}$  in 2005), whereas E.ON Energie reported  $9.4 \times 10^{12}$  becquerel ( $1.3 \times 10^{13}$  in 2005). The decrease in Nordic is a result of the precautionary temporary shutdown of several nuclear units due to an incident at Vattenfall's Forsmark nuclear power station.

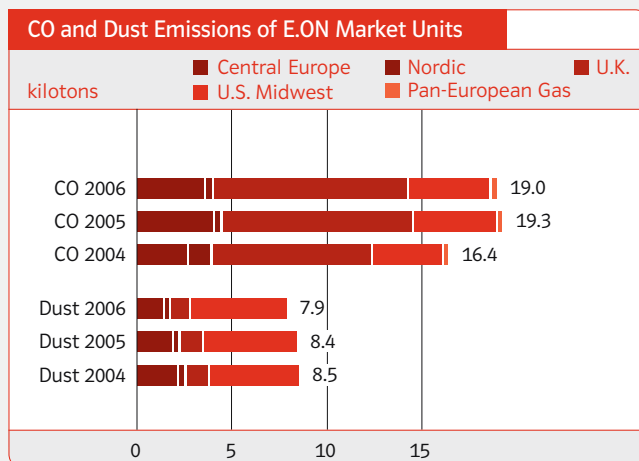
**Station Use, Line loss and Pumped-Storage Hydro** Power stations use electricity, as do transformer stations and pumped-storage hydroelectric plants. From 2005 to 2006, station use, line loss, and pumped-storage hydro increased slightly to 5.7 percent of total power sales. Increasing trading activities as well as increased supply of renewable sources tend to increase electricity use of power stations and pumped-storage hydroelectric plants.



**Hazardous Air Pollutants** Sulfur dioxide (SO<sub>2</sub>) is formed by the combustion of sulfurous fuels like coal and oil. In 2006 SO<sub>2</sub> emissions declined by 3 percent to 235.2 kilotons. This reduction was achieved by using low-sulfur coal at E.ON UK's Kingsnorth power plant as well as new desulphurization systems at E.ON U.S. having been in operation year-round for the first time. Nitrogen oxide (NO<sub>x</sub>) results primarily from the combustion of fossil fuels at high temperatures, e.g. at gas-fired generating units. In 2006 NO<sub>x</sub> emissions amounted to 145.4 kilotons, a slight decline compared to 2005 due to groupwide decreased gas usage.



Carbon monoxide (CO) is a product of the incomplete combustion of coal, oil, or gas. In 2006 CO emissions amounted to 19 kilotons. Group wide emissions stayed about the same due to an increased usage of oil and coal to make up for the lower usage of gas. Coal-fired generating units constitute our main source of dust emissions. In 2006 dust emissions declined by 5 percent and amounted to 7.9 kilotons. Reductions achieved at E.ON Energie result from revision work done at several coal plants as well as implemented measures responding to more rigorous regulation.



**Major Environmental Incidents** In 2006 the E.ON group had no major environmental incident that had to be reported within 24 hours under our groupwide rules. We have no incidents described in the categories of the International Nuclear Event Scale (INES), too. The INES is used worldwide to categorize disruptions, failures, and accidents at nuclear power plants.

**LTIF by contractors working for E.ON** Data on contractor health and safety performance has been collected for the first time this year. Programs to address contractor safety culture have been in place within E.ON UK and E.ON U.S. for a number of years, and this is reflected in the lower LTI frequency rates for these businesses. Within E.ON Ruhrgas and E.ON Energie, contractor safety programs were introduced during 2006.

Number of lost time injuries by contractors working for E.ON 2006			
	Hours worked (in million)	Number of contractor lost time injuries	LTIF
Central Europe	45.0	254	5.6
Pan-European Gas	2.7	26	9.7
U.K.	14.4	57	3.9
Nordic	1.0	7	6.9
U.S. Midwest	6.0	13	2.1
<b>E.ON Group</b>	<b>69.1</b>	<b>357</b>	<b>5.2</b>

**Male-Female Ratio** At year end 2006, about 27 percent of our employees were women, and 73 percent were men. This reflects the usual workforce profile for our sector, particularly for power stations and technical service operations. However the percentage of female staff is slowly increasing as the portfolio of Group activities develops.

