

E.ON Sustainability Report 2013

April, 30 2014



Preliminary note

Since 2008 E.ON SE's annual Corporate Sustainability (CS) Report has exclusively appeared online. All content is available on the top navigation level at www.eon.com under "Sustainability". The Sustainability Report published by E.ON SE at the end of April 2014 is the Group's tenth successive report. It covers the period from January 1st to December 31, 2013, and is available in German and English. The copy deadline for submitting established content relevant to the report was March 31, 2014. The next Sustainability Report will be published in the second quarter of 2015. The chapters "Approach", "Reporting", "Environment", "Social" as well as "Governance and Integrity" form the core of our 2012 Sustainability Report. In addition to our extensive online reporting on the topic of sustainability at E.ON, we have compiled key areas of progress in a Summary Report which will be available to download as a PDF file at www.eon.com. As in previous years, the PricewaterhouseCoopers AG audit company (PwC) carried out a limited assurance engagement on substantial parts of the 2013 Sustainability Report using criteria as per the ISAE 3000 (International Standard on Assurance Engagements) of the International Federation of Accountants.

Information folder

compiled from www.eon.com on 04/30/2014

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Foreword to the 2013 E.ON Sustainability Report

<http://www.eon.com/en/sustainability/reporting/commitment-to-sustainability.html>

Discussion with Johannes Teyssen, Chairman and Jørgen Kildahl, Member of the Board of Management

Moderator: Anette Bickmeyer, Vice President Sustainability Management



AB: Since mid-2013 E.ON has had a Chief Sustainability Officer. Why did you create this new function?

JT: Sustainability has a strong tradition at E.ON, and we've accomplished quite a bit, particularly in recent years. In 2005 we signed the UN *Global Compact* and have put in place business processes that comply fully with its ten principles. Now we're committed to making sure that our business partners and our supply chain comply with these principles as well. But we felt that the responsibility for delivering on this commitment was dispersed among too many functions at our company. So we decided to place the overall responsibility in a single Board-level function: the Chief Sustainability Officer. We also thought it was important to give sustainability a high-profile face at E.ON.

AB: Jørgen Kildahl, you are this face. How are you going to approach your new task?

JK: E.ON needs to have an ambitious concept of sustainability that we translate into clear targets for our operating business. Then we need to use clear metrics to track our progress toward these targets. We need to set measurable targets for our executives as well. Only when sustainability standards – and the criteria for meeting them – are embedded into our business processes we will have our risks under control and be able to identify and seize new business opportunities. Everyone at E.ON needs to know that we won't do business with companies that don't meet our standards for safety, environmental protection, and human rights.



AB: A good example of our commitment is Bettercoal. Are you satisfied with what we've achieved so far?

JK: Bettercoal is an important initiative and continues to reach milestones. It has a functioning organization and has issued a set of sustainability standards called the Bettercoal Code. Now it's starting to conduct on-site mine audits and, if necessary, will support mine operators to make improvements so that they comply with the Code. The first audits are under way. Also, a number of mine

operators will be completing a detailed survey to assess their compliance with the Code. Bettercoal is an example of how we're living up to our responsibilities beyond the operations that we directly control: we're taking responsibility for the environment in mining regions and for the people who produce the fuel for our power stations.

AB: This responsibility continues up the value chain all the way to customers. What are E.ON's priorities for promoting sustainability on the consumption side?

JK: First, we want our customers to be aware of our commitment to sustainability. So it's important that we embed sustainability into our business processes and make these processes transparent so that customers know we take sustainability seriously. We want to be customers' partner of choice for energy solutions. We want to work with them to create a sustainable future. The transformation of Germany's energy system is changing things on the consumption side as well. There's a need for new solutions. We want to play an active role in finding them.



AB: What does the transformation of Germany and Europe's energy system mean for E.ON?

JT: It's a huge challenge. Our main focus up to now has been on expanding our renewables business – primarily onshore and offshore wind power – and on building high-efficiency fossil-fueled power plants to provide climate-friendly reserve capacity. More recently we've begun, in a very systematic way, to put our customers and their needs at the center of everything we do.

AB: Does the Chief Sustainability Officer also put customers at the center of what he does?

JK: Definitely. Customers are citizens as well. They make up the general public that supports us and sometimes is also critical of us. Customers are our stakeholders just as our shareholders, our employees, and policymakers are. And ultimately they're the stakeholders who enable us to pay salaries, taxes, and dividends. More and more customers want their energy supplier to operate sustainably. So we have every reason to continually ask ourselves how we can better satisfy our customers' needs and interests and, more generally, how we can improve people's lives.



AB: What can we do to win over customers who are critical of E.ON's sustainability performance?

JT: By doing exactly what Jørgen just described. Sustainability needs to be more deeply embedded into our business processes and this fact needs to be more transparent. That helps reduce risks and build people's trust in our company. Customers want their energy supply to be climate-friendly but also to be affordable and reliable, even on cloudy, windless days. Many customers are

looking for advice on how to conserve energy. Others want to produce much of their energy themselves and need support. We have extensive expertise and experience in all these areas. We want to continue convincing customers that we have the solutions they need.

JK: The transition to a low-carbon energy future is creating exciting business opportunities that benefit customers and also our company, our employees, our shareowners, and the general public.



Self-Commitment by the E.ON Group

URL: <http://www.eon.com/en/sustainability/reporting/commitment-to-sustainability/self-commitment-by-the-eon-group.html>

In its 2006 Commitment, the E.ON AG (since November 15, 2012 E.ON SE) Board affirmed the importance of our company's social responsibility:

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. Corporate Responsibility (CR) is a fundamental part of the way we do business.

More specifically, at E.ON we:

- Are responsible for providing our markets with a secure, economic and climate-friendly supply of energy.
- Uphold the ten principles of the UN *Global Compact* on human rights, labor standards, environmental protection, and fighting corruption.
- Are committed to successful long-term development of the communities where we live and work.
- Report our achievements openly, reliably and self-critically. This includes making an appropriate and balanced presentation of our economic, environmental and social activities and achievements in line with the Global Reporting Initiative's current recommendations for sustainability reporting.
- Seek to engage in objective dialog about our activities and about the challenges our industry will face in the future.

Board of Management of E.ON AG (since November 15, 2012 E.ON SE), Düsseldorf, June 2006



Identifying Risks, Seizing Opportunities

URL: <http://www.eon.com/en/sustainability/your-access.html>

The energy industry is going through a period of profound change. Stricter regulation, keener competition, and interventionist policies to promote the growth of renewables in Germany and Europe are presenting energy service providers with substantial challenges. At the same time, investors and the public are changing how they evaluate our performance and placing greater emphasis on its environmental and social aspects. For E.ON, these changes create risks but also opportunities for us to stand out from our competitors, tap new markets, and create new value.

Depending on their interests, our stakeholders can use one of three navigation points to access information about our sustainability strategy and activities:

Strategic Focus Areas

Locally and globally our operations affect people and the environment in positive as well as negative ways. We play a key role in shaping the transformation of the energy industry and in developing new technologies and business models. We define our strategic focus areas so that we can help solve the problems resulting from the rising demand for energy worldwide.

E.ON Value Chain

At E.ON, sustainability isn't just something we pay lip service to at headquarters. Sustainability is embedded into our operations along the entire value chain, from inside coal mines to inside our customers' homes and businesses.

ESG Performance 2013

We are increasingly reporting on our environmental, social, and governance (ESG) activities based on a number of key performance indicators (KPIs). This navigation point provides sustainability-oriented retail investors, institutional investors, and equity analysts with quick access to our main non-financial KPIs.

Designing Cleaner and Better Energy for the Future

URL: <http://www.eon.com/en/sustainability/your-access/strategic-focus.html>

The energy world is changing. And we're changing with it. In line with our guiding strategic theme – 'cleaner & better energy' – we state a clear commitment on our part and provides answers not only to current challenges but also to long-term megatrends in the European and global energy world.

Megatrends are sustained patterns or trends that are likely to have a significant and usually global impact on society, business, and the environment. Understanding them helps us not only to forecast the future but also to shape it. In 2013 E.ON employees and outside experts worked together to identify eight megatrends that have a direct impact on our business, the challenges we face, and people's expectations of us. We also sought input from some of our major customers (such as the METRO Group in Germany), research institutes and think-tanks (such the World Resource Institute and the International Energy Agency), our business and joint-venture partners, policymakers, and NGOs. The following megatrends will play a decisive role in E.ON's future:

Consumers are becoming more conscientious about their energy use. They're also becoming more demanding. We see a dramatic change in consumer expectations. Companies need to ask themselves every day what customers want and not what they can provide them.

Dan Yates, founder and CEO

On the Move

The demand for individual mobility is increasing, particularly in emerging countries. People are relocating more frequently as well. In developing countries relocation is often driven by necessity not choice. Its direction is primarily from rural areas to cities, resulting in increasing urbanization and the emergence of megacities.

We believe this trend creates significant business opportunities, opportunities we intend to seize by developing sophisticated, low-carbon energy solutions for densely populated areas as well as mobility solutions.

Economic Power Shift

Emerging countries will become new economic and political powerhouses. Millions of people worldwide will join the middle class. Interest groups and citizen action groups will have a greater influence on policymaking, which will alter power relationships. Governments are increasingly adopting interventionist policies for energy markets and energy infrastructure.

We view the growing economic strength of emerging countries as an opportunity and are responding to it with our growth strategy for countries outside Europe. Our investments in Brazil and Turkey represented our first steps in this direction.

Shift in Ressource Availability

Expanding populations, economic growth, and rising prosperity in emerging countries are serving to increase the global demand for fuels, metals, water, and food. The demand for energy is rising as well. Resources, however, are unevenly distributed.

The increase in global energy demand will create attractive growth opportunities, particularly in renewables and in emerging countries. At the same time, we'll need to adjust our gas-procurement strategy to new market realities and address the issue of water scarcity.

When we look at the global energy demand growth the growth will not come from Europe. It will come mainly from Asia, the Middle East, and Latin America.
Fatih Birol, Chief Economist, International Energy Agency

Rise of the Individual

The rise in prosperity in industrial and emerging countries is promoting greater individualism. Customers' needs are becoming more complex, and new attitudes (such as a preference for sharing instead of owning) are gaining momentum. Improved access to information and social networks are key drivers for this trend.

The growing complexity of our customers' needs creates opportunities for us to offer individually tailored products and dialog offerings that will enable us to become the customers' partner of choice for energy solutions. We also want to communicate with customers more actively via social media.

Not all consumers need the same solution. We need a good approach to solve the energy problem of every single customer. That is one of the key issues we have for the future.
Prof. Dirk Müller, E.ON Energy Research

Environmentalism

Environmental protection has become a more important issue in recent years. There's growing awareness of how human actions harm the environment and greater commitment to mitigating this harm. The growth in renewables, the decentralization of the energy system, and advances in resource efficiency are key drivers of improved environmental performance in the energy industry.

We see this trend as an opportunity and also realize that it will require that we change our business and our processes.

Global Connectedness

The growth in global trade and capital flows is making national markets more interconnected, supply chains more global, and products more tailored to meet local needs.

We see globalization primarily as a source of opportunities: for growth and new partnerships. As competition becomes keener and the marketplace more crowded, we'll have to become faster and more agile.

*Many would love to go back to slow energy.
But there is no more slow energy.
Christoph Frei - Secretary General World
Energy Council*

New Social Structure

Society will change in fundamental ways in the years ahead. More and more people will have access to education. The proportion of women university graduates is increasing worldwide, while traditional gender roles are becoming even less normative. Due to greater life expectancy and low birth rates, the population is aging. Younger employees in particular expect more dynamic and flexible work arrangements.

E.ON is adapting to the fiercer competition for talent and will make its recruiting more international. Several years ago we took an important step toward greater gender diversity by setting a target for increasing the proportion of women in senior management positions across our company.

Intelligence and Innovation

The volume of digital data is growing exponentially and is providing the basis for new business models and accelerating the spread of innovations worldwide. Companies face enormous pressure to innovate. Customers' increasing demand for integrated solutions is driving growth in the service sector.

E.ON has access to a vast amount of data. We intend to use it intelligently and responsibly to develop new business models. We also want to become a more innovative company.

We already addressed many aspects of these megatrends. Going forward, our business and actions will be guided by five interlinked core values. We put our **customers** first. We value and honor our working relationships with our customers, investors, colleagues, and society. Our business is about working **together**. Constructive collaboration across our organization is the foundation for our success. We strive relentlessly to improve and **innovate**. We create value for our customers and shareholders and learn from each other. We win **together**. Responsible behavior and being open to new and different perspectives and **opportunities** is how we do

business, which is becoming increasingly international and decentralized. We see diversity as a strength, foster international knowledge sharing, and are committed to high standards in areas like occupational safety.

By working relentlessly to improve how energy is produced and consumed we want to help continually improve people's quality of life. We're convinced that affordability, security of supply, and climate protection can and must be mutually compatible elements of a successful business strategy, even in difficult times.

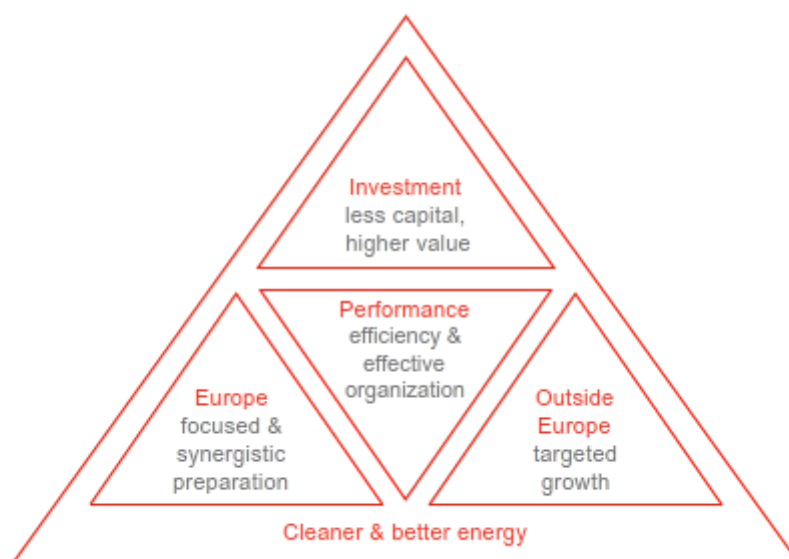
Core Elements of Group Strategy

Instead of pursuing the same targets worldwide, we are working to make continuous improvements adjusted to the relevant local market conditions within the framework of our 'cleaner & better energy' Group strategy. At the same time our overall objectives and corporate principles are the same. Our products and services are 'cleaner' if they improve environmental protection and efficiency. And our energy is 'better' if we provide services and utilize technologies which exceed the usual standards. In accordance with the four key strategic elements (Europe, outside Europe, Performance and Investment) we are focusing more than ever before on competitive business areas, expanding our geographic focus, establishing a sustainable performance culture and developing business models which increasingly prioritize competence over capital.

...for us sustainable energy means if you have a balance between the three [access to energy, affordability, energy security]. Just having an expensive solution that does not look at the social equity side but covers high energy security and high environment side cannot be the solution because there will be policy change if it is too expensive. Just having a solution that is cheap and secure cannot be the solution because again you will have policy change calling for much greater environmental reaction. So the sustainable means inherently to strive for balance and for bettering in all those three dimensions at the same time.

Christoph Frei - Secretary General World

In the following, we show how our sustainability activities are related to the four key elements at E.ON and how that affects our business model.



Investment	Evidence of Our Sustainability Performance 2013
<p>Focus our investments in Europe and North America on climate-friendly growth businesses, particularly renewables and distributed energy solutions.</p>	<ul style="list-style-type: none"> • Invested EUR 1,028 million in renewables • Added about 350 megawatts (MW) of new renewables capacity, mainly offshore in Europe and onshore in North America plus the retrofitting to biomass in Ironbridge (740 MW); at year-end 2013 installed renewables capacity totaled 10.4 gigawatts • Inaugurated London Array, the world's largest offshore wind farm, in early 2013; its 175 turbines comprise 630 MW of capacity, enough to power 0.5 million households; it displaces 925,000 metric tons of carbon emissions annually • E.ON Connecting Energies acquired Matrix, the U.K. market leader for IT-based energy-efficiency solutions, to expand its expertise in this area
<p>Streamline our portfolio and rotate capital to achieve an increasingly climate-friendly generation mix with a reasonable level of capital investment.</p>	<ul style="list-style-type: none"> • Decommissioned coal-fired generating units in Germany (Staudinger 1 and Shamrock 1 through 4) and Spain (Puertollano) and oil-fired units in Italy Fiume Santo 1 and 2) totaling 900 MW; these units had 2.3 million metric tons of carbon emissions in 2012 • Sold an 80-percent stake in RødsandII offshore wind farm to Danish energy utility SEAS-NVE and rapidly reinvested the proceeds in new projects as part of our strategy of less capital/more value and of building and operating – but not necessarily being sole owners of – wind farms • Converted generating units from coal to biomass in the United Kingdom (Ironbridge, 740 MW) and France (Provence Unit 4, 150 MW) and began building a dedicated biomass-fired plant in the United Kingdom (Blackburn Meadows, 30 MW) • Inaugurated two solar farms in North America with peak capacities of 10 MW and 5 MW, respectively
<p>Deploy advanced technologies in new growth markets outside Europe to meet rising energy demand reliably and sustainably.</p>	<ul style="list-style-type: none"> • Inaugurated eight hydro and wind projects in Turkey totaling 745 MW

Performance	Evidence of Our Sustainability Performance 2013
<p>Enhance our performance through E.ON 2.0 by making our organizational setup more efficient and our administrative functions leaner.</p>	<ul style="list-style-type: none"> • Delivered substantial savings and permanently lowered overall costs levels by reducing our administrative and other controllable costs; we intend to achieve significant additional savings and reduce our controllable costs from a 2010 baseline of EUR 11 billion to EUR 8.2 billion by 2015 • Took a socially responsible approach to making necessary staff reductions by means of the E.ON Labor Agreement, the E.ON Group Agreement on Minimum Standards for Restructuring Measures, and the Model

E.ON 2.0 Redundancy Plan	
Use E.ON 2.0 process to increase the competitiveness of our operating business; at the same time, reduce the environmental and social impact of energy generation.	<ul style="list-style-type: none"> • Rolled out an efficiency-enhancement project called Transformation@Generation at many of our power stations in Europe; it enabled us to identify and launch 159 improvement initiatives with the potential to permanently reduce our costs and wide our margins by a total of EUR 34 to 38 million annually by 2015 • Reduced E.ON and contractor employees' total reportable injury frequency per million hours of work from 3 to 2.8
Actively promote the expansion of renewables – and, increasingly, on an industrial scale – to enhance their efficiency and establish a clear timeline for gradually making them competitive without subsidies.	<ul style="list-style-type: none"> • Reduced investment and operating costs for offshore wind (target: 40-percent reduction by 2015 based on 2010 as the reference year) • Reduced investment and operating costs for onshore wind (target: 25-percent reduction by 2015 based on 2010 as the reference year) • Reduced investment and operating costs for photovoltaic (target: 35-percent reduction by 2015 based on 2010 as the reference year)

Europe	Evidence of Our Sustainability Performance 2013
Halve, from a 1990 baseline, our European generation fleet's carbon intensity to 0.32 metric tons of carbon dioxide per MWh by 2025.	<ul style="list-style-type: none"> • Achieved a slight reduction – from 0.46 to 0.45 metric tons of carbon per MWh – in the carbon intensity of our total power generation; the carbon intensity of our power generation in Europe was unchanged at 0.44 metric tons per MWh; renewables accounted for 13 percent of our owned generation. • Closed 7.4 GW of the roughly 13 GW of conventional capacity (consisting of about 30 – mostly older, less efficient – fossil-fired units) we intend to close by 2015.
Develop products and services for our customers that promote a reliable, clean, and cost-effective energy supply.	<ul style="list-style-type: none"> • Systematically enhanced our digital interactions with our customers to help us understand their needs better and provide them with appropriate solutions. • Launched the Customer Engagement Toolkit, which enables our customers to compare their energy usage with that of similar households and provides them with energy-saving tips. • E.ON Connecting Energies and our regional units selectively expanded our distributed energy business; our Germany regional unit, for example, delivered more than 1,700 distributed energy solutions and installed 51 new cogeneration units.

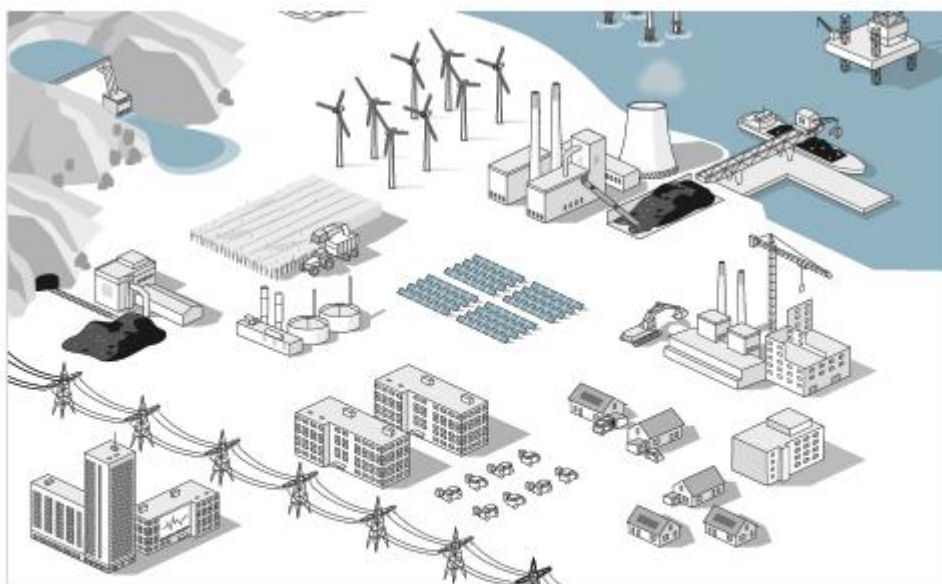
Outside Europe	Evidence of Our Sustainability Performance 2013
Work with local partners tap new markets in countries with solid growth such as Turkey and Brazil; seize growth opportunities in Russia and in	<ul style="list-style-type: none"> • Effective March 2013 E.ON holds just under 38 percent of ENEVA S.A., a joint-venture power generation company. ENEVA has roughly 2.4 GW of

renewables in North America.	<p>generating capacity in operation; about 0.5 GW are under construction and expected to be commissioned in 2014.</p> <ul style="list-style-type: none"> • Our joint venture Enerjisa commissioned a wind farm with 143 MW of installed capacity, making it the largest in Turkey. At year-end 2013 Enerjisa's generation portfolio consisted of about 2.4 GW of installed gas, hydro, and wind capacity (up from 1.7 GW at year-end 2012). Enerjisa, which has 1.8 GW of conventional and renewables capacity under construction, aims to have a 10-percent share of Turkey's generation market by 2020. • Enerjisa significantly expanded its power distribution and sales business. It has 9 million end-customers, giving it a market share of more than 20 percent. The strategic focus of Enerjisa's downstream business is on successfully integrating its newly acquired companies and seizing market opportunities created by ongoing liberalization.
Establish effective governance structures at our joint ventures in our new growth regions.	<ul style="list-style-type: none"> • Conducted a comprehensive assessment of Walchensee, an E.ON hydroelectric station in southern Germany, in accordance with the Hydropower Sustainability Assessment Protocol. We intend to use the knowledge about hydropower sustainability gained from this project primarily at hydro projects outside Europe in line with our strategy of 'cleaner & better energy.'
Develop self-generation projects or special products to give people in developing and emerging countries access to energy.	<ul style="list-style-type: none"> • E.ON Off-Grid Energy Solutions, an inclusive business project, commenced operations; customer-oriented solutions should function well and provide people with affordable energy, even under the special circumstances of this market; the forging of partnership with GIZ, a German organization that promotes international cooperation, was a key milestone.

Challenges along the Value Chain

URL: <http://www.eon.com/en/sustainability/your-access/eon-value-chain.html>

We're active at almost all stages of the power and gas value chain: upstream (exploration and production, generation), midstream (storage, distribution, energy trading, wholesale marketing), and downstream (end-customer sales and supply). Through our procurement activities, joint ventures and minority holdings, our ability to influence outcomes extends beyond our company and encompasses our suppliers and business partners. We've extensive discussions with our internal and external [stakeholders](#) to determine the main **challenges** that we need to address, and how we should address them, in order to achieve remain successful well into the future. We can provide some responses here; we're still working on others. You can click on the graphic to see where we stand at each stage of the value chain.



For more information please click on the respective field.





For more information please click on the respective field.



Challenges and Our Responses

Strategic Planning

Position on the Energy Transformation

Challenge. The transformation of the energy system in Germany and Europe, Germany's phaseout of nuclear energy, the trend toward renewables and distributed energy: all will have a lasting impact on our business. The days of vertically integrated energy utilities operating exclusively in Europe are over. E.ON faces new challenges, including in our markets outside Europe. In response, we're transforming our generation fleet, a process that requires substantial investments. Meanwhile, affordable energy is becoming a hot-button policy issue.

Response. The enormous challenges facing our business in Europe make E.ON's transformation even more important and urgent. We support the transformation of the energy system. We're convinced that affordability, supply security, and climate protection are mutually compatible. Achieving a reasonable balance between these objectives will deliver the greatest benefit to companies, consumers, and the overall economy. Our strategy reflects these beliefs: we aim to achieve clear competitive advantages by offering efficient, climate-friendly solutions in and outside Europe.

► [Climate Protection](#)

Response. In line with our "cleaner & better energy" strategy, we aim to reduce our European generation fleet's carbon intensity to 0.32 metric tons of carbon dioxide per MWh by 2025. That's 50 percent lower than in 1990.

► [Energy Mix and Decarbonization](#)

Response. Renewables already make a big contribution to our earnings. Last year it was 15 percent. Selling stakes in some of our wind farms is one of the ways we use our expertise to create more value with less capital.

► [Strategic Focus](#)

Addressing ESG Issues

Challenge. Environmental, social, and governance (ESG) issues are sources of both risks and opportunities, which is why, increasingly, capital markets are factoring them into their valuations of corporations. Nevertheless, it requires an enormous effort to gather meaningful data in a transparent process and disclose these data in roughly the same timeframe as our annual financial results.

Response. Our sustainability reporting has been aligned with key ESG issues for several years. We remain one of a few German companies to disclose standardized ESG key performance indicators (KPIs). It isn't a rote exercise. It plays a key role in helping us manage opportunities and risks.

► [Facts and Figures](#)

Response. Since 2012 our online Sustainability Report has had a navigation point designed especially for sustainability-oriented investors.

► [ESG Performance 2013](#)

Response. In accordance with a new company policy document, we're putting in place a systematic ESG risk management system that will also encompass non-quantifiable risks.

► [Risk Management](#)

Public Acceptance and Consents Processes

Challenge. To handle the growth in renewables, the entire energy supply system must be expanded and updated. This involves numerous infrastructure projects, both large and small. From a systemic perspective their necessity is often indisputable. Nevertheless, during the consents process for these projects, local residents often raise concerns.

Response. Open and consistent dialog with stakeholders helps everyone, including us. We start it very early in the planning stage and also engage in multi-stakeholder dialogs.

► [Stakeholder Management](#)

Response. Our central consents platform for the construction and operation of our assets enables us to continually monitor and evaluate existing laws and regulations as well as potential amendments to them.

► [Integrated Environmental Management](#)

Adopting Environmental Standards outside Europe

Challenge. Obsolete, inefficient generating units are often still in operation in our growth markets outside Europe.

Response. We're working with local partners to deploy solutions that are cleaner and more efficient than the current standard in these markets. We're already helping to reduce carbon emissions in Russia, Brazil, and Turkey.

► [Climate Protection](#)

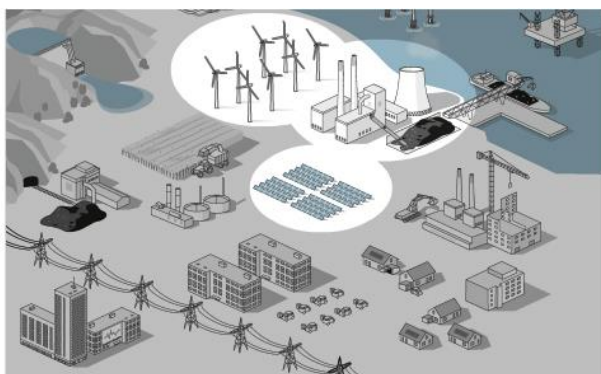
Response. Uniform policies and a special management system ensure that every E.ON entity and all our business processes adopt the same minimum health, safety, and environmental standards.

► [Strategy and Guidelines](#)

Other Challenges

Impact of demographic changes on HR management. Low birth rates in industrial countries have reduced the number of qualified professionals in the labor market and, in conjunction with higher life expectancy, are causes for far-reaching demographic changes. ***Response.*** *We're currently revising our strategic HR planning to address this challenge.*

► [HR Responsibility](#)



For more information please click on the respective field.



Challenges and Our Responses

Technology & Innovation

Adding value for our customers

Challenge. When switching energy suppliers, business and residential customers consider a range of criteria. They want their energy service to cost less, help protect the climate, and be reliable. And they want it to more individualized, convenient, and flexible. Trends like sharing instead of owning are also becoming more prevalent.

Response. Our integrated energy solutions provide our customers with convenience, reliability, and efficiency. The changing energy world is creating opportunities for us to develop new business models for end-customer sales, energy trading, and generation. Distributed energy, which is one of our strategic development areas in Europe, has a lot of growth potential.

► [Customer Orientation](#)

Response. More and more electricity consumers – both large and small, industrial and residential – are also electricity producers. Connecting them with smart systems would make it possible to maximize their climate-protection potential. E.ON Connecting Energies is paving the way with energy management systems and virtual power plants.

► [Climate-friendly Products and Services](#)

Response. How do homeowners in Germany, Britain, and Sweden use e-mobility? What are the similarities and differences? We're conducting a large-scale trial to find out. About 26 percent of our R&D budget goes toward sales and end-use technology.

► [T&I: Sales and End-use](#)

A 100 Percent Renewable Power Supply?

Challenge. A zero-carbon energy supply would be possible with current technology. But it would take a lot of time and money to make it happen. Yet many people already can't afford today's high energy prices. And the consents processes for many energy infrastructure projects drag on for years.

Response. For 100 percent renewable become a reality we need technologically mature, cost-effective solutions. Through technology development we aim to reduce the specific costs for onshore wind power by 25 percent, for offshore wind power by 40 percent, and for photovoltaic power by 35 percent. We're also developing smart solutions for capturing more solar, wind, and hydro power in energy storage devices. Renewables accounted for 17.8 percent of our installed capacity at year-end 2013.

► [Energy Mix and Decarbonization](#)

Response. E.ON is developing carbon-neutral, domestically produced alternative fuels for the gas supply. We produce biomethane in Germany and Sweden and are also testing a process that uses surplus wind power to transform water into hydrogen, which is stored and injected into the gas pipeline system as needed.

► [T&I: Infrastructure](#)

Smart Use of Conventional Power Plants

Challenge. As the proportion of renewables in the generation mix has grown, the dispatch of some conventional units has become more sporadic. These units need to be able to ramp up and ramp down quickly in order to balance out fluctuations in renewables output. They also need to be able to operate profitably even though they operate less often.

Response. We're helping ensure that tomorrow's power system is stable and reliable by increasing the operational flexibility of our conventional generating capacity and by using smart systems to link it with distributed generating capacity.

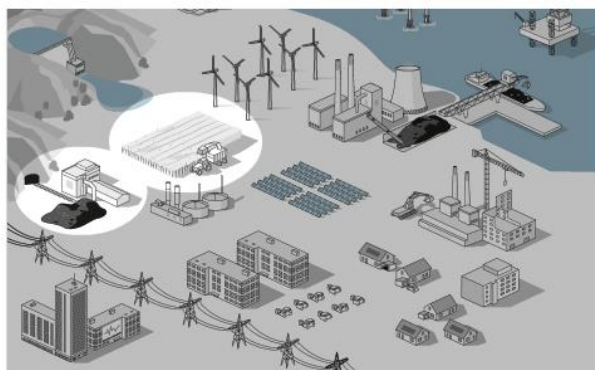
► [T&I: Conventional Generation](#)

Response. Technological advances are making our conventional generating units more energy efficient. Datteln 4, a hard-coal-fired unit in west-central Germany, will be about 45 percent fuel-efficient and will emit about 20 percent less carbon per KWh than older units of its type. That's around 100,000 metric tons less carbon per month.

► [Energy Mix and Decarbonization](#)

Response. In 2013 we played an active role at a national and European level in policy debates about the introduction of capacity mechanisms. Under such a mechanism generation companies receive compensation for maintaining reserve capacity to ensure grid stability. In effect, this places a monetary value on supply security.

▶ [Responsible Lobbying](#)



For more information please click on the respective field.



Challenges and Our Responses

Exploration, Procurement & Trading

Traders' and Generators' Responsibility for their Supply Chain

Challenge. For sustainability to be systematically embedded along the entire value chain, clear responsibilities have to be delineated for the supply chain as well. This requires close coordination between staff who request and procurement staff, such as those at E.ON Global Commodities and E.ON Generation.

Response. In 2013 we established a Sustainability Governance Council (SGC) to improve our ability to manage sustainability issues across our company. The SGC is chaired by our Chief Sustainability Officer, Jørgen Kildahl. It defines our sustainability organization, policies, measures, and initiatives and monitors their implementation across our company. Responsible coal procurement was among the issues discussed at the SGC's first meetings.

► [Strategy and Guidelines](#)

Human Rights and Environmental Standards in Mining

Challenge. Mining coal or uranium can cause harmful emissions, groundwater contamination, and other serious environmental harm. In addition, we have to assume that human rights and workers' rights are not sufficiently respected in some of the countries from which we procure these fuels. Until now, there has been a lack of industry-wide environmental and social standards.

Response. To help ensure that environmental protection and human rights are appropriately addressed, in 2012 E.ON and several other major coal-consuming power companies founded the Bettercoal initiative. In 2013 Bettercoal established its organizational setup and formed a number of committees. In 2014 it will analyze the self-assessments conducted by mine operators that supply coal to its members. It will also coordinate a number of mine audits conducted by independent experts. The self-assessments and audits will be based on a set of sustainability standards developed by Bettercoal.

► [Sustainable Procurement: Coal](#)

Response. E.ON is involved in the Sustainability in the Supply Chain project group organized by econsense, a network of German companies dedicated to promoting sustainable development. In 2013 the project group issued guidelines that address a number of sustainability issues, including the protection of human rights.

► [Protecting Human Rights](#)

Response. A working group led by the World Nuclear Association is currently in the process of approving minimum standards for uranium mining. E.ON is observing this process and will take these standards into account in future mine audits.

► [Sustainable Procurement: Uranium](#)

Systematic, Transparent Management of Risky Suppliers

Challenge. Controversial issues such as mountaintop removal mining pose reputation risks to our company. To be able to influence suppliers with significant market power, we need to work with our industry peers to promote responsibility in our supply chain.

Response. Our Responsible Procurement Policy and general terms and conditions for non-fuel procurement apply to all suppliers and supplier countries. We prequalify suppliers before we do business with them and conduct a risk assessment of those with whom we expect to do more than EUR 5 million of business annually.

► [Sustainable Procurement: Non-Fuels](#)

Standards and Anti-Corruption in the Supply Chain

Challenge. Our ability to procure fuel and other materials securely and price-effectively is a key success factor in our business. Many countries, however, lack effective means to enforce standards or to prevent corruption. Moreover, the stringency of anti-corruption laws varies worldwide.

Response. Our Code of Conduct establishes clear rules for ethical behavior. All E.ON employees, including those at our subsidiaries and majority shareholdings, are required to comply with it.

► [Good Corporate Governance](#)

Response. A system is in place across our company for the reporting of violation. The system is supported by an independent outside organization. Every report is investigated.

► [Compliance and Anti-Corruption](#)

Other Challenges

Occupational Safety and Environmental Protection in Gas Procurement.

Europe needs major infrastructure projects like the Nord Stream Baltic Sea pipeline for a secure, diversified gas supply. However, these projects in particular aren't without consequences for the environment. *Response. The consortium of operators therefore commissioned the most extensive environmental study to date on the Baltic Sea.*

► [Sustainable Procurement: Natural Gas](#)

Climate-friendly and socially responsible biomass production. The use of biomass for energy production is very controversial in some countries. Some people in Germany, for example, want only waste biomass to be used for this purpose. *Response. We participate in the Sustainable Biomass Partnership (SBP) to develop sustainability criteria for biomass.*

► [Sustainable Procurement: Biomass](#)



For more information please click on the respective field.



Challenges and Our Responses

Generation

Operational Excellence

Challenge. Low specific carbon emissions and long asset lifetimes can only be achieved under optimal operating conditions. Increasingly, however, the power market requires a much higher degree of operational flexibility from conventional generation assets, which can compromise their performance.

Response. A comprehensive maintenance management system is in place for our assets. Much of the technology we deploy is very mature, and faults are rare. Our wind farms have availability factors of 98 percent.

► [Energy Mix and Decarbonization](#)

Response. We conduct advanced condition monitoring and analysis of our assets, enabling us to forecast future performance. For example, a slight performance decline could indicate that a component is about to fail, giving us the opportunity to conduct preventive maintenance.

► [T&I: Renewables](#)

Response. We view carbon as a factor of production and try to be as economically efficient with it as possible. Back in 2007 we set a target for reducing our specific carbon emissions.

► [Climate Policy](#)

Occupational and Facility Safety Outside Western Europe

Challenge. It's not always easy to achieve high Western European safety standards at all the businesses for which we are wholly or jointly responsible. Despite all our safety precautions, accidents occasionally happen, for example, during work on power and gas lines. They happen with somewhat greater frequency in countries outside Western Europe. Regrettably, two contractor employees died while working for us in Russia and Romania in 2013, and two E.ON employees died in Sweden and Russia.

Response. We conduct structured contractor management and enhance our efforts to prevent accidents among contractor employees. Our joint venture partners also welcome the opportunity to benefit from our comprehensive safety knowledge.

► [Health & Safety](#)

Response. If we hear that our customers or other third parties have accidents involving power and gas we disseminate this information throughout our company. This issue is more prevalent at a number of our regional units, such as Romania, which conduct information campaigns to raise customers' – and particularly children's – awareness of the potential hazards posed by power and gas.

► [Regional Activities: Romania](#)

Minimizing the Environmental Impact of Power Generation

E.ON power plants emit air pollutants such as sulfur dioxide (SO₂) and nitrogen oxide (NO_x). However, in 2013 these emissions declined considerably year on year. Power plants are often located near centers of consumption and can therefore have a direct impact on the population. In addition, our plants consume fresh water and discharge process water into nearby rivers, streams, and lakes.

Response. We use the best technology available, and our entire company meets high standards for environmental protection and occupational safety. We comply fully with all applicable laws in every country where we operate; in countries where our own standards are higher, we apply these. Our comprehensive facility and process safety management enables to prevent uncontrolled environmental incidents.

► [Air Pollutants](#)

Response. We compile complete data on the amounts and types of our water intake and discharge. To make our water management more efficient, we intend to meet all the requirements of the UN CEO Water Mandate by 2015.

▶ [Water Management](#)

Virtual Power Plants

Challenge. Operating large power stations to serve baseload and top load has been one of our core business. In many parts of Europe, this centralized model is becoming less prevalent. Instead, there's a growing demand for individualized, flexible solutions.

Response. Alongside our large power stations, we've installed and operate roughly 6,000 distributed generating units. Going forward, we intend to combine the capacity represented by some of these smaller units with that of energy storage devices and flexible loads to form virtual power plants (VPPs), which enable us to optimize environmental and economic performance. 'VPP Germany' was among the projects in this area we launched in 2013.

▶ [T&I: Sales and End-use](#)

Other Challenges

Our generation business in particular presents us with numerous other challenges about which we provide information in the relevant sections of our Sustainability Report.

- ▶ [Nuclear Waste Management](#)
- ▶ [Social and Economic Impact of Power Plant Closures](#)
- ▶ [Addressing the Impact of the Energy Transformation on Communities](#)
- ▶ [Water Management](#)
- ▶ [Adapting to Climate Change](#)
- ▶ [Protecting Biodiversity during the Construction and Operation of On-/Offshore Wind Farms](#)



For more information please click on the respective field.



Challenges and Our Responses

Distribution

Integrating Renewables

Challenge. The rising proportion of wind and solar power in the energy mix reduces carbon emissions but also leads to voltage fluctuations in the power of systems of Germany and neighboring countries.

Response. More and more electricity consumers – both large and small, industrial and residential – are also electricity producers. Connecting them with smart systems would make distributed energy much more efficient. E.ON Connecting Energies is paving the way with energy management systems and virtual power plants.

► [Customer Orientation](#)

Response. E.ON is developing carbon-neutral, domestically produced alternative fuels for the gas supply. We produce biomethane in Germany and Sweden and are also testing a process that uses surplus wind power to transform water into hydrogen, which we store and then inject into the gas pipeline system.

► [T&I: Infrastructure](#)

Uninterrupted Power Supply

Challenge. The fluctuations in wind and solar power feed-in place high demands on network management, as does the increase in self-generation. Alongside energy storage and load flexibility, innovative network services will be in increasing demand to help ensure an uninterrupted power supply.

Response. A lot of R&D is needed to upgrade the power system to address these new requirements. We increased our expenditures for infrastructure R&D from 16 to 29 percent of our total R&D budget. On the island of Pellworm in the German North Sea we showcase smart energy solutions that are already technically feasible.

► [T&I: Infrastructure](#)

Response. In Sweden many distribution poles are made of wood, with the result that severe storms often lead to outages. We rank among Sweden's top distribution system operators when it comes to restoring power swiftly and efficiently after an outage. Our customers there can even track the progress of our restoration effort using their computer, tablet, or smart phone.

► [Supply Security](#)

Reducing the Environmental Impact of Grid Expansion

Challenge. The construction of new power lines may affect protected areas, natural monuments, historic and cultural monuments, areas covered by the European Habitats Directive, and important bird sanctuaries.

Response. We conduct extensive studies and weigh the various technical options in great detail. We can reduce environmental impact by combining new lines with the existing infrastructure or by upgrading existing lines.

► [Supply Security](#)

Appropriate Handling of Local Resistance to Grid Expansion

Challenge. Public protests in Germany and elsewhere show that grid expansion harbors considerable conflict potential. Opponents of new power lines have a range of concerns: harmful health effects from electrosmog, significant changes to the landscape, reductions in regional tourism, and a decline in property values. These issues primarily affect the operators of cross-country transmission systems, which have the tallest and widest power pylons. E.ON only operates regional distribution systems.