Male-Female Ratio of E.ON Market Units						
in %	2006		2005		2004	
	M	F	M	F	M	F
Central Europe	76	24	76	24	78	22
Pan-European Gas	75	25	76	24	75	25
U.K.	62	38	63	37	69	31
Nordic	76	24	77	23	77	23
U.S. Midwest	75	25	75	25	75	25
<b>E.ON Group</b>	<b>73</b>	<b>27</b>	<b>74</b>	<b>26</b>	<b>76</b>	<b>24</b>

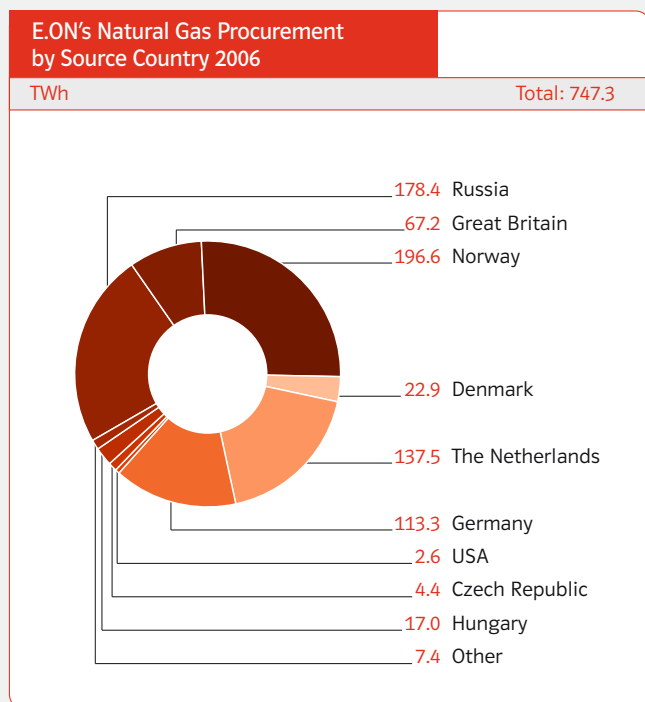
M = male F = female

**Employee Numbers by Market Unit** The decrease in employee numbers at PEG was mainly due to efficiency-enhancement measures at E.ON Gaz Romania. The increase in employee numbers at E.ON UK is mainly attributable to the integration of previously outsourced customer service activities and increased hiring of technical personnel at the electricity distribution and metering businesses.

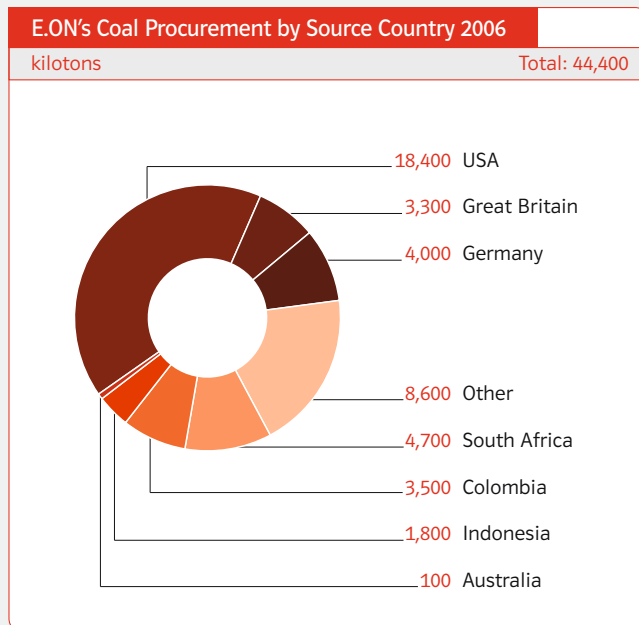
Central Europe's workforce declined by 2 percent from year end 2005 to 43,546 employees, primarily because of integration measures and efficiency enhancements in Central Europe East. Nordic had 5,693 employees at year end 2006, about 5 percent more than at year end 2005. The increase is mainly due to additional staff in retail sales and the network business. U.S. Midwest's workforce declined by roughly 4 percent to 2,890 employees compared with year end 2005 due mainly to the sale of operating contracts of a service company in the non-regulated business.

Employee Numbers by E.ON Market Units				
	2006	+/- %	2005	2004
Central Europe	43,546	-2	44,476	36,811
Pan-European Gas	12,417	-7	13,366	4,001
U.K.	15,621	21	12,891	10,397
Nordic	5,693	5	5,424	5,106
U.S. Midwest	2,890	-4	3,002	2,997
Corporate Center	445	8	411	420
<b>E.ON Group</b>	<b>80,612</b>	<b>1</b>	<b>79,570</b>	<b>59,732</b>

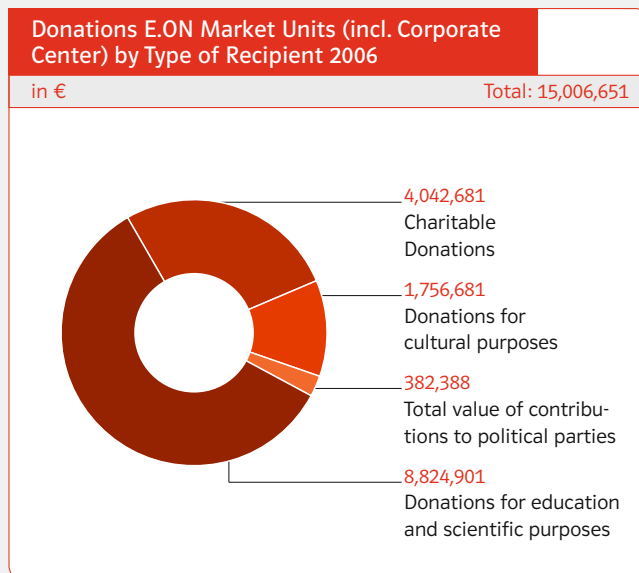
**Natural Gas & Coal Procurement by Source Country** As can be seen from this graph, a significant proportion of E.ON gas is sourced from the North Sea. As supplies dwindle there, other sources will become more important, particularly Russia and North Africa. Currently, around 75 percent of supplies are sourced from what may be termed “domestic” suppliers—over time, this proportion will reduce.



E.ON purchased a total of 44,400 kilotonnes of coal for electricity generation in 2006. The biggest single source was the U.S. (18,400 or 41 percent)—E.ON U.S. source all of their coal domestically and generate 97 percent of their electricity using coal. E.ON Central Europe also sourced a small proportion of their needs (600 kt or 3.4 percent) from the U.S. There is an active international market for coal, evidenced by E.ON sourcing over 23 percent of their needs from outside their market unit areas.



**Donations Market Units (incl. Corporate Center) by Type of Recipient** In 2006 the E.ON Group donated in total a sum of around €15 million. This constitutes a significant increase compared to the figures reported last year (around €6 million), that can be explained by a more complete coverage of donations across the group.



# Glossary

**Adjusted EBIT** Adjusted earnings before interest and taxes. An indicator of a business's long-term earnings power, adjusted EBIT is E.ON's key performance metric. It is an adjusted figure derived from income/loss from continuing operations before income taxes and minority interests, not including financing activities. The main adjustments are for nonoperating income and expenses of a nonrecurring or rare nature.

**Biogas** Biogas, which consists primarily of methane and carbon dioxide, is produced in special facilities by the anaerobic fermentation of organic matter. Biogas is often used as a fuel in distributed generation facilities that generate both electricity and heat.

**Business unit** Each E.ON market unit (see market unit) consists of several business units which are responsible for managing day-to-day operations. They include power producers, regional distribution companies, and energy trading companies.

**Carbon capture and storage (CCS)** A process for fossil-fuel-fired generating units in which carbon-dioxide is separated and stored, usually in underground storage facilities. It is considered a possible way to mitigate the greenhouse effect.

**Form 20-F** Foreign issuers listed on an American stock exchange must file an annual report, called a Form 20-F, prepared in accordance with U.S. GAAP. For certain types of disclosures, a Form 20-F contains significantly more information than an annual report prepared in accordance with German GAAP.

**Global Compact** Initiated by former UN Secretary-General Kofi Annan, the Global Compact is designed to encourage corporate social responsibility and address the challenges created by globalization. Participating companies pledge to comply with the Global Compact's ten principles relating to human rights, workplace standards, environmental protection, and fighting corruption.

**Liquefied natural gas (LNG)** Natural gas converted to a liquid state by pressure and severe cooling (minus 162 degrees Celsius, minus 260 degrees Fahrenheit), which reduces its volume by a factor of 600. LNG is transported in tankers to regasification terminals (see regasification terminal) where it is returned to a gaseous state and injected in the pipeline system.

**Lost time injury frequency (LTIF)** A common international measure of workplace accidents that cause downtime, LTIF equals the number of accidents per million hours of work.

**Market unit** Part of E.ON's market-oriented organizational structure, our market units correspond to our five target markets: Central Europe, Pan-European Gas, U.K., Nordic, and U.S. Midwest.

**Net value added** A measure of a company's economic performance equal to its gross profit on sales plus other income less the cost of goods sold and services provided, depreciation, and other expenses.

**Regasification terminal** A facility for returning liquefied natural gas to a gaseous state so that it can be injected into a transport pipeline.