Response. We involve citizens in the planning process for projects to expand the regional power and gas infrastructure. When routing new power and gas lines, we strive to maintain the greatest possible distance between existing and planned residential areas. Last year we established a central approval platform which ensures that we adopt a consistent approach in our interactions with all external stakeholders: local residents, NGOs (regional, national, and international), and government institutions.

► [Integrated Environmental Management](#)

Response. The key decision-makers are local. That's why we increasingly make use of using public forums and town-hall-style policy debates during the planning stages of grid expansion projects, new wind farms, or large solar farms. Our regional units have the best knowledge of the situation in their operating territory, which makes them the ideal dialog partner for local stakeholders.

▶ [Stakeholder Dialogs](#)



For more information please click on the respective field.



Challenges and Our Responses

Sales & End-use

Transparent Pricing

Challenge. Sometimes wholesale power prices can go down while residential prices go up. Many consumers find this phenomenon – for which there are a number of reasons – both perplexing and exasperating. They want energy pricing to be more transparent.

Response. E.ON UK has shown how to make energy bills more transparent and easier to understand at a glance. In response to a recommendation from its independent customer council, E.ON UK reduced bills from six pages to one.

► [Customer Satisfaction](#)

Response. E.ON supports transparency initiatives at a European level as well. Every large corporation needs to lobby EU institutions in Brussels. But it's essential that these activities are transparent. Since 2011 E.ON has been listed in the EU Transparency Register for organizations and private individuals engaged in shaping and implementing EU policies.

► [Responsible Lobbying](#)

Addressing Energy Poverty and Access

Challenge. Rising energy prices have made energy service unaffordable for some people. Countries differ in how they answer the question of whether addressing this issue is the responsibility of governments or companies. Another question, discussed in Germany and elsewhere, is the impact lower energy prices would have on resource consumption. The predominant issue in developing and emerging countries is energy access. According to the International Energy Agency, about 1.4 billion people worldwide have no access to electricity (Source: World Energy Outlook 2010).

Response. Government policies and benefits for vulnerable customers vary considerably by country. This issue has been on the public agenda for years in the United Kingdom, where we provide customers and communities a wide range of energy-saving tips and provide advice services to vulnerable customers to determine whether they qualify for financial assistance for heating fuel and other government benefits.

► [Regional Activities: United Kingdom](#)

Response. As part of our “:agile” innovation initiative, in 2013 we launched an inclusive business project called E.ON Off-Grid Solutions. Its purpose is to provide people in rural Africa with access to energy. We’re designing customer-oriented solutions that function even under special local market conditions and will test these solutions first in Tanzania.

► [E.ONs Value Added](#)

Affordable Energy for Customers

Challenge. Affordable energy has become an important policy issue. Our ability to influence end-customer prices is limited. To a large degree, these prices reflect price components set by government regulation; taxes, levies, and renewables subsidies; and price movements on global commodity markets.

Response. Our business operations have long been aimed at achieving a reasonable balance between supply security, climate protection, and affordability. We help foster affordable prices downstream by improving our operations upstream: making our plants more efficient and significantly reducing the costs of building new renewables assets. Some of our regional units offer price-cap products, which shield customers from price increases for a certain period of time.

► [Pricing](#)

Response. The potential for efficiency improvements in wind power is far from exhausted. We’re committed to reducing the specific costs of offshore wind power by 40 percent. E.ON engineers believe we can realize this potential in the near term.

► [T&I: Renewables](#)

Climate Protection through Innovative Products and Services

Challenge. Consumers have increasingly higher expectations regarding energy efficiency not only for our power stations but also for our power, gas, and heating products. They expect us, as an energy service provider, to offer sensible solutions.

Response. Many electrically powered solutions for residential and industrial applications are highly energy efficient and therefore help conserve fossil fuels and protect the earth's climate. This efficiency will be of even greater benefit as renewables' share of the power mix continues to increase. Our innovative technical solutions in areas like smart homes and e-mobility help our customers conserve resources. We offer customers certified green power products and products that provide them with a monetary reward for reducing their consumption. Smart meters make energy usage more visible and therefore make it easier for customers to identify ways to save energy.

► [Climate-friendly Products and Services](#)

Other Challenges

Measurable reductions in customers' carbon emissions. Carbon emissions take place along our entire value chain. We do our best to quantify and reduce them. This includes our customers' carbon emissions, although we can often only influence them indirectly through climate-friendly products and services. In addition, data protection laws may in some cases prevent us from gathering information on our customers' emissions. *Response. We're conducting pilot projects to gather data and customer feedback so that we're prepared for future developments.*

► [T&I: Sales/End-use](#)

Identifying Challenges through Materiality Analysis

In 2013 we asked 230 external and internal stakeholders to rank these challenges in terms of priority and to suggest any they felt we'd left out. They identified 15 new challenges and confirmed a number of our existing challenges. A committee consisting of representatives from a variety of Group Management departments discussed the results and used them to design measures that will enable us to do an even better job of meeting our stakeholders' expectations.

Dialog with Investors

URL: <http://www.eon.com/en/sustainability/your-access/esg-performance.html>

Shareholders, investors and analysts ask us regularly about our corporate governance principles as well as the environmental and social impacts of our business activities. We intend to meet this demand for information in order to portray ourselves in a credible light as a responsible company on the one hand, and encouraging interest among sustainability-focused investors to invest in our shares on the other.

ESG Performance 2013

Measurable, meaningful and valid indicators are a basic requirement in enabling us to evaluate how successful our progress is towards becoming a global, specialized provider of energy solutions. Standardized indicators from the areas of Environment, Social and Governance (ESG) are gaining in importance in the capital market for evaluating companies, which is why we structure the reporting of our sustainability performance along material ESG criteria over the past several years. As part of our regular [materiality analysis](#) we evaluate the impact of these topics on the environment and society as well as on the development of our business, from both an internal and external point of view.

The following pages give you an overview of our strategic focus areas, guidelines, sustainability targets and achievements, as well as setbacks and challenges.

- [Our self-understanding](#)
- [Our goals](#)
- [Challenges facing our business activities](#)
- [External and internal frameworks](#)
- [Sustainability ratings and rankings](#)
- [KPIs and standards](#)

Our fields of action and KPIs are structured in line with the ESG topic area itself:



We also use reporting standards that are significant for the capital market, such as the third generation of ESG KPIs from the European Federation of Financial Analysts Societies (EFFAS) and the German Association for Financial Analysis (DVFA). These core non-financial indicators are valid across Europe and also include sector-specific criteria. We remain one of the few companies in Germany to offer standardized ESG key indicators. Furthermore, we base our sustainability reporting on [Global Reporting Initiative](#) (GRI) guidelines. Since 2004 we have participated in the [Carbon Disclosure Project](#) (CDP) including the [CDP Water](#) since 2011.

It is E.ON's goal to integrate particularly meaningful key figures relating to our sustainability performance even better into our reporting and management activities, thereby allowing our stakeholders rapid access to information. In this regard, in our new [Sustainability Governance Council](#) we are working on fine-tuning our key management indicators. We will set out specific goals for these in our [work program](#) and publish them following the process.

The following represents a summarized overview of the most important key figures and progress indicators for 2013.

Environment

As an energy company we are aware that we have a particular responsibility on the road towards a sustainable energy supply. Climate and environmental protection are closely linked with each other. We are reducing CO₂ emissions and environmental effects systematically, investing in climate-friendly power generation and working on early detection of relevant technological developments.

Climate Protection

	Performance 2013	Further Informationen
Total carbon emissions (EFFAS E03-01)	<ul style="list-style-type: none"> Reduction in CO₂ emissions from power and heat generation by 11.2 million metric tons to 114.6 million metric tons. 	<ul style="list-style-type: none"> Carbon Reporting Energy Mix and Carbon Reduction Annual Report (51 f.) CDP Global 500 Report (PDF, 1.47 MB)
Specific carbon emissions (EFFAS E03-03)	<ul style="list-style-type: none"> Reduction in carbon intensity to 0.45 metric tons of CO₂/MWh in 2013 (2012: to 0.46 metric tons CO₂/MWh), Europe: 0.44 metric tons CO₂/MWh. Target: Halve the carbon intensity of our power generation business in Europe by 2025 compared with a 1990 baseline We have reduced the carbon intensity of our power generation by 30 percent from a 1990 baseline (value 0.63 metric tons CO₂/MWh). 	<ul style="list-style-type: none"> Carbon Reporting Energy Mix and Carbon Reduction Annual Report (52 f.) CDP Global 500 Report (PDF, 1.47 MB)
Carbon emissions scope 2&3 (EFFAS E02-01)	<ul style="list-style-type: none"> Scope 2: 3.5 million metric tons Scope 3: 155.4 million metric tons 	<ul style="list-style-type: none"> Carbon Reporting CDP Global 500 Report (PDF, 1.47 MB)
Owned generation & capacity by renewables	<ul style="list-style-type: none"> Renewables accounted for 30.8 terawatt-hours (2012: 30.2 TWh – adjusted for power generation through waste incineration). This is 12.6 percent of our total owned generation. Renewables capacity (including large-scale hydro) rose by 0.4 GW to 10.4 GW, particularly thanks to the new London Array and Kårehamn (Sweden) wind parks. Savings of 4 million metric tons of CO₂ per year already being achieved through wind and solar in North America alone (compared to average emissions of power producers). Target: Increase renewables' share of our owned generation to more than 20 percent by 2020. 	<ul style="list-style-type: none"> Energy Mix and Carbon Reduction

Profitability and investments in renewables	<ul style="list-style-type: none"> • The EBITDA of our subsidiary E.ON Climate & Renewables, which bundles significant activities in the area of Renewable Energy (excluding large water power), increased by six percent to EUR 1.431 million (2012: EUR 1.349 million). • Investments in renewables in 2013: EUR 1.028 million – a reduction of 40 percent compared to the high level of investment in 2012. • Investments in wind and solar since 2007: Over EUR 9 billion. • Targets: Investments in renewables up to EUR 1.3 billion in 2014, as well as reduction of specific costs for offshore wind power by 25, onshore wind power by 50 and photovoltaic by 35 percent by 2015. 	<ul style="list-style-type: none"> • Energy Mix and Carbon Reduction • Annual Report (45)
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Technology Development

	Performance 2013	Further Information
Investments in R&D & support for university research (EFFAS V04-01 & V04-04)	<ul style="list-style-type: none"> • Continuation of 2012's relatively high research budget of EUR 119 million • Figures include increased funding and sponsoring of test plants totaling EUR 29 million (2012: EUR 24 million). 	<ul style="list-style-type: none"> • Technology Development • Annual Report (23)

Environmental Protection

	Performance 2013	Further Information
Number of Sites with Environmental Management Systems (EFFAS E33-01)	<ul style="list-style-type: none"> • We have put environmental management systems in place (in compliance with EN ISO 14001 or EMAS II) at all sites (2013: 386) with substantial environmental impacts and subjected in most cases to certifications by independent third parties. • Targets: Introduction of integrated environmental risk management covering our entire value chain. 	<ul style="list-style-type: none"> • Environmental Protection
Emissions and air pollutants (EFFAS E03-01 und E03-02)	<ul style="list-style-type: none"> • Reduction in nitrogen oxide to nearly 116 kt in 2013 (2012: 132 kt). Compared to the amount of energy generated, specific NO_x emissions fell to 0.47 kg/MWh in 2013 (2012: 0.50 kg/MWh). • Reduction in sulfur dioxide emissions in 2013 to 58 kt (2012: 112 kt). Compared to the amount of energy generated, specific SO₂ emissions fell to 0.23 kg/MWh (2012: 0.42 kg/MWh). 	<ul style="list-style-type: none"> • Air Emissions

Total Waste, Hazardous and Non-hazardous Waste (EFFAS E04-01, E05-01, E06-01)	<ul style="list-style-type: none"> • The total volume of hazardous waste fell to a total of 76 kt in 2013 (2012: 104 kt). Of this 21 kt was recycled. • The volume of non-hazardous waste fell to 206 kt in 2013 (2012: 251 kt). Of this 157 kt was recycled. 	<ul style="list-style-type: none"> • Ressource Efficiency and Waste
Nuclear Waste (E08-01, E08-02 und E08-03)	<ul style="list-style-type: none"> • The volume of low and intermediate-level radioactive waste fell to 2,306 t (2012: 3,407 t). • The volume of high-level radioactive waste fell to 225 t (2012: 246 t). 	<ul style="list-style-type: none"> • Ressource Efficiency and Waste
Environmental-related Incidents	<ul style="list-style-type: none"> • A serious incident took place in Sweden covered by our 24-hour reporting requirement. 30 m³ of oil reached a nearby lake via the rain-water sewer system. • There were no category one to seven incidents as measured on the seven-step International Nuclear Event Scale (INES) at our nuclear power plants. 	<ul style="list-style-type: none"> • Environment-related Incidents
Water Consumption (E28-01)	<ul style="list-style-type: none"> • Fresh water consumption reduced by 51 million m³ (15.2 percent) to 284 million m³ 	<ul style="list-style-type: none"> • Water Management

Social

Our employees are vitally important to E.ON and a major factor in our success. Therefore, we place great importance on strategic human resources management as well as high standards for occupational health and safety group-wide. With our commitment in the regions where we are active, we are working toward sustainable development in society and ensure the social acceptance for our business activities in the long term.

Human Resources

	Performance 2013	Further Information
Employees at year-end 2013	<ul style="list-style-type: none"> The number of employees worldwide declined by 13.7 percent from year-end 2012 to 62,239. 	<ul style="list-style-type: none"> Employee Figures
Percentage of women executives	<ul style="list-style-type: none"> Percentage of women executives in the E.ON Group rose from 12.9 percent at year-end 2012 to 14.1 percent. 	<ul style="list-style-type: none"> Diversity
Average age at year-end 2013	<ul style="list-style-type: none"> 43 years 	<ul style="list-style-type: none"> Diversity

Occupational Health & Safety

	Performance 2013	Further Information
TRIF E.ON employees and contractors, LTIF E.ON employees, LTIF contractors	<ul style="list-style-type: none"> Our TRIF combined declined to 2.8 per million working hours in 2013 (2012: 3.0). This means that we already achieved our target for 2015. The LTIF for E.ON as well as for contractor employees remained unchanged at 2.0 in 2013. This means that we also already achieved our target for contractor employees for 2015. 	<ul style="list-style-type: none"> Reporting of Accidents
Fatal Accidents Involving E.ON and Contractor Employees	<ul style="list-style-type: none"> Four fatal accidents involving E.ON and contractor employees occurred in Russia, Romania and Sweden. 	<ul style="list-style-type: none"> Reporting of Accidents

Community Involvement

	Performance 2013	Further Information
Community involvement investments	<ul style="list-style-type: none"> Our CI investments declined from EUR 36.4 million to EUR 28.1 million 	<ul style="list-style-type: none"> Community Involvement

Governance & Integrity

Due to the current market situation and turbulence in the European energy business we are faced with sizeable challenges. Good Corporate Governance is fundamental at E.ON for responsible and value-led business management, efficiency and appropriate risk management.

Customer Orientation

	Performance 2013	Further Information
Customer satisfaction (development) (EFFAS V06-01)	<ul style="list-style-type: none"> Currently, we survey customer satisfaction through the Net Promoter Score at E.ON in Germany, the UK, Italy, Sweden, Czech Republic, the Netherlands, Spain, Romania and Hungary. 	<ul style="list-style-type: none"> Customer Satisfaction
Smart metering (EFFAS V11-02)	<ul style="list-style-type: none"> Increase in the proportion of customers who use Smart Metering to two million (2012: 1.5 million) 	<ul style="list-style-type: none"> Climate-friendly Products and Services
Customer orientation awards	<p>Selection:</p> <ul style="list-style-type: none"> E.ON UK: "Most favorite energy and gas supplier in the United Kingdom" (uSwitch.com) E.ON España: "Energy Provider with the Best Customer Support" E.ON Germany: Among the awards received: Bronze Award for customer ratings on taking out contracts online and for online services 	<ul style="list-style-type: none"> Customer Orientation

Good Governance

	Performance 2013	Further Information
Corruption risks (EFFAS V02-01)	<ul style="list-style-type: none"> We have operations in twelve countries and suppliers in five others that score below the 60-point threshold on Transparency International's Corruption Perception Index (CPI). We generated 9.5 percent of our sales in these countries (in 2013). 	<ul style="list-style-type: none"> Good Corporate Governance Compliance and Prevention of Corruption Strategy and Guidelines
Compliance reporting	<ul style="list-style-type: none"> 99 alleged compliance violations were reported and thoroughly investigated in the E.ON Group. We conducted compliance risk assessments across the Group. 	<ul style="list-style-type: none"> Compliance and Prevention of Corruption

Compliance training	<ul style="list-style-type: none"> • All E.ON employees with access to the intranet (about 60,000) have access to the electronic training program for the E.ON Code of Conduct. • To date, 83 percent of these have successfully completed the program. 	<ul style="list-style-type: none"> • Compliance and Prevention of Corruption • Strategy and Guidelines
Contributions to political parties (EFFAS G01-01)	<ul style="list-style-type: none"> • E.ON categorically rules out making contributions to political decision-makers. • In December 2011 E.ON joined the European Union Transparency Register. 	<ul style="list-style-type: none"> • Responsible Lobbying
German Sustainability Code	<ul style="list-style-type: none"> • Since 2012 our sustainability reporting incorporates the requirements outlined in the German Sustainability Code. 	<ul style="list-style-type: none"> • German Sustainability Code

Sustainable Procurement

	Performance 2013	Further Information
Supply chain evaluation (EFFAS V28-04)	<ul style="list-style-type: none"> • In 2013 we implemented a system of central management of key suppliers to minimize risks and ensure our market presence is consistent. The quantitative status cannot be given for 2013 owing to this system changeover. 	<ul style="list-style-type: none"> • Sustainable Procurement
Fuel procurement	<ul style="list-style-type: none"> • Bettercoal was registered as a not-for-profit organization in 2012 and its organizational structure further developed. Initial supplier audits were conducted in 2014. • We take part in the development of minimum standards for uranium mining. They are in the process of being approved by an international working group coordinated by the World Nuclear Association (WNA). 	<ul style="list-style-type: none"> • Sustainable Procurement: coal • Sustainable Procurement: uranium

The complete overview of indicators covered following the DVFA and the EFFAS can be found [here](#).

If you have any questions, please contact us directly. Our 'Investor Relations' Team as well as our Press Spokespeople will be pleased to assist.

- ▶ [Investor Relations](#)
- ▶ [Group Management Press Contacts](#)



Our Reporting Approach – Overview

URL: <http://www.eon.com/en/sustainability/reporting/reporting-approach.html>

Since 2008 E.ON SE's annual Corporate Sustainability (CS) Report has exclusively appeared online. All content is available on the top navigation level at www.eon.com under "Sustainability". Where there are web pages displaying additional relevant content which is not part of the report, we provide links to these in the text or in the margin column. Previous reports are available in the [Download Center](#).

We strive to ensure balanced reporting of the environmental, social and economic aspects of our business activities. Here, we feel it is important to present a transparent overview not only of our strengths but also negative events such as workplace accidents or environmental damage resulting from our activities. In selecting the topics for our reporting, we are guided by the results of our [Materiality process](#) – in which we analyze and define which issues our stakeholders and we deem important – thereby integrating our stakeholders' key expectations.

Reporting and Editorial Information

The Sustainability Report published by E.ON SE at the end of April 2014 is the Group's tenth successive report. It covers the period from January 1st to December 31, 2013, and is available in German and English. The copy deadline for submitting established content relevant to the report was March 31, 2014. The next Sustainability Report will be published in the second quarter of 2015.

Our CS reporting is aimed at the following target groups:

- Customers
- Investors
- Rating and ranking agencies
- Opinion leaders in the field of sustainability such as decision makers in politics, civil society and research
- Employees and future employees

We continuously evaluate feedback from the different user groups. We align the content of our sustainability processes based on the findings and use them to set priorities for future publications. For example, we have been aligning our presentation of key figures for many years now more strongly with Environmental, Social and Governance (ESG) aspects, and have placed the focus of our reporting on the [value chain](#) since 2012.

Since 2005 we have oriented our reporting toward [Global Reporting Initiative \(GRI\)](#) guidelines, and we also incorporate the Electric Utilities Sector Supplement applicable to companies in the energy supply industry. According to our self-assessment, our 2013 report complies with Application Level B+ of the GRI guidelines 3.1. In doing so, we classify the level of our Sustainability Report as advanced and valid within the GRI framework, and affirm that the Report (in its German version) has been verified externally. For the next reporting period we will review the direction of our sustainability reporting in accordance with the GRI G4 guidelines published in May 2013. At the same time, our CS reporting serves as a [Communication on Progress](#) within the framework of the United Nations Global Compact.

In the interests of legibility, we avoid using double-gender pronouns as well as the company's full legal designation.

General Structure of our Online Reporting

The chapters "[Approach](#)", "[Reporting](#)", "[Environment](#)", "[Social](#)" as well as "[Governance and Integrity](#)" form the core of our 2012 Sustainability Report. Our reporting on our progress in the reporting period including the associated key figures and activities planned for the future are organized into nine topic-based Fields of Action, in which we orient ourselves consistently towards key ESG aspects for the energy sector. In keeping with the strategic relevance of stakeholder management, the chapter "[Stakeholder Management](#)" is integrated into the chapter Approach. In addition, we provide a summary of our [regional units'](#) sustainability activities under the heading Regional Activities.

Furthermore, as part of our 2012 Sustainability Report we have created special [quick links](#) for interested stakeholders so they can better find their way around the content of the online report. These quick links illustrate at a glance:

- Our [strategic priorities](#)
- Our [value chain](#) with key challenges
- Key [ESG performance](#).

Several Web pages under the Sustainability heading contain links to other Group pages with information on sustainability topics. The Sustainability channel provides a platform for presenting our activities in full detail. We also address our approach to the topic of sustainability in our Annual Report.

Summary Report 2013

In addition to our extensive online reporting on the topic of sustainability at E.ON, we have compiled key areas of progress in a Summary Report which will be available to download as a PDF file at www.eon.com. Without laying claim to completeness, the objective of this report is to focus on the core of our involvement more closely, link it more strongly with our operational activities, and make it easy to read. The topics covered in the Summary Report also follow the key challenges to sustainability in our value chain.

Object of the Report

The E.ON Sustainability Report is a Group report. Its object is E.ON SE, including any shareholdings it holds directly. The information in the Report always refers to all subsidiaries and power plants in which E.ON has a majority holding and which are fully consolidated in the financial statements. Any exceptions to this are marked accordingly, such as in the area of occupational safety where we consider all units in which we are responsible for operational control. In addition, we give information about sustainable developments for our joint venture in Turkey and our shareholdings in Brazil in a short profile under Regional Activities.

Capture of the many indicators which we use in our Report to demonstrate our performance is carried out on the basis of a prior materiality analysis. In general, indicators are only requested from those units in which they appear relevant due to business activities. For example, we only record radioactive emissions from units with nuclear power plants, and customer data only from units from companies with distribution activities. We have also empirically determined a materiality threshold based on the data from previous years, which was selected in such a way that the result includes at least 99 percent of the measurable amounts. Accordingly, units which contribute less than 0.05 percent of the total volume on a Group level to an indicator are deemed non-material in this context and not required to report on the respective indicator. However, this does not apply where comparable parts of the company, meaning units with the same business activities, pass the threshold. Comparable parts of the business, for example several country groups of coal-fired power plants, therefore always report on the same indicators.

Due to company disposals there are changes in some reporting units compared with the previous year. We will note these in our interpretations of key figure developments.

This online report contains statements about the future development of the E.ON Group and its subsidiaries. These statements are assumptions made on the basis of information available at the time of reporting. If these assumptions turn out to be incorrect, the actual results may vary from the statements.

Sustainability Report Audit

As in previous years, the PricewaterhouseCoopers AG audit company (PwC) carried out a [limited assurance engagement](#) on substantial parts of the 2013 Sustainability Report using criteria as per the ISAE 3000 (International Standard on Assurance Engagements) of the International Federation of Accountants. This includes the contents under the headings of “Approach”, “Reporting” as well as parts of the nine Fields of Action under the chapters on “Environment”, “Social” as well as “Governance and Integrity”. The audit is based on the German language version of the text. Verified content is marked with the logo “Reviewed 2013”. This status as an audited report is available as PDF download. If any updates are carried out on the reviewed content during the year, the label is removed from the online text; the PDF document generated on the cutoff date remains unchanged.

✓ Reviewed 2013



Awards, Ratings and Rankings

URL: <http://www.eon.com/en/sustainability/reporting/external-recognition.html>

For years, E.ON has scored well in numerous sustainability ratings and rankings. We also regularly receive external recognition for our sustainability activities – both regional projects and those with a wider focus. In the following section we highlight awards, ratings and rankings that are relevant to the Group as a whole.

Dow Jones Sustainability Index and RobecoSAM Sustainability Yearbook

Each year, the investment specialist RobecoSAM assesses the economic, environmental and social performance of over 2,500 listed companies. The globally recognized Dow Jones Sustainability Index (DJSI) and the RobecoSAM Sustainability Yearbook are both based on the findings of this evaluation. After brief absence from the DJSI Europe in 2012, since last year E.ON has been listed in this European 'Best in Class' index again, as well as in DJSI World as before. In the RobecoSAM Sustainability Yearbook 2014 too, E.ON improved compared to the year before, earning a place in the Bronze Class category. This inclusion places us in the top 15 percent worldwide in our sector. Our aim is to remain in the European (DJSI Europe) and global (DJSI World) Indexes this coming year.



ROBECOSAM
Sustainability Award
Bronze Class 2014

RobecoSAM evaluation 2011 to 2013¹⁾



1) Since 2013, Dow Jones no longer allocates E.ON to the “Electricity” sector, but rather to “Multi and Water Utilities”. This change is due to significant turnover from the gas business alongside the electricity business.

E.ON has supported the Carbon Disclosure Project for a Decade

On behalf of more than 720 institutional investors, the Carbon Disclosure Project (CDP) facilitates sustainable business decision-making by calling upon companies worldwide to disclose their CO₂ emissions and strategies for handling climate change and water resources on an annual basis. The results are published online.

E.ON has participated in the CDP since 2004. We employ this platform to communicate our responsible corporate management to investors and other stakeholders and to test ourselves in a direct comparison within the sector. We also aim to increase awareness within our company for the importance of current and future activities related to water and climate change while improving our relationship with our stakeholders.

Sustainalytics Sustainability Ratings of DAX 30 Corporations

The Sustainalytics rating agency performs a comparative analysis of the sustainability performance of Germany's 30 largest DAX-listed companies, most recently in 2011. E.ON was ranked fourth in this sustainability rating, an outstanding result. Compared to 2009 the most substantial improvement came in the environmental category, although E.ON also performed well in the governance and social fields.

ASPI Eurozone® – E.ON has been listed for Seven Years

E.ON has been listed in the Advanced Sustainable Performance Indices (ASPI Eurozone®) since 2007. The share index features the 120 eurozone companies with the best sustainability ratings as assessed by the French rating agency Vigeo Group.

E.ON improves at Oekom

Oekom Research AG, a worldwide leading rating agency in the sustainable investment segment, has rated E.ON SE with a Not Prime ranking (C+), placing E.ON in the upper midrange, while receiving a particularly good rating (B) for example in the rating categories of “Environmental Management” and “Employees and Suppliers”.

Tomorrow's Value Rating awards E.ON for Sustainability

In 2013, the Two Tomorrows company surveyed the sustainability programs of 50 companies represented in the Dow Jones Sustainability Index (DJSI) for their Tomorrow's Value Rating (TVR). Ten companies each from five industry sectors were selected for this. E.ON leads the Energy sector as one of two companies with a result of 82 per cent. Our integration in sustainability networks as well as our partnerships were particularly highlighted. TVR also acknowledged in its rating that we integrate aspects of sustainability completely in our business planning.

Top 100 Green Utilities – E.ON among the Top Ten

E.ON achieved tenth place in the “Top 100 Green Utilities Ranking” in October 2013. The ranking is established by Energy Intelligence, a leading publisher on energy topics which assesses worldwide leading electricity suppliers based on their portfolios for Renewables and their Greenhouse Gas Emissions.

Successful CR Reporting Online

In a comparison of online Corporate Responsibility reporting of all German DAX 30 companies conducted by the Lundquist communications agency in Milan, E.ON achieved second place at the “CSR Online Awards Germany 2012”, as in the year before. Among the “Europe 100”, E.ON ranked in twelfth place. Current results for the 2013 reporting year are not yet available.

In the KWD Webranking, which annually examines the scope and quality of companies' Web-based CR reporting, E.ON was again represented in the 2013 ranking for Europe and placed 38th out of 500.

TOTAL E-QUALITY Award for Equal Opportunity

In 2013 E.ON received the TOTAL E-QUALITY award for the second time from the organization of the same name. Presented every three years, the prize recognizes equal opportunity excellence in HR and organizational policies and is supported by the German Federal Ministry of Family Affairs, Senior Citizens, Women and Youth. In the area of Human Resources E.ON received further awards during 2013.



Sustainability Steering Measures

URL:

<http://www.eon.com/en/sustainability/reporting/figures-and-standards.html>

To evaluate how successful we have been in implementing our projects, processes and strategies, we need measurable indicators that are economically, socially and environmentally relevant. Since 2005 we have oriented our reporting towards [Global Reporting Initiative](#) (GRI) guidelines, whereby we also incorporate the Electric Utilities Sector Supplement applicable to our industry. At the same time, our CS reporting serves as a Communication on Progress within the framework of the United Nations [Global Compact](#). Our 2013 Sustainability Report also incorporates the requirements outlined in the [German Sustainability Code](#).

Improving Comparability

In 2010 we expanded the scope of our reporting to include additional key figures in line with the standards defined by the German Association for Financial Analysis (DVFA) and Asset Management and the European Federation of Financial Analysts Societies (EFFAS). Our 2013 Report presents the progress we have made in the reporting period, the associated key figures as well as activities planned for the future as part of our nine Fields of Action, in which we orient ourselves consistently towards key Environmental, Social and Governance ([ESG](#)) aspects for the energy sector. In doing so, we intend to improve the comparability of our reporting activities and make information more easily accessible to financial analysts interested in ESG topics.

Facts and Figures

URL: <http://www.eon.com/en/sustainability/reporting/figures-and-standards/facts-and-figures.html>

In the following we present an overview of our key figures relating to Environment, Social and Governance (ESG) aspects. Selected figures from our CS reporting in 2013 were verified by external auditors as part of our assurance engagement, and are reported in the following table as well as within our nine Fields of Action ("Reviewed 2013"). There we also provide more detailed information and break the information down, for instance by region or segment.

Environment

Carbon Emissions

	Reviewed 2013	2013	2012	2011
Carbon Emissions from Power and Heat Generation (metric tonnes in millions)	yes	114,3	125,8	124,6
EU Carbon Allowances Received (in millions)		2,0 ¹⁾	83,5	80,7
E.ON Group Carbon Intensity (metric tonnes of CO₂ per MWh)	yes	0,45	0,46	0,43
E.ON Group Carbon Footprint (metric tonnes in millions)				
Scope 1 emissions	yes	117,2	129,9	129,3
Scope 2 emissions	yes	3,5	4,4	5,3
Scope 3 emissions	yes	155,4	149,6 ²⁾	154,7 ²⁾

1) Contains only allowances received from the production of heat; some certificates will only be allocated in 2014.

2) Data collection was improved and expanded in the 2013 reporting year. This resulted in clear deviation of individual values compared with the previous year. Changes in values therefore do not mirror actual changes in emissions.

Environmental Management

	Reviewed 2013	2013	2012	2011
Number of environment-related incidents (according to mandatory reporting within 24 hours)				
Severe	yes	1	1	1
Medium	yes	32	15	3
Number of Incidents as measured on the seven-step International Nuclear Event Scale INES		0	0	0
Provisions for environmental protection measures and similar liabilities (€ in millions)				
Short-term	yes	87	101	42
Long-term	yes	784	836	924

Air Emissions

	Reviewed 2013	2013	2012	2011
SO₂ Emissions (kilotonnes)	yes	57,6	111,6	85,6
SO ₂ Intensity (kilograms per MWh)		0,23	0,42	0,32
NO_x Emissions (kilotonnes)	yes	116,3	131,9	125
NO _x Intensity (kilograms per MWh)		0,47	0,50	0,46
Particulate Emissions (kilotonnes)		4,0	6,2	6,2

Resource Efficiency

	Reviewed 2013	2013	2012	2011
Ash and Slag (kilotonnes)¹⁾				
Recovered		2.484,0	3.480,8	4.221,7
Disposed		586,4	1.147,7	851,7
By-products		1.698,0	1.658,2	1.405,6
Gypsum (kilotonnes)¹⁾				
Recovered		289,8	432,5	602,4
Disposed		69,6	62,2	56,8
By-products		1.823,6	1.646,4	1.160,4

1) Values for 2011 and 2012 changed from the 2012 Sustainability Report. The values were updated because for some regions, the values for hazardous/non-hazardous waste included relevant amounts of ash that are now reported under ash and slag.

Waste

	Reviewed 2013	2013	2012	2011
Non-hazardous Waste (kilotonnes)¹⁾				
Recovered		157	164	123
Disposed		49	87	96
Hazardous Waste (kilotonnes)¹⁾				
Recovered		21	30	26
Disposed		55	74	24
Nuclear Waste (tonnes)				
Low and intermediate-level waste	yes	2.306,1	3.407,0	3.576,5
High-level waste	yes	225,2	245,9	235,2

1) Values for 2011 and 2012 changed from the 2012 Sustainability Report. The values were updated because for some regions, the values for hazardous/non-hazardous waste included relevant amounts of ash that are now reported under ash and slag.

Water Management

	Reviewed 2013	2013	2012	2011
Total Water Withdrawal (m³ in millions)	yes	11.672	13.845	14.425
Fresh Water Consumption (m³ in millions)¹⁾	yes	284	335	273
Inflow of fresh and salt water (m³ in millions)	yes	11.373	13.512	14.129

1) Data collection was improved and expanded for the 2013 reporting year. The values for 2011 and 2012 were retroactively adjusted.

Social

Employee Figures

	Reviewed 2013	2013	2012	2011
Group Employees (31.12.)	yes	62.239	72.083	78.889
Employees with Full-time or Permanent Employment Contracts				
Full-time contracts (percentage)	yes	93	92	91
Permanent employment contracts (percentage)	yes	96	95	95
Part-time contracts (number)	yes	4.605	6.305	7.932
Personnel Costs				
Wages and salaries (€ in millions)	yes	3.686	4.043	4.882
Social security contributions (€ in millions)	yes	586	645	648
Pension costs (€ in millions)	yes	407	471	410
Average Length of Service (years)	yes	14,2	13,9	14,2
Turnover Rate (percentage)	yes	3,5	3,6	3,6
Average Employee Age (years)	yes	43	42	42
Apprentices in Germany (number)	yes	1.534	2.252	2.466
Training Spend¹⁾ per Employee (€)		1.047	1.047	894

1) Since 2012 we use a broader definition of trainings and seminars due to reorganization processes.

Diversity

	Reviewed 2013	2013	2012	2011
Proportion of Women among Total Workforce (percentage)	yes	28,6	28,4	28,3
Proportion of Women among Management (percentage)	yes	14,1	12,9	12,5
Number of Employees with a Severe Disability in Germany (percentage)	yes	6,4	5,8	6,3

Occupational Safety

	Reviewed 2013	2013	2012	2011
TRIF of E.ON and Contractor Employees (injuries per million hours of work)		2,8	3,0 ¹⁾	3,9
E.ON Employees' LTIF (injuries per million hours of work)²⁾	yes	2,0	1,9	2,1
Contractor Employees' LTIF (injuries per million hours of work)²⁾		2,0	2,0	3,1
Number of Fatal Accidents Involving E.ON and Contractor Employees	yes	4	6	5

1) Data correction: a recording error occurred for a unit, due to which the combined TRIF was retroactively adjusted from 2.9 to 3.0 for the year 2012. The same error has caused the LTIF Contractors for 2012 to be corrected from 1.9 to 2.0.

2) Unlike our other sustainability reporting, our safety reporting includes companies in which E.ON holds less than a 50-percent stake but over which E.ON has operational control.

Community Involvement (CI)

	Reviewed 2013	2013	2012	2011
Total CI Investments (€ EUR)	yes	28,1	36,4	41,9
Involvement of E.ON Employees (number of volunteer hours)		14.600	14.300	29.000

Governance & Integrität

Operating Figures

	Reviewed 2013	2013	2012	2011
Sales (€ in millions)	yes	122.450	132.093	112.954
EBITDA (€ in millions)	yes	9.315	10.771	9.293
Electricity sales (billion kWh)	yes	704,4	740,9	733,7
Gas sales (billion kWh)	yes	1.091,7	1.162,1	1.107,5
Net income (€ in millions)	yes	2.510	2.613	-1.861

Generation

	Reviewed 2013	2013	2012	2011
E.ON Group-owned generation (billion kWh)	yes	245,2	263,1	271,2
Energy Mix (percentage)				
Lignite	yes	6	6	6
Hard coal	yes	26	26	23
Nuclear	yes	23	22	23
Natural gas, oil	yes	33	34	38
Hydro	yes	6	7	6
Wind	yes	5	4	3
Other (incl. biomass and solar)	yes	1	1	1

Technology and Innovation

	Reviewed 2013	2013	2012 ¹⁾	2011
Research and Development (R&D) Expenditures (€ in millions)	yes	119	126	107

1) Values from previous year adjusted to show project updates

Procurement

	Reviewed 2013	2013	2012	2011
Hard Coal Procured for E.ON Power Stations (kilotons)	yes	23.982	24.900	23.800
Average Annual Need of Natural Uranium for E.ON Power Plants (tons)		930	1.450	1.300

Full Support for the UN Global Compact

URL: <http://www.eon.com/en/sustainability/reporting/figures-and-standards/un-global-compact.html>



Since 2005 E.ON has been committed to upholding the Ten Principles of the United Nations (UN) Global Compact. With more than 12,000 participants from over 145 nations, the Global Compact is the world's largest sustainability initiative.

The Basis for Group Policies and Standards

As a signatory we affirm our commitment to the observance of human rights, labor and environmental protection standards and the fight against corruption. Accordingly, we have anchored anti-corruption measures in our corporate policies. We participate in national and international Global Compact networks in countries such as Germany and Sweden, working across sectors to strengthen the structures that will help master these challenges around the world. Additionally the Global Compact provides us with orientation as we develop our Sustainability Work Program. We incorporate its principles in our policies and standards, and are guided by them in managing our internal compliance systems.

Reporting on the Global Compact Principles

When we became a signatory to the Global Compact, we undertook to publish an annual Communication on Progress (COP). Consequently, in our 2013 Sustainability Report we also report on our progress in implementing the Ten Principles of the Global Compact. The following table includes references to our reporting on the Principles of the Global Compact.

Principle 1: Support and respect the protection of international human rights

- [Protection of Human Rights](#)
- [Strategy and Guidelines](#)
- [Sustainable Procurement](#)
- [GRI Content Index](#)
- [Human Rights Policy Statement \(PDF, 75.83 KB\)](#)
- [E.ON Responsible Procurement Policy \(PDF, 32.15 KB\)](#)
- [E.ON Code of Conduct \(PDF, 429.98 KB\)](#)
- [Code of Responsible Conduct for Business \(PDF, 1.3 MB\)](#)

- [Biomass Guideline \(PDF, 50.54 KB\)](#)

Principle 2: Make sure not to be complicit in human rights abuses

- [Protection of Human Rights](#)
- [Strategy and Guidelines](#)
- [Sustainable Procurement](#)
- [GRI Content Index](#)
- [Human Rights Policy Statement \(PDF, 75.83 KB\)](#)
- [E.ON Responsible Procurement Policy \(PDF, 32.15 KB\)](#)
- [E.ON Code of Conduct \(PDF, 429.98 KB\)](#)
- [Code of Responsible Conduct for Business \(PDF, 1.3 MB\)](#)
- [Biomass Guideline \(PDF, 50.54 KB\)](#)

Principle 3: Freedom of association and the effective recognition of the right to collective bargaining

- [Strategy and Guidelines](#)
- [Human Resources](#)
- [GRI Content Index](#)
- [E.ON Code of Conduct \(PDF, 429.98 KB\)](#)

Principle 4: Elimination of all forms of forced and compulsory labor

- [Protection of Human Rights](#)
- [Strategy and Guidelines](#)
- [Sustainable Procurement](#)
- [GRI Content Index](#)
- [Human Rights Policy Statement \(PDF, 75.83 KB\)](#)
- [E.ON Responsible Procurement Policy \(PDF, 32.15 KB\)](#)
- [E.ON Code of Conduct \(PDF, 429.98 KB\)](#)

Principle 5: Effective abolition of child labor

- [Protection of Human Rights](#)
- [Strategy and Guidelines](#)

- [Sustainable Procurement](#)
- [GRI Content Index](#)
- [Human Rights Policy Statement \(PDF, 75.83 KB\)](#)
- [E.ON Responsible Procurement Policy \(PDF, 32.15 KB\)](#)
- [E.ON Code of Conduct \(PDF, 429.98 KB\)](#)

Principle 6: Elimination of discrimination in respect of employment and occupation

- [Strategy and Guidelines](#)
- [Workforce Challenges – Diversity](#)
- [GRI Content Index](#)
- [E.ON Code of Conduct \(PDF, 429.98 KB\)](#)
- [Equal Opportunity and Diversity Framework \(PDF, 26.71 KB\)](#)

Principle 7: Support a precautionary approach to environmental challenges

- [Strategy and Guidelines](#)
- [Work Program 2011-2015](#)
- [Good Governance](#)
- [Climate Protection](#)
- [Climate Policies and Emission Trading](#)
- [Energy Mix and Carbon Reduction](#)
- [Environmental Protection](#)
- [Integrated Environmental Management](#)
- [GRI Content Index](#)
- [Group Management Policy Health, Safety & Environment \(HSE\) \(PDF, 118.38 KB\)](#)

Principle 8: Undertake initiatives to promote greater environmental responsibility

- [Strategy and Guidelines](#)
- [Work Program 2011-2015](#)
- [Climate Policies and Emission Trading](#)
- [Integrated Environmental Management](#)

- [Water Management](#)
- [Climate-friendly Products and Services](#)
- [Sustainable Procurement](#)
- [Stakeholder Management](#)
- [Stakeholder Dialog](#)
- [GRI Content Index](#)

Principle 9: Encourage the development and diffusion of environmentally friendly technologies

- [Strategy and Guidelines](#)
- [Work Program 2011-2015](#)
- [Technology Development](#)
- [Technology Development – Renewables Energies](#)
- [Technology Development – Conventional Generation](#)
- [Technology Development – Infrastructure](#)
- [Technology Development – Sales and End-use](#)
- [Energy Mix and Carbon Reduction](#)
- [Climate-friendly Products and Services](#)
- [Environmental Protection](#)
- [Integrated Environmental Management](#)
- [GRI Content Index](#)

Principle 10: Work against corruption in all its forms, including extortion and bribery

- [Strategy and Guidelines](#)
- [Compliance and Prevention of Corruption](#)
- [Responsible Lobbying](#)
- [GRI Content Index](#)
- [E.ON Responsible Procurement Policy \(PDF, 32.15 KB\)](#)
- [E.ON Code of Conduct \(PDF, 429.98 KB\)](#)
- [Code of Conduct Annex 1: Compliance Checklist \(PDF, 12.09 KB\)](#)
- [Code of Conduct Annex 3: Gifts and Benefits Guidelines \(PDF, 47.98 KB\)](#)

DVFA/EFFAS KPIs

URL: <http://www.eon.com/en/sustainability/reporting/figures-and-standards/dvfa-effas-kpis.html>

Overview of indicators covered in line with the standards defined by the German Association for Financial Analysis and Asset Management (Deutsche Vereinigung für Finanzanalysten – DVFA) and the European Federation of Financial Analysts Societies (EFFAS) standards.