**Research, development and demonstration (RD&D)** A term to describe technology development from research through small-scale and large-scale demonstration projects in which new technologies are tested under real conditions before they enter commercial operation.

**Union for the Coordination of Transmission of Electricity (UCTE)** Organization responsible for coordinating and expanding Europe's interconnected transmission system which serves more than 400 million consumers. Thirty-four transmission system operators in 22 countries are members of the UCTE.

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## Independent Assurance Report

To the Board of Managing Directors of E.ON AG

We have performed a limited assurance engagement regarding the following parts of the CSR report 2006 (hereinafter "parts of the CSR report 2006") of E.ON AG:

- Chapter Developing Dialogs
- Chapter E.ON Corporate Profile
- Chapter Responsible Corporate Governance
- performance indicator "carbon intensity" (see page 28)

The preparation of the CSR report 2006 in accordance with the following criteria stated in the Sustainability Reporting Guidelines Vol. 3 of the Global Reporting Initiative

- Materiality,
- Completeness,
- Balance,
- Clarity,
- Accuracy,
- Timeliness,
- Comparability and
- Reliability

is the responsibility of the board of managing directors of E.ON AG. Our responsibility is to express a conclusion on the parts of the CSR report 2006 based on our assurance engagement.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000. For a limited assurance engagement this standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance about whether the parts of the CSR report 2006 have been prepared, in all material respects, in accordance with the above mentioned criteria stated in the Sustainability Reporting Guidelines Vol.3 of the Global Reporting Initiative.

During our engagement based on the assessment of risks and materiality we gained evidence to obtain limited assurance on the compliance of the parts of the CSR report 2006 with the specified criteria. We determined the nature and extent of our procedures, also on a sample basis, by using professional judgement to obtain limited assurance. Our assurance engagement included the following procedures:

- Inquiry of the head of the CSR project, the manager responsible for sustainable development, the CSR coordinators of E.ON Energy, E.ON Nordic, E.ON UK, E.ON U.S., E.ON Ruhrgas and controlling of purchasing and human resources of E.ON AG

- Inspection of the description of the organisational structure of the CSR council founded in 2006
- Inspection of documents, which evidence the process of realisation of the CSR management (minutes of a meeting, reports to the Board of Managing Directors or Supervisory Board)
- Obtaining an understanding of the process of stakeholder dialogue performed in 2006
- Obtaining an understanding of the topic finding process for the CSR report 2006
- Review of the programme of social engagement of the employees
- Obtaining an understanding of the introduction of the CSR related process guidelines in relation to the buying department on group level
- Inspection of the existing documents and systems for generating, analysing and aggregating the CSR data
- Understanding the calculation of the performance indicator "carbon intensity"

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion on the parts of the CSR report 2006.

**Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the parts of the CSR report 2006 have not been prepared in all material respects in accordance with the above mentioned criteria stated in the Sustainability Reporting Guidelines Vol.3 of the Global Reporting Initiative.**

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Frankfurt/Main, April 16, 2007



Dr. Manfred Walz



Thomas Tilch

# GRI Content Index

The indicators for this CSR report are selected on the basis of the third version of the Sustainability Reporting Guidelines (G3) by the Global Reporting Initiative (GRI) as released in September 2006. The GRI guidelines have been continually improved since their first release in 2000. For our previous report last year, we used the indicators included in the draft (March 2006) version of the GRI G3 Guidelines. Many of these indicators have since changed, please refer to the GRI website for information on comparability. We continue to actively take part in the GRI process, including participation in the utilities sector working group. This Content Index indicates which G3 indicators we can report, where they are found in the print report or on the E.ON website → and to what extent they are reported. Decisions regarding which indicators to report were also guided by the process we undertook to identify key CSR topics and evaluate these according to their materiality. The results of this process are documented on page 15.

	Reference <sup>1</sup>	Status <sup>2</sup>
<b>1. Strategy and Analysis</b>		
1.1 CEO Statement	2	●
1.2 Key impacts, risks and opportunities	10-17	●
<b>2. Organizational Profile</b>		
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2.2 Products and/or services	6-7	●
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2.10 Awards received	Highs/Lows, 22, 44, 47	●
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3.3 Reporting cycle	About this Report	●
3.4 Contact point for questions	55	●
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3.8 JVs, subsidiaries, and outsourcing	About this Report	●
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3.10 Effects of information re-statement	www, GRI Content Index	●
3.11 Changes from previous reports	www, GRI Content Index, About this Report	●
3.12 Standard disclosures	www, GRI Content Index	●
3.13 External assurance	About this Report 56	●

	Reference <sup>1</sup>	Status <sup>2</sup>
<b>4. Governance, Commitments, and Engagement</b>		
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4.5 Executive remuneration and performance	www	●
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4.7 Process to determine board expertise on sustainability	AR, www	●
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4.10 Processes for evaluation of the board's economic, environmental, and social performance	12-13	●
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4.12 External charters / principles	www, 10-14	●
4.13 Association memberships	www	●
4.14 List of stakeholders	4-5	●
4.15 Stakeholder identification	4-5	●
4.16 Approaches to stakeholder engagement	4-5, 24-25, 32-33, 40-41, 48-49, www	●
4.17 Topics raised by stakeholders	4-5, 24-25, 32-33, 40-41, 48-49, www	●
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EC2 Financial implications due to climate change	26-31	●
EC3 Benefit plan	AR, F, www	●
EC4 Financial government assistance	www	●
EC5 Entry level wage (Add)		○
EC6 Local suppliers	www	●
EC7 Local recruitment	www	●
EC8 Infrastructure investment and services for public benefit	18-23, 38, www	●
EC9 Indirect economic impacts (Add)	18-23	●
<b>Environmental Performance Indicators</b>		
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EN2 Recycled materials	50, www	●
EN3 Direct primary energy consumption	50-51, www	●
EN4 Indirect primary energy consumption	www	●

	Reference <sup>1</sup>	Status <sup>2</sup>
EN5 Energy conservation (Add)	23	●
EN6 Initiatives for energy-efficiency and renewable energy (Add)	17, 23, 29-31, www	●
EN7 Initiatives for reducing indirect energy (Add)	29	●
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EN9 Effect of water withdrawal (Add)	43-44, www	●
EN10 Water recycled (Add)		◆
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EN13 Habitats protected or restored (Add)	www	◆
EN14 Strategies for biodiversity (Add)	www	◆
EN15 Endangered species (Add)		◆
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EN17 Other greenhouse gas emissions		◆
EN18 Initiatives to reduce greenhouse gases (Add)	28-31, www	●
EN19 Ozone-depleting substance emissions		◆
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EN23 Significant spills	52	●
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EN25 Habitats affected by discharge and runoff (Add)		◆
EN26 Environmental impact mitigation	28-31, www	●
EN27 Packaging materials		-
EN28 Non-compliance sanctions	52	●
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EN30 Environmental protection expenditure (Add)	www	●
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<b>Labour Practices and Decent Work</b>		
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LA2 Employee turnover	52	●
LA3 Benefits to full-time employees (Add)	www	●
LA4 Employees with collective bargaining agreements	www	●
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LA6 Workforce in joint health committee (Add)	www	●
LA7 Occupational injuries and absenteeism	44	●
LA8 Training on serious diseases		◆
LA9 Trade union agreements on health (Add)	www	●
LA10 Training per employee	46	●
LA11 Programs for lifelong learning (Add)	46	●
LA12 Career development (Add)	42-47	●

	Reference <sup>1</sup>	Status <sup>2</sup>
LA13 Composition of governance bodies	www	●
LA14 Gender pay disparity		○
<b>Social Performance: Human Rights</b>		
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HR2 Supplier screening on human rights		○
HR3 Training on human rights (Add)		○
HR4 Discrimination		○
HR5 Association and collective bargaining	www	●
HR6 Child labour	www	●
HR7 Forced labour	www	●
HR8 Training for security personnel (Add)		◆
HR9 Violations of rights of indigenous peoples (Add)		◆
<b>Social Performance: Society</b>		
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S02 Corruption risks	13-14	●
S03 Anti-corruption training	13-14	●
S04 Actions against corruption	13-14	●
S05 Lobbying	22	●
S06 Political donations (Add)	53, AR, F	●
S07 Anti-competitive behaviour (Add)	22	●
S08 Regulatory non-compliance sanctions	www	●
<b>Social Performance:</b>		
<b>Product Responsibility</b>		
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PR3 Product information		◆
PR4 Non-compliance with product information standards (Add)		◆
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PR6 Communication programmes		◆
PR7 Non-compliance in marketing practices (Add)		◆
PR8 Complaints regarding customer privacy (Add)	www	●
PR9 Product non-compliance	www	●

<sup>1</sup>1-56: CSR report pages; AR: Annual Report; F: Form 20-F;  
www: internet information.  
<sup>2</sup>● fully reported; ● partially reported; ○ not reported; ◆ not material;  
- not applicable/relevant.

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