		2013	2012	2011
E03-01	Total carbon emissions (metric tonnes in millions)	114,3	125,8	124,6
	Total NO _x Emissions (kilotonnes)	116,3	131,9	125,0
	Total SO ₂ Emissions (kilotonnes)	57,6	111,6	85,4
E03-03	Carbon Emissions (kilograms of CO ₂ per MWh)	450	460	430
	NO _x Emissions (kilograms of NO _x per MWh)	0,47	0,50	0,46
	SO ₂ Emissions (kilograms of SO ₂ per MWh)	0,23	0,42	0,32
E04-01	Total Waste ¹⁾ (kilotonnes)	282	355	269
E08-01	Low and intermediate-level waste (tonnes)	2.306,1	3.407,0	3.576,5
E08-02	High-level waste (tonnes)	225,2	245,9	235,2
E11-01	EU Carbon Allowances Received (in millions)	2,0 ²⁾	83,5	80,7
E12-05	Reserves for Future Environmental Remediation	870	937	966
E26-01	Generation Portfolio (percentages)			
	Lignite	6	32	29
	Hard coal	26		
	Nuclear	23	22	23
	Natural gas/oil	33	34	38
	Hydro	6	7	6
	Wind	5	4	3
	Other (incl. Biomass and solar)	1	1	1
E28-01	Total Water Withdrawal (m ³ in millions) ³⁾	11.672,0	14.277,2	14.793,4
E33-01	Number of Sites with ISO 14001 ⁴⁾ Certification	386	Since 2010, all E.ON sites with material environmental effects have installed EMS (as per EN ISO 14001 or EMAS III)	
S01-01	Turnover Rate (percentage)	3,5	3,6	3,6
S02-02	Training Spend per Employee (€) ⁵⁾	1.047	1.047	894

S03-01	Average Employee Age (percentage)	< 30: 17 % 31–50: 56 % > 50: 27 %	< 30: 18 % 31–50: 55 % > 50: 27 %	< 30: 19 % 31–50: 54 % > 50: 27 %
S08-03	Consideration of ESG Performance in Target Agreements	yes, see here		
V04-01	Total R&D Expenses (€ in millions)	119	126 ⁶⁾	107
V04-03	Total R&D Expenses of Research to External Partners, Suppliers or Academic Research (€ in millions)	33	32	26
V11-02	Customers Equipped with Smart Meters (millions)	2,0	1,5	ca. 1,0
V28-04	Supply Chain: Key Performance Narrative	see here		

1) Change in values for 2011 and 2012 compared with the 2012 Sustainability Report. The values were updated since the measured amounts for some regions contained relevant amounts of ash, which are now reported under Ash and Slag.

2) Contains only carbon allowances from production of heat; some certificates will only be allocated in the 2014 calendar year.

3) The total water withdrawal has been calculated since 2012, retroactively for 2011.

4) The data also includes sites with EMAS Certification.

5) Since 2012, an extended definition of training and seminars has been used as part of the reorganization.

6) Previous year's values adjusted to show project updates.

GRI Content Index

URL: <http://www.eon.com/en/sustainability/reporting/figures-and-standards/gri-index.html>

We base our CR reporting on the G3.1 guidelines of the Global Reporting Initiative (GRI), including the final version of the Electric Utilities Sector Supplement (EUSS) of April 2009. According to our self-assessment, our 2013 reporting complies with Application Level B+ of the GRI guidelines. In doing so, we classify the level of our Sustainability Report as advanced and valid under the GRI system and affirm that the Report has been verified externally. For the next reporting period, we will review the alignment of our sustainability reporting along the GRI G4 guideline published in May 2013.

About the Global Reporting Initiative

The GRI was established in 1997 with the goal of developing an internationally recognized guideline system for voluntary reporting of the economic, environmental and social performance of organizations. The GRI guidelines were created in transparent, multi-stakeholder processes and comprise indicators for all sectors and all types of organization that aim to achieve transparent, comparable and stakeholder-oriented sustainability reporting. The G3.1 standard was introduced in 2006. There are also sector supplements with industry-specific indicators. The EUSS applies to companies in the electric utility sector. Alongside new content components, these also require a strong orientation towards the principle of materiality.

Our 2013 CS Reporting

Our stakeholders are increasingly demanding more specific information from our company – and we see this as a clear trend. In 2009 we revised the indicators on which we report to comply with the requirements of the final version of the EUSS and, along with the general indicators of the GRI guidelines, adapted them to meet the changing information needs of our stakeholders. Some indicators we do not consider to be material and/or significant. In these cases, we have added an appropriate comment in the GRI Content Index.

GRI Content Index

The GRI Content Index shows at a glance how E.ON's reporting meets GRI requirements. The Index lists:

- Which indicators we report on and to what extent
- Where they can be found on our website or in our Annual Report (AR)
- Which indicators we are unable to include due to certain circumstances.

In addition, the GRI Content Index includes comments and additional information on selected indicators.

1. Strategy and Analysis	
1.1 Statement from the most senior decision-maker Commitment to Sustainability AR (2 f.) Strategic Focus E.ON Value Chain Risk Management Work Program 2012-2015 Materiality Analysis	fully covered
1.2 Key impacts, risks, and opportunities Strategy and Guidelines Risk Management Materiality Analysis Strategic Focus E.ON Value Chain Regional Activities AR (12 ff.)	fully covered
2. Organizational Profile	
2.1 Name of the Organization E.ON SE	fully covered
2.2 Brands, Products, and/or Services Business Areas Sales Customers E.ON Vertrieb Deutschland Climate-friendly Products and Services	fully covered
2.3 Operational Structure Structure Group Management Global Units Regional Units Support Functions Company Finder Strategy and Guidelines	fully covered
2.4 Headquarter Location Düsseldorf (Germany)	fully covered
2.5 Countries in Operation E.ON has locations in Europe, the Russian Federation and North America. For the future we intend to continue to expand our business beyond Europe. In 2013 we were active in the following countries: Germany, Great Britain, Sweden, Italy, Spain, France, Benelux, Hungary, Czech Republic, Slovak Republic and Romania. We were also active in Russia, Turkey and Brazil. Some regional business units are also responsible for business activities in neighboring countries; these include Portugal, the Netherlands, Luxembourg, Denmark and Finland. Global Units	fully covered

Regional Units Company Finder Regional Activities AR (18 ff.)	
2.6 Nature of Ownership E.ON has been a European Company (Societas Europaea, or“SE”) under European laws of incorporation since November 15, 2012. The SE is a stock corporation under EU law. This supranational corporate form represents a company that is fundamentally European and has an international orientation; adoption of this form is therefore a consistent development step for a globally active company such as E.ON. The shareholders of E.ON AG automatically became shareholders of E.ON SE. Their shareholder rights and the company's financial reporting were not affected by this transformation. AR (10 ff.)	fully covered
2.7 Markets Served Global Units Regional Units Company Finder Regional Activities AR (11 ff., 19)	fully covered
2.8 Scale of the Organization Profile AR (2–4, 52 f.)	fully covered
2.9 Significant Changes Regarding Size, Structure, or Ownership Strategic Priorities Transformation of E.ON Structure AR (2–4, 12 ff., 123 ff.) Regional Activities	fully covered
2.10 Awards Received External Recognition Awards – Work Environment	fully covered
EU1 Installed Capacity Facts and Figures AR (30)	fully covered
EU2 Net Energy Output Broken Down by Primary Energy Source and by Region Facts and Figures AR (31)	fully covered
EU3 Number of residential, industrial, institutional and commercial customer accounts Customer Orientation Regional Activities AR (32 f.)	fully covered

EU4 Length of Transmission and Distribution Lines by Region We regularly report our grid activities. The latest data is available in our Facts & Figures publication, which is updated annually. Security of Supply Facts & Figures (PDF, 4.33 MB)	fully covered
EU5 Allocation of CO₂ Emissions Permits Facts and Figures - Environment Climate Policies and Emissions Trading AR (52)	fully covered
3. Report Parameters	
3.1 Reporting Period The 2013 CS Report covers the period from January 1 to December 31, 2013.	fully covered
3.2 Date of Most Recent Previous Report The most recent CS Report was published in May 2013.	fully covered
3.3 Reporting Cycle E.ON reports on its sustainability-related activities annually. The next report is due to appear in the second quarter of 2015.	fully covered
3.4 Contact Point for Questions Contact	fully covered
3.5 Process for Defining Report Content E.ON defines the content of the report on the basis of its objectives and experience as well as the expectations and interests of stakeholders. For example, relevant topics are identified by the E.ON materiality process. Reporting Approach Stakeholder Management Materiality Analysis	fully covered
3.6 Boundary of the Report The E.ON Sustainability Report is a Group report. Its object is E.ON SE, including any shareholdings it holds directly. The information in the Report always refers to all subsidiaries and power plants in which E.ON has a majority holding and which are fully consolidated in the financial statements. Any exceptions to this are marked accordingly, such as in the area of occupational safety where we consider all units in which we are responsible for operational control. In addition, we give information about sustainable developments for our joint venture in Turkey and our shareholdings in Brazil in a short profile under Regional Activities. Reporting Approach Regional Activities	fully covered
3.7 Limitations on the Scope or Boundary of the Report Capture of the many indicators which we use in our Report to demonstrate our performance is carried out on the basis of a prior materiality analysis. In general,	fully covered

<p>indicators are only requested from those units in which they appear relevant due to business activities. For example, we only record radioactive emissions from units with nuclear power plants, and customer data only from units from companies with distribution activities. We have also empirically determined a materiality threshold based on the data from previous years, which was selected in such a way that the result includes at least 99 percent of the measurable amounts. Accordingly, units which contribute less than 0.05 per cent of the total volume on a Group level to an indicator are deemed non-material in this context and not required to report on the respective indicator. However, this does not apply where comparable parts of the company, meaning units with the same business activities, pass the threshold. Comparable parts of the business, for example several country groups of coal-fired power plants, therefore always report on the same indicators.</p> <p>Reporting Approach</p>	
<p>3.8 Joint Ventures, Subsidiaries, and Outsourced Operations</p> <p>We give information about sustainable developments for our joint venture in Turkey and our shareholdings in Brazil in a short profile under Regional Activities.</p> <p>AR (13 ff., 123 ff.)</p> <p>Regional Activities</p>	fully covered
<p>3.9 Data Collection Methods and Basis of Calculation</p> <p>The regulations of our financial market oriented reporting are applied. Where specific measurement methods were used or special explanations of indicator calculations are required, they are noted in the respective diagrams and graphics. E.ON bases its reporting on the GRI indicator protocols, but also reserves the right to deviate from these protocols. Data and content is double-checked for correctness, as is customary in management accounting.</p> <p>Reporting Approach</p>	fully covered
<p>3.10 Effects of Re-Statement of Information Provided in Earlier Reports</p> <p>Reporting on any retrospective changes will be provided as a footnote to the corresponding key figure.</p>	fully covered
<p>3.11 Significant Changes in the Scope, Boundary, or Measurement Methods</p> <p>No significant changes.</p>	fully covered
<p>3.12 GRI Content Index</p> <p>GRI Index</p>	fully covered
<p>3.13 External Assurance</p> <p>As in previous years, the PricewaterhouseCoopers AG audit company (PwC) carried out a limited assurance engagement on substantial parts of the 2013 Sustainability Report using criteria as per the ISAE 3000 (International Standard on Assurance Engagements) of the International Federation of Accountants. This includes the contents under the headings of "Approach", "Reporting" as well as parts of the nine Fields of Action under the chapters on "Environment", "Social" as well as "Governance and Integrity". The audit is based on the German language version of the text. Verified content is marked with the logo "Reviewed 2013". This status as an audited report is available as PDF download. If any updates are carried out on the reviewed content during the year, the label is removed from the online text; the PDF document generated on the cutoff date remains unchanged.</p>	fully covered

Assurance	
4. Governance, Commitments and Engagement	
<p>4.1 Governance Structure</p> <p>The Board of Management manages the Company's businesses, with all its members bearing joint responsibility for its decisions. It establishes the Company's objectives, sets its fundamental strategic direction, and is responsible for corporate policy and Group organization. Dr. Johannes Teyssen is the Chairman since 1st of May 2010. With Jørgen Kildahl, a Norwegian is now present on the Board of Management, alongside five Germans. Following the departure of Regine Stachelhaus in 2013 we currently have no female Board Member. 50 per cent of Board of Management Members are aged up to 50, the other 50 percent over 50.</p> <p>The Supervisory Board has been constituted in accordance with Articles of Association of E.ON SE and has twelve members. The six shareholder representatives are elected by the General Meeting of Shareholders and the six employee representatives are appointed according to the provisions of the agreement regarding the involvement of employees in E.ON SE. 67 percent of Supervisory Board Members come from Germany and 33 percent from three other European countries (Great Britain, the Netherlands and Romania). 17 percent of Supervisory Board Members are female. All Supervisory Board Members are aged over 50.</p> <p>AR (75 ff., 208 ff.) Corporate Governance Board of Management Supervisory Board Good Governance Employee Figures Diversity</p>	fully covered
<p>4.2 Indication Whether Chairperson is also Executive Officer</p> <p>The Chairman of the Board of Management of E.ON SE is also the company's Chief Executive Officer.</p> <p>Board of Management</p>	fully covered
<p>4.3 Independent Members at the Board</p> <p>According to the G3.1 definition, this element is only applicable to organizations without a Supervisory Board. As E.ON has a Supervisory Board, this indicator is not applicable.</p>	not material
<p>4.4 Mechanisms for Shareholders and Employees to Provide Recommendations to the Board</p> <p>Shareholders and employees have the following opportunities to make recommendations or provide information to the Supervisory Board and Board of Management:</p> <ul style="list-style-type: none"> • Shareholders: According to the "Aktiengesetz" (German Joint Stock Corporation Act), shareholders can submit recommendations to the general meeting of shareholders. In addition, they can submit proposals and address questions to the Board of Management/Supervisory Board. • Employees: Fifty percent of E.ON Supervisory Board members are employee representatives. These representatives can submit recommendations to the Board of Management. Recommendations to the Board of Management/Supervisory Board may also be made through the Works Council. In addition, employees may also submit 	fully covered

proposals for decisions to the Board of Management.	
AR (76 ff.)	
4.5 Linkage Between Executive Compensation and Organization's Performance Good Governance AR (81 ff.)	fully covered
4.6 Processes to Avoid Conflicts of Interest at the Board <p>Our actions are grounded in integrity and a respect for the law. The basis for this is the Code of Conduct established by the Board of Management and confirmed in 2013. It emphasizes that all employees must comply with laws and regulations and with Company policies. These relate to dealing with business partners, third parties, and government institutions, particularly with regard to antitrust law, the granting and accepting of benefits, the involvement of intermediaries, and the selection of suppliers and service providers. Other rules address issues such as the avoidance of conflicts of interest (such as the prohibition to compete, secondary employment, material financial investments) and handling company information, property, and resources.</p> <p>The requirements of the German Corporate Governance Code are met. Our Code of Responsible Conduct for Business, which we adopted in 2010, demonstrates our clear commitment to the social market economy and to fair trading in global competition.</p> Good Governance AR (76, 79 ff.)	fully covered
4.7 Process for Determining the Qualifications of the Members of the Highest Governance Body in Sustainability <p>The performance of the highest governance body is assessed by the Supervisory Board, which includes environmental, occupational health and safety and social criteria in its assessments (see answer to 4.5). The highest governance body is the Board of Management.</p> Good Governance AR (75 ff.)	partly covered
4.8 Statements of Mission, Codes of Conduct, and Principles Corporate Governance Commitment to Sustainability Strategic Focus Strategy and Guidelines Good Governance Sustainable Procurement - Coal	fully covered
4.9 Procedures of the Highest Governance Body for Overseeing Sustainability Performance <p>To give sustainability an even higher profile among our top executives, in 2013 we made Jørgen Kildahl – a member of the E.ON Board of Management whose areas of responsibility include international business growth, procurement, and sustainability – our Chief Sustainability Officer (CSO). In close collaboration with our senior CR and HSE leadership, he coordinates and oversees sustainability issues and periodically reports to his Board of Management colleagues on the latest developments and findings relating to</p>	fully covered

<p>sustainability management. As CSO, Jørgen Kildahl is chairman of the Sustainability Governance Council (SGC), which we established in 2013. One of the SGC's roles is to ensure that our sustainability work program for 2012–2015 is executed and continued.</p> <p>Important events relating to the environment and occupational safety are always promptly reported to the Board of Management. Key figures are also regularly reported to the Board of Management.</p> <p>Strategy and Guidelines Good Governance Corporate Governance</p>	
<p>4.10 Processes for Evaluating the Highest Governance Body's Sustainability</p> <p>We want everyone at E.ON, but particularly our corporate officers and senior executives, to take a proactive, foresightful approach to sustainability issues. The Supervisory Board includes E.ON's sustainability performance in the annual performance targets it sets for the Board of Management as a whole and for individual Board of Management members. Target attainment is determined on the basis of specific, measurable criteria, such as E.ON's ranking in the Dow Jones Sustainability Index (RobecoSAM).</p> <p>Strategy and Guidelines Good Governance</p>	fully covered
<p>4.11 Precautionary Approach</p> <p>As a general principle, all E.ON operations are governed by a long-term perspective. This applies to all units of the Group and all areas of activity. The precautionary principle is applied in the field of environmental protection in everyday business, investment projects and impact assessments. The E.ON risk management system already takes ecological and social risks into account, in some cases beyond legal requirements. In new-build and infrastructure projects we investigate the impacts of our work beyond the legally stipulated scope.</p> <p>Strategy and Guidelines Good Governance Environmental Protection AR (59 ff.)</p>	fully covered
<p>4.12 External Charters, Principles, or Other Initiatives</p> <p>On all levels E.ON is active in a variety of initiatives. At the Group level, these include:</p> <ul style="list-style-type: none"> • "Global Compact" • "World Business Council for Sustainable Development" (WBCSD) • "Econsense" • "Bettercoal-Initiative" <p>Strategy and Guidelines Stakeholder Dialog</p>	fully covered
<p>4.13 Memberships in Associations and Advocacy Organizations</p> <p>Stakeholder Dialog Strategy and Guidelines</p>	fully covered

Responsible Lobbying	
4.14 Stakeholder Groups As an international company, E.ON engages in constant dialog with a large number of stakeholders. Stakeholder Management Materiality Analysis Reporting Regional Activities Dialog – Investors Dialog – Media Customers	fully covered
4.15 Stakeholder Identification and Selection We assess the relevance of our stakeholders using a variety of criteria. Stakeholders with a significant ability to influence public opinion – with regard to E.ON or a particular project – are particularly relevant. We also consider to what degree a stakeholder group is currently or potentially impacted by our activities and whether they have a direct stake (from a legal, financial, or operational standpoint) in our company’s long-term business success. The assessment of stakeholder relevance takes place on two levels: at the project level (conducted by, for example, the team doing the planning work for new-build projects) or at the Group level (conducted by Group Management departments such as Investor Relations, Political Affairs & Communications, Human Resources, and Procurement). Stakeholder Management Materiality Analysis Reporting	fully covered
4.16 Approaches to Stakeholder Engagement We interact with our stakeholders in a variety of ways and forums, depending on the stakeholder group and the issue. Stakeholder Management Stakeholder Dialog Materiality Analysis Reporting Regional Activities Dialog – Investors Dialog – Media Employee Participation Customers	fully covered
4.17 Key Topics and Concerns Raised by Stakeholders In 2013 we conducted an online survey. We asked key stakeholders, including some who have been critical of us, to tell us what they think are the biggest challenges we need to address in order to minimize our operations’ adverse impact on current and future generations and to maximize their positive impact. The section of our Sustainability Report on our value chain describes how we’re meeting these challenges. In 2013 E.ON participated in a total of 37 trade fairs, conferences, public events, or other types of gatherings in Germany. About 40,000 people visited our trade-fair booths and we	fully covered

<p>talked at length with about 7,000 of them. People are very interested in energy issues – particularly renewables and energy storage.</p> <p>Stakeholder Management Materiality Analysis E.ON Value Chain Reporting Regional Activities Customer Satisfaction Dialog – Investors FAQ Retail Investors Dialog – Media</p>	
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<p>Economic Indicators</p> <p>Economic indicators are divided into the three categories "Economic performance", "Market presence" and "Indirect economic impacts". The indicators provide information on the economic success of E.ON as well as the impact that this has on various stakeholder groups. Further information can also be found in the Annual Report.</p>	
<p>Disclosure on Management Approach (including DMA EU6, 7, 8 and 9)</p> <p>Strategy and Guidelines Governance and Integrity Strategic Focus Stakeholder Management Regional Activities Security of Supply Customer Orientation Technology and Innovation Technology Development Corporate Governance AR (12 ff.)</p>	fully covered
<p>EC1 Direct Economic Value Generated and Distributed</p> <p>Facts and Figures - Governance & Integrity AR (94 ff.)</p>	fully covered
<p>EC2 Financial Implications Due to Climate Change</p> <p>E.ON regularly investigates what impacts climate change - e.g. gradual temperature increase or extreme weather - has on the business. In this context we evaluate potential physical risks for our employees as well as material risks to our buildings and network systems. In addition we analyze financial risks like accidents. The probability of occurrence and potential impact of these risks are determined every year. These risk analyses are intended to identify focus areas for precautionary measures.</p> <p>Climate Protection Technology Development Climate-friendly Products and Services Climate Policies and Emissions Trading Risk Management Water Management AR (12 ff., 21, 68)</p>	fully covered
<p>EC3 Coverage of the Organization's Defined Benefit Plan</p>	partly covered

<p>We offer our employees at many locations comprehensive possibilities of providing for their retirement, in addition to the statutory requirements. In Germany, company pension plan benefits are a component firmly integrated in the overall remuneration system. In addition to an attractive pension scheme financed by the Group, E.ON offers its German employees the possibility of earning additional benefits by paying contributions. Depending on their individual needs and possibilities, employees can choose between a number of different models (such as direct life assurance schemes, supplementary pensions in accordance with the statutory provisions and/or the conversion of remuneration) and also combine these possibilities.</p> <p>Workforce Challenge Facts and Figures AR (132 ff., 158)</p>	
<p>EC4 Financial Government Assistance</p> <p>AR (110, 127, 164) Responsible Lobbying</p>	partly covered
<p>EC5 Entry Level Wage Compared to Local Minimum Wage(Add)</p> <p>As a general rule our employees receive remuneration, based on wage-scale agreements, that is above the local minimum wage. The effort involved in detailed recording of this data would not be proportionate to any benefit, in our opinion.</p>	nicht relevant
<p>EC6 Locally-based Suppliers</p> <p>When selecting suppliers, we attempt to ensure appropriate economic relationships between the shares of individual suppliers to our market units. Services are often sourced in the immediate vicinity of our locations. In this way, we demonstrate our responsibility for the regions where we are active.</p> <p>Sustainable Procurement</p>	fully covered
<p>EC7 Local Hiring</p> <p>We select employees on the basis of our human resources strategy. The main criteria are qualifications and motivation. Preferential treatment for certain groups of people would run counter to the principle of non-discrimination.</p> <p>Diversity</p>	fully covered
<p>EC8 Infrastructure Investment and Services for Public Benefit</p> <p>Community Involvement E.ON's Value added Security of Supply Facts and Figures Regional Activities - Germany Regional Activities - UK AR (45)</p>	partly covered
<p>EC9 Indirect Economic Impacts (Add)</p> <p>Community Involvement E.ON's Value added Pricing Employee Development Regional Activities</p>	fully covered

<p>EU10 Planned Capacity Against Projected Electricity Demand Over the Long Term</p> <p>Unlike Europe, many other parts of the world need to build a lot of new generating capacity. We're meeting this need by building conventional and renewables capacity in fast-growing markets outside Europe. In Europe we plan to close generating units comprising roughly 13 GW of capacity by 2015. By contrast, we continue to invest in renewables and growth in our distributed energy business.</p> <p>Climate Protection Energy Mix and Carbon Reduction AR (12 ff., 58 f.)</p>	partly covered
<p>EU11 Average Generation Efficiency of Thermal Plants by Energy Source and Region</p> <p>Our coal-fired generating units in Europe have an average fuel efficiency of 36 percent, our CCGTs an average fuel efficiency of 49 percent. Both of these figures surpass the respective global averages of 33 (for coal-fired generating units) and 45 percent (for CCGTs).</p> <p>Climate Protection Energy Mix and Carbon Reduction Owned Generation</p>	partly covered
<p>EU12 Transmission and Distribution Losses as a Percentage of Total Energy</p> <p>Information on network losses is given in billion kWh for the Energy Procurement area. The company's own consumption is included in the calculation.</p> <p>AR (215) Carbon Reporting</p>	partly covered
<p style="text-align: center;">Ecological Indicators</p> <p>The information requirements of ecological indicators range from consumption of materials to greenhouse gas emissions.</p>	
<p>Disclosure on Management Approach (including EU6, 7, 8 and 9)</p> <p>Environmental Protection Climate Protection Strategy and Guidelines Stakeholder Management Strategic Focus E.ON Value Chain ESG Performance Work Program 2012-2015 Regional Activities</p>	fully covered
<p>EN1 Materials Used by Weight or Volume</p> <p>Responsible Procurement Facts and Figures - Governance & Integrity</p>	partly covered
<p>EN2 Percentage of Materials used that are Recycled Input Materials</p> <p>Resource Efficiency and Waste Facts and Figures - Environment Regional Activities</p>	partly covered

EN3 Direct Primary Energy Consumption The use of primary energy sources for electric power generation accounts for the greater part of direct primary energy consumption. Energy Mix and Carbon Reduction Carbon Reporting Facts and Figures AR (27, 31, 214)	fully covered
EN4 Indirect Primary Energy Consumption A breakdown of energy consumption by primary energy sources is not possible. AR (31 f.)	partly covered
EN5 Energy Conservation (Add) Group-wide data is not available; individual examples are provided. Environmental Protection Climate Protection Technology Development Climate-friendly Products and Services Regional Activities	partly covered
EN6 Initiatives for Energy Efficiency and Renewable Energy (Add) Environmental Protection Climate Protection Technology Development Climate-friendly Products and Services Regional Activities AR (21 ff.)	fully covered
EN7 Initiatives for Reducing Indirect Energy Consumption (Add) Environmental Protection Climate Protection Energy Mix and Carbon Reduction Technology Development Climate-friendly Products and Services Regional Activities	partly covered
EN8 Total Water Withdrawal by Source Water Management	fully covered
EN9 Water Sources Significantly Affected by Withdrawal of Water (Add) Water Management	fully covered
EN10 Water Recycled and Reused (Add) Water Management	fully covered
EN11 Location and Size of Land Assets in or Adjacent to Protected Areas In our opinion, this is not a material indicator with regard to statements on biodiversity. E.ON owns a large number of land assets in many countries, which means that a list would not be meaningful for the reader.	not material

<p>EN12 Impacts of Activities on Biodiversity</p> <p>Impacts on nature and landscape protection are taken into account within environmental impact assessments for new-build projects. In the area of onshore wind power, E.ON places great importance on the protection of flora and fauna. In cooperation with external specialists we monitor the behavior and sensitivity of birds and bats, with the objective of minimizing injuries at the facilities. This also applies at the London Array and comparable offshore wind-power projects. E.ON has undertaken noise-protection measures here to minimize noise levels for marine mammals and fish as far as possible. We monitor the populations of marine mammals and fish at these offshore wind-power facilities.</p> <p>Environmental Protection Energy Mix and Carbon Reduction Security of Supply Environment-related Incidents Sustainable Procurement - Coal</p>	partly covered
<p>EU13 Biodiversity of Offset Habitats Compared to Biodiversity of the Affected Areas</p> <p>In our opinion, this is not a meaningful indicator on issues of biodiversity management or the impact of corporate activities on biodiversity.</p> <p>Regional Activities - Italy</p>	not covered
<p>EN13 Habitats Protected or Restored (Add)</p> <p>Environmental Protection Regional Activities - Brazil Regional Activities - Italy Regional Activities - Hungary</p>	partly covered
<p>EN14 Strategies for Biodiversity (Add)</p> <p>We conduct extensive environmental impact assessments in the development stages of large infrastructure projects like the Nord Stream pipeline in the Baltic Sea.</p> <p>Environmental Protection Integrated Environmental Management Regional Activities - Italy Stakeholder Dialog See EN12</p>	partly covered
<p>EN15 Endangered Species (Add)</p> <p>In our opinion, this is not a meaningful indicator on issues of biodiversity management or the impact of corporate activities on biodiversity.</p>	not covered
<p>EN16 Greenhouse Gas Emissions</p> <p>We report on CO₂ as the most important greenhouse gas for energy utilities. SF₆ and CH₄ are lower priorities.</p> <p>Carbon Reporting Facts and Figures - Environment AR (51 f.)</p>	fully covered
<p>EN17 Other Greenhouse Gas Emissions</p>	not material

For E.ON, other indirect greenhouse gas emissions are not relevant compared with direct emissions.	
EN18 Initiatives to Reduce Greenhouse Gas Emissions (Add) Back in 2007 we set the goal of reducing our specific carbon emissions. As part of our 2012–2015 Sustainability Work Program, we set the following binding targets: <ul style="list-style-type: none"> • Halve, by 2025, the carbon intensity of our power generation in Europe from a 1990 baseline by improving our conventional generation portfolio and expanding the use of renewables • Reduce the carbon footprint of E.ON's day-to-day business activities by setting building energy-efficiency standards for new and existing E.ON properties, implement a CO2 target for E.ON's vehicle fleet and reduce CO2 emissions from business travel. Work Program 2012-2015 Environmental Protection Climate Protection Technology Development Climate-friendly Products and Services Regional Activities AR (12 ff.)	fully covered
EN19 Emissions of Ozone-depleting Substances No significant emissions due to business activities.	not material
EN20 NO_x, SO_x, and Other Air Emissions The most important other air emissions are NO _x , SO ₂ , CO and dust. Air Emissions Facts and Figures	fully covered
EN21 Water Discharge We report on the total quantity of waste-water discharge in our "Environment" field of action. E.ON does not consider breaking down reporting data by location, processing method, planned or unplanned water discharge, however as relevant. Water Management Facts and Figures	partly covered
EN22 Waste by Type and Disposal Method Resource Efficiency and Waste Facts and Figures	fully covered
EN23 Total Number and Volume of Significant Spills Resource Efficiency and Waste Environment-related Incidents Facts and Figures - Environment	fully covered
EN24 Waste Deemed Hazardous Under the Terms of the Basel Convention (Add)	not covered

The corresponding data are recorded in our operative business but are not consolidated at Group level.	
EN25 Impacts of Discharges and Runoff on Biodiversity (Add) In the take-up and discharge of coolant water we comply with statutory requirements and act according to the existing environmental conditions. We ensure that the water we reroute to the environment does not cause any impact on the water-based ecosystem due to temperature differences or chemical components. Water Management Technology Development Climate Protection	partly covered
EN26 Initiatives to Mitigate Environmental Impacts Environmental Protection Climate Protection Technology Development Customer Orientation Climate-friendly Products and Services Regional Activities	fully covered
EN27 Percentage of Products Sold and their Packaging Materials that are Reclaimed This indicator is not relevant for E.ON's business activities and therefore no data are recorded.	not material
EN28 Sanctions for Non-Compliance with Environmental Regulations We systematically record environmentally relevant incidents, also those below the legally-established threshold for compulsory reporting. Environment-related Incidents	partly covered
EN29 Environmental Impacts of Transport (Add) Carbon Reporting	partly covered
EN30 Environmental Protection Expenditures Environmental Protection Technology Development Facts and Figures	partly covered
Labor Practices and Decent Work	
Disclosure on Management Approach (including DMA EU14, 15 and 16) Strategy and Guidelines Stakeholder Management Workforce Challenge Health and Safety Sustainable Procurement Good Governance Regional Activities AR (52 ff.)	fully covered (exception EU 15)
LA1 LA1 Total Workforce by Employment Type, Employment Contract, and Region	partly covered

Employee Figures AR (54 f.)	
LA2 Employee Turnover E.ON reports on the fluctuation rate in percent, broken down into: Generation Type; Renewables; Global Commodities, Exploration & Production, Germany, Other EU countries, Non-EU countries and Group management/Other.	partly covered
Employee Figures Facts and Figures - Social	
EU17 Days Worked by Contractor and Subcontractor Employees E.ON has services performed by a large number of contractors and subcontractors. In our opinion, central recording and reporting of days worked would not be material with respect to statements concerning working practices.	not material
EU18 Percentage of Contractor and Subcontractor Employees that Have Undergone Relevant Health and Safety Training Safety training is a binding requirement for all our contractors and subcontractors. E.ON also offers contractors additional safety training and intends to extent its certification scheme for contractors, which requires such training, to the entire Group.	fully covered
Health and Safety Preventive Safety Management	
LA3 Benefits to Full-Time Employees (Add) Employee Development Life Balance AR (132 ff.) see also EC3	partly covered
LA4 Employees with Collective Bargaining Agreements Collective-bargaining agreements cover 82 percent of E.ON Group employees.	fully covered
Workforce Challenge - Employee Figures	
LA5 Minimum Notice Period(s) Regarding Operational Changes The principle of co-determination applies in Germany. Locations in other countries are included via the European Works Council. The minimum notice periods fulfill or exceed the legal requirements.	partly covered
Workforce Challenge AR (53)	
LA6 Workforce Represented in Joint Health and Safety Committees (Add) In Germany, all employees are represented in occupational safety committees by the works council. Under the German Occupational Safety Act (Arbeitssicherheitsgesetz, ASiG), companies with 20 or more employees are legally required to have an occupational safety committee. Similar legal requirements apply in almost all countries in which we operate.	partly covered
Health and Safety	

<p>LA7 Occupational Diseases, Lost Days, and Number of Fatalities</p> <p>In order to better understand our work-safety risks, since 2010 we've worked out our Total Recordable Injury Frequency (TRIF) index. This measures not only the number of lost-time injuries but also accidents as a result of which employees have only had restricted work capacity, or received medical attention but were able to resume work fully afterwards. Since 2011 we have also integrated contractual partners and their employees working for us in the combined TRIF. We also log our Lost Time Injury Frequency (LTIF) index, which identifies the frequency of work-related accidents with lost time per million working hours.</p> <p>Reporting of Accidents Facts and Figures - Social</p>	partly covered
<p>LA8 Training on Serious Diseases</p> <p>Health Promotion Life Balance</p>	partly covered
<p>LA9 Trade Union Agreements on Health and Safety</p> <p>In countries in which unions represent employees directly, occupational safety issues are included in agreements.</p>	partly covered
<p>LA10 Training per Employee</p> <p>We cannot provide figures on the average number of days of training received in the reporting year 2013, as we are unable to calculate them with sufficient accuracy owing to current reorganization measures. In the upcoming report we will be able to report back on this indicator.</p> <p>Employee Development</p>	not covered
<p>LA11 Programs for Lifelong Learning (Add)</p> <p>One of our managers' most important responsibilities is to ensure that their employees receive proper training as well as support for their development throughout their career. We believe in life-long learning and conduct systematic talent management.</p> <p>Workforce Challenge Employee Development Further Education AR (53)</p>	partly covered
<p>LA12 Regular Performance and Career Development Reviews (Add)</p> <p>We support our employees' professional and personal development through specific programs, periodic feedback on their performance and ongoing training.</p> <p>Further Education Performance-related Compensation Employee Development</p>	partly covered
<p>LA13 Composition of senior management</p> <p>Cf. 4.1 Strategy and Guidelines Board of Management Employee Figures</p>	partly covered

Diversity AR (75 ff., 208 ff.)	
LA14 Gender Pay Disparity At E.ON we pursue an equal opportunities-based remuneration policy. The performance, experience and scope of responsibility that go with a position form the basis for calculation of the respective employee's salary, not their gender. There is currently no breakdown of this indicator by gender.	fully covered
LA 15 Return to Work and Retention Rates After Parental Leave At year-end 2013 there were 925 E.ON employees on parental leave. Life Balance	partly covered
Human Rights	
Disclosure on Management Approach Strategy and Guidelines Protection of Human Rights Sustainable Procurement Stakeholder Management	partly covered
HR1 Significant investment Agreements that Include Human Rights Clauses Human rights compliance is a key concern for E.ON. In 2008, we approved a Human Rights Policy which applies throughout the Group. Human rights aspects are considered as part of risk management. Our Group-wide guidelines and standards on upholding human rights apply to fully consolidated E.ON companies. In the case of joint ventures (JVs) over which we do not have legal control, we strive, in our own interest, for the JV to adopt E.ON standards for issues such as compliance. In 2013 we put in place the Business Governance Procurement Policy, which defines the operating principles as well as the processes and roles that govern non-fuel procurement for our entire organization. On the fuel side, our uranium suppliers have contractually obligated themselves to comply with our Responsible Procurement Policy. The same applies to all of our Generation global unit's contracts with solid biomass suppliers, with the exception of its operations in Sweden. To be able to take non-financial aspects of the risks we face better into account, we are currently developing a new guideline which will allow us to integrate the full spectrum of ESG risks into our Group-wide risk management. Protection of Human Rights Sustainable Procurement Risk Management Sustainable Procurement - Coal	partly covered
HR2 Supplier Screening on Human Rights E.ON's Responsible Procurement Policy places suppliers and contractors under an obligation to observe human rights. E.ON carries out regular checks to verify compliance with the policy. In our opinion, the indication of the percentage of major suppliers and contractors subject to human rights screening would not be material with respect to human rights issues. We believe that integrating these aspects into day-to-day business is the best way of ensuring that human rights are observed.	partly covered

Protection of Human Rights Sustainable Procurement Sustainable Procurement - Non-fuels	
HR3 Training on Human Rights (Add) Protection of Human Rights Compliance and Prevention of Corruption	partly covered
HR4 Incidents of Discrimination and Actions Taken E.ON complies with all statutory non-discrimination requirements and has also introduced systems to uphold this behavior. All incidents are handled using a Group-wide reporting system. An immediate response is required for any incident that is reported. Good Governance Protection of Human Rights Workforce Challenge	partly covered
HR5 Freedom of Association and Collective Bargaining No business activities were identified in which infringements of freedom of association and collective bargaining rights were registered. In purchasing, freedom of association and collective bargaining rights are covered by the E.ON Responsible Procurement Policy. Good Governance Sustainable Procurement Strategy and Guidelines UN Global Compact	fully covered
HR6 Child Labor No business activities were identified in which the ban on child labor was infringed. In purchasing, compliance with the ban on child labor is covered by the E.ON Responsible Procurement Policy. Good Governance Sustainable Procurement Strategy and Guidelines UN Global Compact	fully covered
HR7 Forced Labor No business activities were identified in which the ban on forced labor was infringed. In purchasing, compliance with the ban on forced labor is covered by the E.ON Responsible Procurement Policy. Good Governance Sustainable Procurement Strategy and Guidelines UN Global Compact	fully covered
HR8 Training for Security Personnel (Add) Our security staff are trained corresponding to the facility type, location and region. This may also include de-escalation measures.	not material
HR9 Violations of Rights of Indigenous People (Add)	fully

<p>E.ON complies with all legal and regulatory requirements in the markets in which it operates. No business activities were identified that violated the rights of indigenous populations.</p> <p>Good Governance Strategy and Guidelines Protection of Human Rights UN Global Compact</p>	covered
<p>HR 10 Operations Subject to Human Rights Reviews</p> <p>Protection of Human Rights Sustainable Procurement UN Global Compact</p>	partly covered
<p>HR 11 Complaints and Grievances related to Human Rights and Resolution</p> <p>Protection of Human Rights Sustainable Procurement UN Global Compact</p>	partly covered
Society	
<p>Disclosure on Management Approach (including EU19, 20 and 21)</p> <p>Strategy and Guidelines Risk Management Compliance and Prevention of Corruption Stakeholder Management Community Involvement Regional Activities</p>	fully covered
<p>SO1 Impacts on Communities</p> <p>Ecological and social risks resulting from company activities are analyzed and managed by the risk management system. In addition to mandatory involvement of stakeholders in areas such as environmental impact assessments, we also engage our stakeholders in wide-ranging dialog.</p> <p>Risk Management Stakeholder Management Community Involvement E.ON's Value added Regional Activities</p>	partly covered
<p>EU22 Number of People Displaced (by New or Expansion Projects)</p> <p>No relocations of residential settlements were detected in the fully consolidated units of E.ON SE. Furthermore, we report on the relocation of settlements in our reporting on our regional activities in Turkey (section not integrated in the Report).</p> <p>Regional Activities - Turkey</p>	fully covered
<p>SO2 Corruption Risks</p> <p>We're aware that our business activities involve countries where the risk of corruption is higher. We have operations in twelve countries and suppliers in five others that score below the 60-point threshold on Transparency International's Corruption</p>	partly covered

<p>Perception Index. We generated approximately EUR 12 billion in sales, or 9.5 percent of our total sales, in these countries in 2013. Two of the purposes of the Group-wide compliance risk assessment we conducted in 2013 were to address different types of corruption risk and to initiate a number of risk-specific countermeasures.</p> <p>Compliance and Prevention of Corruption Risk Management AR (59 ff.)</p>	
<p>SO3 Anti-corruption Training</p> <p>In 2010 we launched a special e-learning program for our Code of Conduct with the aim of raising employees' awareness and helping them practice compliance. More than 60,000 E.ON employees (all of those who have access to our company intranet) can use the program; of these, 83 percent have completed it successfully. Compliance training is mandatory for new employees.</p> <p>Moreover, in 2013 we launched the E.ON Compliance Program, a training module that focuses on antitrust law. The module was successfully completed by a total of 620 E.ON purchasing agents who deal with our suppliers worldwide.</p> <p>Compliance and Prevention of Corruption Risk Management</p>	partly covered
<p>SO4 Actions Taken in Response to Incidents of Corruption</p> <p>Ninety-nine alleged compliance violations were reported and thoroughly investigated in the E.ON Group in 2013. Most were reported via our internal compliance system. Their gravity varied widely. Some turned out to be mistaken reports, and others represented serious violations that resulted in immediate termination and criminal investigation. On the whole, however, violations tend to be minor. But some can result in significant financial loss or harm to our reputation. Avoiding all violations is a top priority for us.</p> <p>Measures to Prevent Corruption: As part of our compliance organization, we've created an expert teams in the Compliance Audits and Internal Compliance Controls departments, which are part of our Corporate Audit division, to detect and investigate fraud. They play a key role in our efforts to fight corruption and fraud.</p> <p>Compliance and Prevention of Corruption Risk Management AR (76)</p>	partly covered
<p>SO5 Public Policy Positions and Participation in Public Policy Development and Lobbying</p> <p>Strategy and Guidelines Responsible Lobbying E.ON Value Chain Strategic Focus Stakeholder Management Climate Policies and Emissions Trading AR (12 ff.)</p>	fully covered
<p>SO6 Donations to Political Parties and Politicians (Add)</p> <p>Our Guidelines on Benefits state that we do not make monetary payments or grant non-cash benefits to government officials.</p>	fully covered

Responsible Lobbying	
SO7 Legal Actions for Anticompetitive Behavior (Add) AR (170 f.) Strategy and Guidelines Compliance and Prevention of Corruption Responsible Lobbying	fully covered
SO8 Sanctions for Non-Compliance with Laws and Regulations AR (168 f.) Strategy and Guidelines Compliance and Prevention of Corruption Responsible Lobbying	fully covered
SO9 Operations with significant potential or actual negative impacts on local communities As an energy company, our business activities have potential and actual impacts on local communities. Our conventional power generation facilities emit pollutants (within legally established threshold values) which may affect neighboring communities (for instance, the coloring of flare gas). Furthermore, these plants emit CO ₂ , which bears a relation to the greenhouse effect and climate change. In addition to this, conventional power plants and on- as well as offshore wind-power facilities may cause noise (both in operation and during the construction phase of new-builds). The new-build construction of hydropower plants may necessitate the relocation of residential settlements. Besides this, the operation of our distribution network is associated with electromagnetic radiation. The effects described may arise at any of our facilities' locations in the regions where we are active. E.ON Value Chain Community Involvement E.ON's Value added Risk Management Air Emissions Environment-related Incidents Sustainable Procurement Stakeholder Management Regional Activities	fully covered
SO10 Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities E.ON complies with national laws and regulations in all countries where it does business. This includes environmental laws. Furthermore, we continually optimize our portfolio in the areas of conventional power generation and renewables. Community Involvement E.ON's Value added Risk Management Energy Mix and Carbon Reduction Technology Development Security of Supply Air Emissions Environmental Protection Sustainable Procurement Stakeholder Management Regional Activities	partly covered
Product Responsibility	
Disclosure on Management Approach (including DMA EU23 and 24)	partly covered

Strategy and Guidelines Stakeholder Management Regional Activities Technology Development Customer Orientation Sustainable Procurement Community Involvement	
PR1 Health and Safety Impacts along Product Life Cycle Safe use of gas and electricity is part of E.ON's activities in energy, safety and environmental education as well as our information campaigns. Technology Development Customer Orientation Sustainable Procurement Health and Safety Regional Activities - Romania	partly covered
PR2 Non-Compliance with Health and Safety Standards (Add) E.ON complies with all legal and regulatory requirements in the markets in which it operates.	fully covered
EU25 Number of Injuries and Fatalities to the Public Involving the Company's Operations E.ON distributes products which pose a risk that is not immediately identifiable. These products are distributed across an incredibly large and publicly accessible infrastructure (high-voltage lines, substations and pipelines). Regardless of who is at fault, our goal is to learn from these incidents and, where possible, to better inform and educate the public with regard to dangers. Reporting of Accidents Regional Activities - Romania	partly covered
PR3 Products and Service Labeling As part of our invoicing processes and in compliance with EU Guideline 2003/54/EG (in Germany, as stipulated in §42 of the German Act for the Promotion of the Energy Sector [EnWG]) we inform our customers about our energy mix, CO2 emissions and waste, amongst other items. Further information on our products is not relevant for this indicator. For energy products, providing product information attached to the product itself, as is the case with classic consumer goods, is not feasible. Customer Orientation Regional Activities	partly covered
PR4 Non-Compliance with Product Information Standards (Add) E.ON complies with all legal and regulatory requirements in the markets in which it operates.	fully covered
PR5 Customer Satisfaction (Add) We do our best each and every day to improve people's lives. We put our customers and their needs at the center of everything we do. Our goal is to be our customers'	fully covered

<p>partner of choice for energy solutions. To get there, we first need to listen to our customers and other stakeholders carefully and understand their individual needs so that we design intelligent, custom-tailored solutions. Our key performance indicator for customer satisfaction and loyalty is net promoter score (NPS). It measures our customers' willingness to recommend us to their friends.</p> <p>Customer Orientation Customer Satisfaction Regional Activities</p>	
<p>PR6 Marketing Communication Standards</p> <p>E.ON complies with all legal and regulatory requirements in the markets in which it operates. Our compliance with advertising laws and standards is continually monitored.</p>	fully covered
<p>PR7 Non-Compliance with Marketing Communication Standards (Add)</p> <p>E.ON complies with all legal and regulatory requirements in the markets in which it operates.</p>	fully covered
<p>PR8 Complaints Regarding Customer Privacy (Add)</p> <p>E.ON complies with all legal and regulatory requirements in the markets in which it operates. We have received no notifications of any complaints regarding the protection of customer data.</p>	fully covered
<p>PR9 Sanctions for Non-Compliance with Product and Service Related Regulations</p> <p>No sanctions were reported to the Group Management as part of the existing Group-wide risk management system.</p>	fully covered
<p>EU26 Percentage of Population Unserved in Licensed Distribution Areas</p> <p>Wherever E.ON operates as a licensed energy company, the portion of the population served in the distribution areas is generally 100 percent.</p>	fully covered
<p>EU27 Number of Residential Disconnections for Non-Payment</p> <p>We're committed to helping our vulnerable customers: older people, people who are physically or mentally challenged, people on low incomes, or people who require life-support medical equipment. We want to ensure that their energy supply isn't cut off, particularly in the winter, if they have difficulty paying their bill. Our assistance for low-income customers varies according to the welfare programs that are available in a particular country. Examples of this assistance include helping customers find out whether they qualify for government support schemes, partnering with other organizations to prefinance insulation measures for customers' homes and thus reduce their energy bills, and sitting down with customers to work out a payment plan that fits with their budget.</p> <p>Pricing Customer Orientation Regional Activities</p>	partly covered
<p>EU28 Power Outage Frequency</p> <p>2013 Germany 0.6 Sweden 1.6 Spain 1.0 Hungary 1.1</p>	fully covered

Czech Republic 1.0 Slovak Republic 2.4 Romania 6.0 Security of Supply	
EU29 Average Power Outage Duration We measure our service quality using the system average interruption duration index (SAIDI), which indicates the average aggregate outage duration per customer per year. Security of Supply	fully covered
EU30 Average Plant Availability Factor www.eon-schafft-transparenz.de Energy Mix and Carbon Reduction	partly covered

German Sustainability Code

URL: <http://www.eon.com/en/sustainability/reporting/figures-and-standards/german-sustainability-code.html>

Our 2013 Sustainability Report incorporates the requirements outlined in the German Sustainability Code. The full Declaration of Compliance is soon available for download [here](#).

As long as you find our [2012 Declaration of Conformity](#) (German only) on the side of the German Sustainability Code.

Independent Assurance Report

URL: <http://www.eon.com/en/sustainability/reporting/assurance-report.html>

To E.ON SE, Düsseldorf

We have been engaged to perform a limited assurance engagement on selected content of the online version of the Sustainability Report of E.ON SE, Düsseldorf, (hereinafter: the Company), for the business year from 1 January to 31 December 2013 (hereinafter: "Sustainability Report"). ¹⁾

Management's Responsibility

The company's Board of Management is responsible for the proper preparation of the report in accordance with the criteria stated in the Sustainability Reporting Guidelines Vol. 3.1 (pp. 7 to 17) of the Global Reporting Initiative (GRI):

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

This responsibility includes the selection and application of appropriate methods to prepare the report and the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Sustainability Report.

Practitioner's Responsibility

Our responsibility is to express a conclusion based on our work performed as to whether anything has come to our attention that causes us to believe that the information in the chapters "Approach" and "Management" marked as "reviewed 2013" as well as equally marked performance indicators in the chapters "Environment", "Social" and "Governance and Integrity" in the Company's Sustainability Report for the business year from 1 January to 31 December 2013 have not been prepared, in all material respects, in accordance with the above mentioned criteria of the Sustainability Reporting Guidelines Vol. 3.1 (pp. 7 to 17) of the GRI.

Any data or links to external sources of documentation that refer to sections beyond the Company's websites as well as prospective statements and expert opinions were in scope of our limited assurance engagement.

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

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000. This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement, under consideration of materiality, in order to provide our conclusion with limited assurance.

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

Within the scope of our work we performed amongst others the following procedures:

- Inquiries of personnel from the divisions responsible for the preparation of the Sustainability Report regarding the process to prepare the reporting of sustainability information and the underlying internal control system;
- Inspection of documents regarding the corporate sustainability strategy as well as gaining an understanding of the sustainability management structure, the stakeholder dialogue and the development process of the Company's sustainability program;
- Inquiries of personnel in the corporate functions that are responsible for the individual chapters of the Sustainability Report;
- Recording of the processes for the collection, analysis, validation and aggregation of Sustainability data as well as inspection of their documentation and examination of the data on a sample basis;
- Performance of site visits as part of the inspection of processes for collecting, analyzing and aggregating of data at:
 - E.ON SE, Group Management, Germany;
 - E.ON Generation, Germany;
 - E.ON Climate & Renewables, Germany;
 - E.ON Sweden, Sweden;
 - E.ON Generation Site Emile Huchet, France;
- Analytical procedures on data included in the Sustainability Report;
- Reconciliation of selected contents with the respective content in the annual report;
- Gaining further evidence for selected content of the online version through inspection of internal documents (e.g. board and council decisions, internal audits reports) and contracts as well as analysis of data that has been generated through IT system report.

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the information in the chapters "Approach" and "Management" marked as "reviewed 2013" as well as equally marked performance indicators in the chapters "Environment", "Social" and "Governance and Integrity" in

the Company's Sustainability Report for the business year from 1 January to 31 December 2013 have not been prepared, in all material respects, in accordance with the above mentioned criteria of the Sustainability Reporting Guidelines Vol. 3.1 (pp. 7 to 17) of the GRI.

Emphasis of Matter - Recommendations

Without qualifying our conclusion above, we make the following recommendations for the further development of the Company's Sustainability management and reporting:

- To prepare a materiality matrix E.ON yearly conducts a materiality analysis involving internal and external stakeholders and has again further developed the respective process in 2013. Also with view to new requirements resulting from GRI's new G4 guidance, we recommend E.ON to base the definition of reported performance indicators, targets and measures as well as the structure of the Sustainability Report consequently on the results of this materiality analysis.
- In December 2013 E.ON has released a Group Guideline for Procurement, which also addresses HSE specific aspects. With view to increasing international procurement activities we recommend extending the supplier risk management even more systematically by relevant sustainability topics, also beyond HSE specific aspects. In addition we recommend defining Group wide management measures for responsible procurement and respective extension of the reporting.

Düsseldorf, April 29 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Hendrik Fink

Wirtschaftsprüfer

(German Public Auditor)

ppa. Aissata Touré

Wirtschaftsprüferin

(German Public Auditor)



Anchoring Sustainability in our Business Processes

URL: <http://www.eon.com/en/sustainability/approach/strategy-and-guidelines.html>

At E.ON our Group-wide sustainability activities are managed by our Chief Sustainability Officer. He is supported by our Sustainability Governance Council (SGC) and our functional units of Corporate Responsibility (CR) and Health, Safety & Environment (HSE). Besides our SGC, further expert committees such as our HSE Governance Council deal with specific topics and set suitable goals. Responsibilities and targets are implemented at all levels of our organization in accordance with our line-management function. Our functional CR and HSE units in Group Management as well as our global and regional units chart the course for anchoring social and environmental requirements in our daily operating processes. Group-wide policies, which we apply nationally and internationally, are an important tool for implementing these. By doing this we intend to establish uniform sustainability standards that apply across the Group as a cornerstone of our Group strategy “cleaner & better energy”.

Our Commitments, Guidelines and Policies

Our sustainability standards apply across the Group and are based on internationally recognized ethical, social and environmental principles, which we duly apply to our corporate processes. At the same time, we respond to ever-changing attitudes and expectations. For instance, the public’s growing demands for transparency and detailed information are reflected in advanced reporting standards such as the new guideline of the Global Reporting Initiative. Similarly, investors’ increasing requirements can be seen in the findings of the Dow Jones Sustainability Index.

Our Group policies have a directive character and are issued by the Board of Management of E.ON SE. We review these policies regularly. They provide an operational framework and define minimum standards for our business processes.

The members of the Board of Management and the managing directors of the individual Group companies adopt and implement the policies, reporting back to E.ON SE’s Board of Management once they have done so. This process also applies to all individual companies in which we are majority shareholders, as well as to projects and shareholdings for which we bear operational responsibility. Moreover,

contractors and suppliers are required to meet our minimum standards. While our Group policies do not apply automatically when we enter into joint ventures with equal partners, policies are negotiated and issued based on these, whereby policies are adapted to suit local circumstances. Our experiences reveal – such as in Turkey – that our joint-venture partners specifically seek our expertise such as on health and safety topics.

External Frameworks and Commitments of E.ON

Commitment to the Ten Principles of the UN Global Compact (since 2005)	Observance of human rights, labor and environmental protection standards and the fight against corruption form the basis of corresponding Group policies.
Self-Commitment by the E.ON Board (2006)	Affirming the importance of the company's social responsibility.
E.ON Commitment to Human Rights (2008)	Commits employees and business partners to maintain appropriate working conditions and ethical business practices, and respect human rights.
Luxembourg Declaration (2009)	Implementation of European standards on occupational health promotion.
Seoul Declaration (2009)	Health and safety standards at work and benchmarks for preventative measures.
Code of Responsible Conduct for Business (2010)	Joint commitment of global German companies to success and value oriented management upholding the principles of the social market economy. This includes fair competition, social partnerships, the performance principle and sustainability.
Declaration of Conformity with the German Corporate Governance Code (since 2002)	Annual declaration by E.ON SE's Board of Management and Supervisory Board of conformity with the German Corporate Governance Code pursuant to Article 161 of the German Stock Corporation Act.
Declaration of Compliance with the German Sustainability Code (since 2012)	Annual publication of E.ON SE's sustainability performance following the criteria of the German Council for Sustainable Development.

Internal Policies and Frameworks

E.ON Code of Conduct (updated 2013)	<p>Approach to business partners, third parties and state organizations; avoidance of conflicts of interest; dealing with the company's information property and resources; environment, health and safety. It includes three annexes:</p> <ul style="list-style-type: none"> • Annex 1: Compliance checklist (updated 2013), list of questions which can be used to determine whether proposed activities are in keeping with E.ON's principles of integrity • Annex 2: Antitrust law guidelines (updated 2013), requirement to comply with all antitrust law provisions as well as procedures in the event of violations • Annex 3: Gifts and benefits guidelines (updated 2013), principles for accepting and granting gifts and benefits in
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	dealings with business partners, competitors and state organizations.
Compliance Policy (2008)	Group-wide policy to define compliance structures, uniform application and to demonstrate implementation.
Equal Opportunity and Diversity Framework (2006)	Framework for non-discriminatory practices and the promotion of diversification in E.ON's work environment.
Stakeholder Management Group Management Policy (updated 2013)	Defines key stakeholder groups (excluding capital market participants), guidelines and topics for exchange, regulations regarding internal and external communication as well as sustainability management.
Responsible Procurement Policy (2007)	<p>Group-wide policy governing the strategic and operational duties for collaboration between the local procurement organizations in the E.ON Group (E.ON Procurement Network) for non-fuel and uranium procurement. It is based on the principles of the United Nations Global Compact and is part of our company's Standard Terms and Conditions of Purchase.</p> <ul style="list-style-type: none"> • Business Governance Group Procurement Policy (2013): Additionally ensures responsibilities are assigned and complied with in all non-fuel procurement processes and sets out associated duties • Biomass Purchasing Amendment to E.ON Responsible Procurement Policy (2010) Additional requirements to uphold sustainability criteria when procuring biomass, risk analysis and supplier auditing, joint venture guidelines.
Group Management Policy Health, Safety & Environment (HSE) (2013)	<p>This Group policy sets out the management structure and processes related to HSE in the E.ON Group. The aim of the Group HSE policy is to provide an overview of our management structure, model and organization, to define roles and responsibilities, to describe the management strategy and to define reporting channels. Secondary to the Group policies, binding instructions such as standards deal with specific topics to support the aims of the Group policy. These include:</p> <ul style="list-style-type: none"> • Environmental Footprint Standard (2012): Requirements for determining and calculating the environmental footprint of fuels, processes and products • Process and plant safety management instructions (2011): Sets out stringent and uniform Group-wide standards for supporting processes
Group Business Governance Policy HSE Management (2013)	In 2013 we consolidated our Group Health and Safety Management and Environmental Management policies in a new Group policy. In doing so, we were able to harmonize processes and their scope as well as improve topic-area integration. The policy sets out HSE management requirements and tools such as audits, environmental-protection and health and safety management systems (EMAS, ISO 14001 and OHSAS 18001).
Group Business Governance Policy Incident & Crisis Management (updated 2013)	Group-wide policy which sets out the underlying structures and processes for incident and crisis management. These define the responsibilities regarding implementation and maintenance of an incident & crisis management system for the Group companies as well as how to deal with emergencies and crises within the Group. The main aims are:

	<ul style="list-style-type: none"> • Protection of people and the environment • Protection of our customers, our employees, external business partners and our assets
E.ON Health, Safety and Environment Policy Statement (2013)	In alignment with our corporate strategy, the Group HSE Declaration of Principles, which has been formally signed by the E.ON SE Board of Management, officially sets out E.ON's goals and focus to achieve continual improvements in the area of HSE.
SGC and HSE-GC Code of Conduct (2013)	The Code of Conduct sets out the aims, structure and governance principles for the SGC and HSE-GC.

Managing Sustainability in the Group

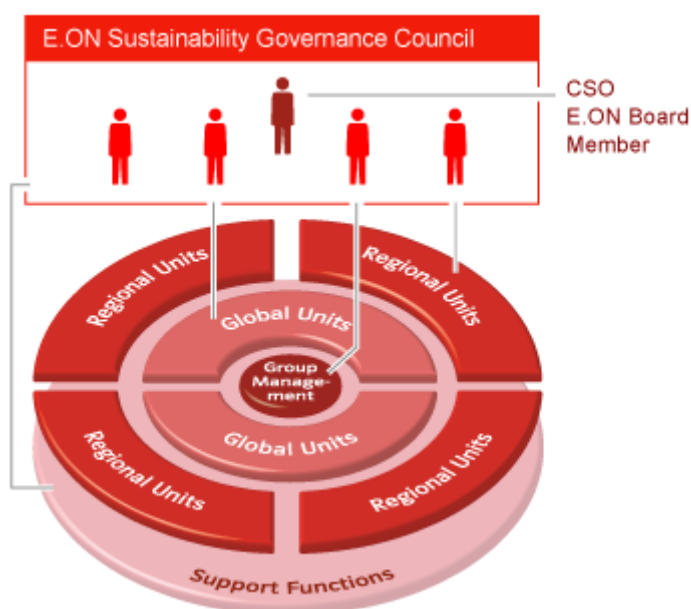
With the aim of adding even greater weight to the topic of sustainability at top-management level at E.ON, in 2013 Jørgen Kildahl – member of the E.ON SE Board of Management and responsible for International Growth, Procurement and Sustainability – accepted the post of Chief Sustainability Officer (CSO). As CSO, Jørgen Kildahl is also responsible for the Sustainability Governance Council (SGC) which was established in 2013. The SGC is the central committee for managing and monitoring sustainability at E.ON. It decides on the further development of sustainability activities and targets, policies and initiatives. Furthermore, it monitors their implementation and enhances them. The SGC Code of Conduct approved in 2013 sets out the aim and purpose of the Council and defines roles and responsibilities. The Council updates the Board of Management every six months on the status of its work. The SGC meets at least twice a year, with unscheduled meetings called as the need arises. February 2014 already saw an additional meeting being held.

The Group Management, global and regional units as well as E.ON support functions are each represented by one member on the SGC.

By taking this approach we intend to ensure that the entire spectrum of sustainability topics and interests from and within our various business units is considered and highlighted. The delegates incorporate their topics and serve as ambassadors of the Group's sustainability work in their respective business units.

They report to the SGC on the progress of implementation and suitable methods.

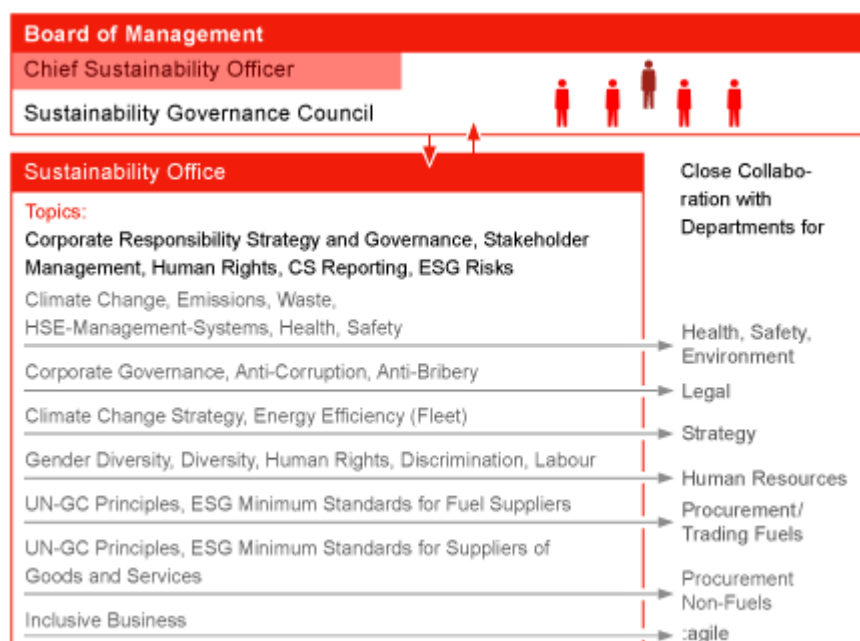
In turn, the SGC actively supports the risk management process by discussing potential non-financial risks and voicing recommendations or calls for action for the business units, the [Risk Committee](#) and the Board of Management. These risks may



have an impact on the Group but they cannot be quantified immediately by the processes specified by the Risk Committee.

Operationalizing Sustainable Development

To move forward on our path towards sustainability we rely on a range of factors critical to success. These include the personal [commitment](#) of the E.ON Board of Management which, as a result, sits at the top of the implementation pyramid for sustainability topics. Based on our current [work program for 2012–2015](#), the functional units CR and HSE and the operational line functions are closely interlinked. In 2014 we will discuss and agree a revised program in the SGC, creating uniform sustainability-management and reporting structures. Another key success factor is transparency in our dealings with [internal and external stakeholders](#).

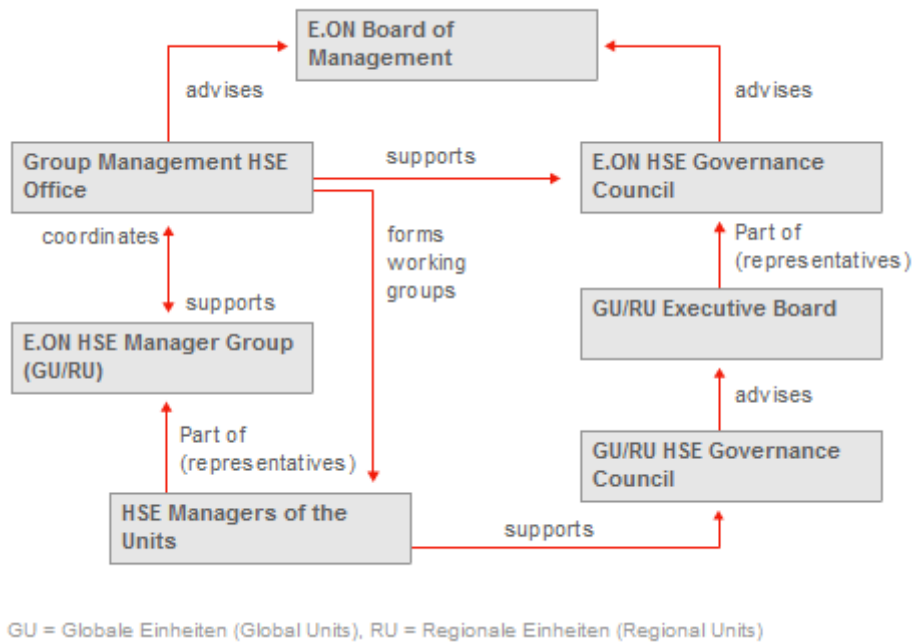


E.ON also applies the principle of functional management to sustainability management. Following this principle, responsibilities are clearly divided between the Group Management and the global and regional units in the Group. All sustainability topics are managed by our Group Management through the Sustainability Office, which advises our Board of Management and which is also responsible for organizing the structure and remit of our Sustainability Governance Council. Our line functions are responsible for the operational implementation of sustainability.

Our HSE Organizational Structure

In the area of HSE, our organizational structure has grown over many years and is set out in our [Group HSE policies](#). Through our Group Management HSE Office overarching HSE topics and developments are immediately fed through to our SGC. The aims of the [work program](#) discussed there are developed together with the Group functions CR and HSE. The HSE Governance Council also advises our Board of Management as well as the SGC.

The following interactive graphic shows you how the individual HSE functions and committees interact with each other:



E.ON SE Board of Management:

The Board of Management is responsible for monitoring and advancing our HSE activities. As an advisory body, it is supported by the HSE Governance Council which is chaired by the relevant Board member and the Group Management HSE Office.

Group Management HSE Office:

The E.ON Group Management HSE Office supports and advises the Board of Management, the E.ON HSE Governance Council and our business units by devising Group-wide policy frameworks together with teams of experts comprising HSE managers.

E.ON HSE Governance Council:

An HSE Governance Council appointed by the respective Executive Board drives HSE culture in every unit. It is managed by an Executive Board member and comprises members of the individual Senior Leadership Teams of global, regional and business units.

GU/RU Executive Board:

The managers of the Global Units (GUs) have global authority across all legal entities; the managers of the Regional Units (RUs) assume this role in the regions. Together, they ensure that the units assigned to them meet their HSE responsibilities.

GU/RU HSE Governance Council:

Every global and regional unit has its own HSE Governance Council which acts on behalf of its body. The Council drives forward the HSE activities in the relevant units. The Council is supported by working groups comprising HSE managers and staff from the individual business units.

E.ON HSE Manager Group (GU/RU):

Members of the E.ON HSE Manager Group support the Group Management HSE Office and address specific occupational health and safety topics such as the implementation of Group-

wide HSE standards, programs and targets, the reporting of HSE performance and partner-company management.

HSE Managers of the Units:

With the assistance of Human Resources, staff qualification measures and other resources, the managers of the Management Units ensure that the individual HSE Managers can perform their duties. The units devise guidelines to ensure that both minimum statutory requirements as well as E.ON regulations are fulfilled at an operational level in their business area. The business units must appoint HSE Coordinators and decide on their duties, level of qualification and competencies. The aim of this function is to establish a culture where line managers take HSE criteria into consideration as a matter of course in all activities. For example, their responsibilities include advising unit management on all topics related to HSE and ensuring that they have understood all the impacts on statutory and company-internal compliance requirements.

The head of the Group Management HSE Office is responsible for supporting those responsible for HSE in the operational management units. To do this, the head uses an annual target-oriented management model called the Target Operating Model (TOM). This process also applies to those units that do not have their own HSE department. The manager of the respective HSE head of the particular unit has overarching responsibility for setting the target and for performance development. Target definition is closely associated with the development of a standardized Group strategy. The purpose of these targets is to ensure HSE activities are standardized across the Group, to implement clear management rules and continually improve our HSE performance.



Our Work Program 2012–2015

URL: <http://www.eon.com/en/sustainability/approach/work-program-2012-2015.html>

Since 2005 we have produced binding, Group-wide Sustainability Work Programs every four years. These give a clear overview of our targets and the measures we intend to use to achieve them.

With our current Sustainability Work Program 2012–2015 we are building on the previous program, which has now been completed. The results of the [dialogs](#) with internal and external stakeholders have provided us with key ideas in this process. The establishment of our [Sustainability Governance Council](#) (SGC) in 2013 gave us cause to look into our Work Program once again. While we already achieved some objectives such as in the area of health and safety in the past two years, we no longer see others as being ambitious enough. This is why it is necessary for us to update these elements by making them more focused and set ourselves new goals. We will use 2014 to revise our Work Program and, together with the SGC, set even more ambitious sustainability targets for ourselves that are integrated in our business processes.

Below are the eleven elements of our Sustainability Work Program.

1. CO₂ Reduction (Electricity Generation)

[Reduce CO₂](#) for E.ON's European generation fleet and use the best technologies in the markets where we operate to increase operating revenue through reduced EU ETS financial risk and to establish a sustainable generation portfolio.

Objective

Reduce CO₂ emissions by optimizing E.ON's conventional generation portfolio and expanding the use of renewables.

Halve the carbon intensity of our electricity generation in Europe by 2025 (against the 1990 baseline) by improving our conventional generation portfolio and expanding the

use of renewables (due to Germany's exit from nuclear power, this is five years later than originally planned).

Measurement Criteria and Target

- Criterion: Carbon intensity (t/MWh) of electricity generation in Europe
- Target: 50 percent reduction by 2025 (1990 baseline)

2012	2013	2014	2015	Status
–	–	–	0,39 t/MWh	Ongoing process/project: Carbon intensity 2013: 0.44 t CO ₂ /MWh. Target to be achieved through planned portfolio changes.

2. Carbon Footprint

Reduce the [carbon footprint](#) of E.ON's day-to-day business activities to increase efficiency and reduce costs.

Objective

Set minimum building energy-efficiency standards for new and existing E.ON properties, implement a CO₂ target for E.ON's vehicle fleet and reduce CO₂ emissions from business travel.

Measurement Criteria and Target

- Criterion: Tonnes CO₂ (absolute)
- Target: 20 percent reduction by 2020 (2010 baseline)

2012	2013	2014	2015	Status
0 %	0 %	approx. 10 %	approx. 15 %	Process/project ongoing: Full recording of direct and indirect carbon emissions as well as initial external verification by auditors in reporting year 2013.

3. Water Management

Establish a sustainable [water management](#) framework within E.ON to better identify and mitigate current and future water risks for E.ON in relation to permits, costs, availability, discharge, and the supply chain.

Objective

Develop and implement a Group-wide qualitative sustainable water management framework along the entire value chain of E.ON's operational business by 2015, including those areas of the supply chain for which significant risks exist (based on

the CERES framework), and establish practices which enable E.ON to become a signatory to the UN CEO Water Mandate.

Measurement Criteria and Target

- Criterion: UN CEO Water Mandate compliance
- Target: 100 percent by 2015

2012	2013	2014	2015	Status
–	–	–	100 % compliance	<p>Process/project ongoing: Commitment given to fulfill the requirements of the UN CEO Water Mandate for more efficient water management by 2015.</p> <p>We continue to assess how to apply the Ceres Aqua Gauge to manage water risks at our conventional power plants to achieve this goal.</p> <p>In 2013 we began to develop and deploy the processes to conduct systematic water management along our entire value chain. By 2015 we intend to qualify for membership in the UN CEO Water Mandate by complying with its minimum standards for approvals processes, costs, water availability, water withdrawal, water piping and our supply chain.</p>

4. Inclusive Business

Explore inclusive-business opportunities in the energy sector to develop scalable business opportunities and provide sustainable solutions to people at the base of the pyramid.

Inclusive business is a business model that incorporates low-consumption and low-income sections of the population at the ‘base of the pyramid’ by developing affordable products and services across companies’ value chains.

Objective

Support sustainable rural energy projects in emerging and developing countries, contribute to international research & development, and raise awareness of what inclusive business means.

Measurement Criteria and Target

- Criterion: Number of supported (expertise/funding) inclusive-business projects
- Target: three supported projects by 2015

2012	2013	2014	2015	Status
0	0	1	2	<p>Process/project ongoing: In 2013 we launched our E.ON Off Grid Solutions inclusive-business project as part of our innovation initiative “agile” to give people in Africa access to energy. The</p>

				ideas generated in 2012 were integrated into E.ON Off Grid Solutions and will now be tested locally in Tanzania. In 2013 extensive country studies, particularly in eastern African countries, led up to the coming market test.
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5. Stakeholder

Proactive [stakeholder engagement](#) and dialogs to identify and anticipate trends with an impact on our business, to secure general acceptance of our activities and – where possible – to strengthen it.

Objective

Improve stakeholder participation in E.ON business activities and strengthen integration of stakeholder concerns in strategy development.

Measurement Criteria and Target

- Criterion: Number of multi-stakeholder dialogs
- Target: three dialogs per year

2012	2013	2014	2015	Status
0	1	2	3	Process/project ongoing: A multi-stakeholder dialog event was held at our power plant in Datteln, Germany, in 2013. In addition, 37 individual events were held as part of E.ON in Dialog plus an econsense sustainability gathering on Transparency in Supply Chains and interviews with external stakeholders.

6. Occupational Safety

Improving [safety performance](#) to increase employability and reduce losses/lost time.

Objective

Increase the number of E.ON companies which comply with OHSAS 18001 as well as H&S certified contractors; standardize processes (including improving procedures for high-risk activities).

Measurement Criteria and Target

- Criterion 1: TRIF (Total Recordable Injury Frequency index) for E.ON employees and contractors combined a)
- Criterion 2: LTIF (Lost Time Injury Frequency index) for b) E.ON employees and c) contractors
- Targets: Reduction of a) TRIF to 3.0 and LTIF to b) 1.0 and c) 3.0 by 2015.

2012	2013	2014	2015 ¹⁾	Status ²⁾
a) 3,9 b) 1,6 c) –	a) 3,6 b) 1,4 c) –	a) 3,2 b) 1,2 c) –	a) 3,0 b) 1,0 c) 3,0	<p>Process/project ongoing/partly achieved: a) combined TRIF 2.8 (2013); b) LTIF E.ON employees 2.0 (2013); c) LTIF third-party companies 2.0 (2013).</p> <p>We will incorporate the early achievement of our targets for the combined TRIF and LTIF contractors when we revise our Work Program for 2014. Aside from this, third-party companies' accidents have already been incorporated into these targets since the changeover to combined TRIF as a new key indicator. As part of this, contractors' accidents will be treated as being equivalent to E.ON employee accidents. In contrast to LTIF, TRIF also takes into account accidents with no lost working days.</p> <p>To achieve the LTIF target for employees, we continue to increase all employees' safety awareness – especially the management – as well as by taking preventative steps.</p>

1) A reporting error occurred here in previous reporting years. The targets given for 2015 correspond to the values set in 2011 for our Work Program 2012–2015. The interim targets given above apply for 2014, with no interim targets for the LTIF third-party companies.

2) The targets and values for the indicators TRIF combined and LTIF contractors are not part of the audit performed by auditing firm PwC.

7. Health

Improve employees' mental and [physical health](#) to maintain employability, reduce work-related illnesses and lost time and counterbalance the consequences of demographic change.

Objective

Improve employees' mental and physical health to maintain employability, reduce work-related illnesses and lost time and counterbalance demographic change.

Measurement Criteria and Target

- Criterion: Participation in health measures
- Target: minimum 50 percent participation by risk group

2012	2013	2014	2015	Status
13 %	25 %	38 %	50 %	<p>Process/project postponed: We employ various measures to promote our employees' health. Each year we set a focus topic for the whole Group with which we address key stress factors affecting the health of our employees in a targeted way. We are still currently unable to provide reliable data on the participation percentages of risk groups in health measures, as differing definitions of risk groups and occupational illnesses in the countries where we are active are delaying the gathering of Group-wide data.</p>

8. Gender Diversity

Make greater use of the different skills of the workforce; take into consideration the fact that diverse teams of people perform better, also in relation to the gender composition of teams, and implement strategy accordingly (Gender Diversity).

Objective

Increase equal opportunities for both genders when filling executive positions in the company. [Diversity and equal opportunities](#) have a lasting, positive impact on the company's success.

Measurement Criteria and Target

- Criterion: Increase the percentage of female executives
- Target: Share of 14 percent of female executives by 2016 (Germany)

2012	2013	2014	2015	Status
10,6 %	11,75 %	12,9 %	13,6 %	<p>Process/project postponed slightly: Percentage of female executives in 2013: 11.3 percent in Germany and 14.1 percent across the Group.</p> <p>Through our mentoring programs, modified Placement Policies, and our networks to promote the interests of women – “IngE” (engineers at E.ON) for women in engineering and technical jobs as well as “FinE” (women in the energy business) for female executives and management potentials – we have launched countless measures aimed at supporting our female employees and managers in their development.</p>

9. Procurement (Non-Fuels)

Factor in sustainability criteria when selecting suppliers and implement review processes in procurement to identify and mitigate non-financial risks. This will enable us to manage non-financial risks and meet our stakeholders' growing demands and expectations, e.g. investors, (industry) customers, business partners, and NGOs, when making purchasing decisions and not solely relying on the price of the goods.

Objective

By 2015, to have evaluated almost 100 percent of our critical non-fuel suppliers (as measured by spending volume) as part of E.ON's Supplier Pre-Qualification Program. They represent near to 80 percent of total non-fuel spending volume in this sector.

Additional objective (since 2013)

By 2013, to have established a supplier management system to manage strategic partnerships with our key suppliers across the Group, increase transparency and implement global procurement approaches which open up access to new and favorable procurement markets for us.

Measurement Criteria and Target

- Criterion: Percentage of evaluated critical suppliers
- Target: 100 percent by 2015

2012	2013	2014	2015	Status
60 %	70 %	80 %	100 %	<p>Process/project postponed: In connection with our new Business Governance Procurement Policy, a system change was made to responsibilities and monitoring activities. In 2013 we implemented centralized control of key suppliers to minimize risks and ensure we have a uniform market presence. Due to this changeover of systems, the quantitative status cannot be given for 2013.</p> <p>The new system allows reliable recording of extensive information on suppliers and their evaluation. The target of recording all key suppliers by 2015 remains.</p>

10. Procurement (Fuels)

Factor-in sustainability criteria when selecting suppliers and making procurement decisions to identify and mitigate non-financial risks. This will enable us to manage non-financial risks and meet our stakeholders' growing requirements and expectations, e.g. investors, customers, business partners and NGOs.

Objective

Develop and establish the Bettercoal initiative with the aim of making the coal supply chain more sustainable; together with other major European companies, standardize and expand coal-mine audits by 2015.

Measurement Criteria and Target

- Criterion: Number of audits
- Target: four audits by 2015

2012	2013	2014	2015	Status
0	1	1	2	<p>Process/project postponed slightly: The initiative was officially established in 2012 and the way it is organized was further developed. In 2013 the initiative ratified the Bettercoal Code, which includes social and environmental standards for suppliers involved in coal mining, and audit procedures. Self assessment and local assessment documents were developed. All member companies commit their suppliers to conducting a self-assessment according to set standards. While no audits had yet been conducted in 2013 due organizational reasons, a suitable supplier was found. For 2014, five assessments are planned in</p>

				the target countries of Columbia, Russia, the USA, South Africa, and Indonesia.
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11. Investment/Disinvestment

Like other business risks, sustainability risks are factored into investment/divestment decisions to decrease risks in the context of environmental liabilities, remediation requirements or other environmental matters that may impact future cash flows.

Objective

Integrate sustainability standards in relevant policies, directives and processes related to investment/disinvestment decisions.

Measurement Criteria and Target

- Criterion: Degree of integration
- Target: 100 percent by 2015

2012	2013	2014	2015	Status
25 %	50 %	75 %	100 %	Process/project ongoing: Development of a new policy to systematically take Environment, Social and Governance (ESG) risks for all external business activities over a certain magnitude into account, as well as to establish minimum Group-wide standards to identify ESG risks. The policy was developed in 2013 and is currently being reviewed.

Systematically Involving Stakeholders

URL: <http://www.eon.com/en/sustainability/approach/stakeholder-management.html>

E.ON must balance the demands and interests of different stakeholders, both globally and locally. Our most important objective is to offer our customers innovative, sustainable solutions and products that improve their lives. Only by satisfying our customers – and thereby ensuring the success of our business – do we have the opportunity to meet the expectations of our employees, investors, and other stakeholders.

Our customers may also be our stakeholders in other way. A residential customer may also live near one of our facilities or be a member of a citizen action group. A municipality may itself invest in energy assets. Together, all of these customers and stakeholders comprise the general public and, as individuals and groups, influence policymakers and the media. The graphic below shows our main stakeholders and their respective significance for our company.



Customers

- Business customers (industrial, commercial, municipal)
- Residential customers
- Consumer advocates

Their significance for E.ON: Without customers, we don't have a business. This makes customers our most important stakeholders. They not only expect us to provide them with energy at reasonable prices but also to play an active role in the shaping the transformation of Europe's energy system. To meet these expectations we're developing new solutions that are friendlier to the environment and the earth's climate.

Shareholders and investors

- Retail investors
- Institutional investors
- Analysts
- (SRI) rating agencies

Their significance for E.ON: Investor capital, along with debt capital raised through corporate bonds and loans, provides the foundation for successful business development. That's why we continually strive to deepen our investors' trust in E.ON. We provide them with timely and accurate disclosures which enable them to assess the E.ON Group's value and value potential.

Employees

- Apprentices and trainees
- Current and future employees
- Board managers, executives, and managers

Their significance to E.ON: Our employees' performance is crucial to our success as a company. Only with a professional and dedicated workforce can we transform E.ON into a global provider of specialized energy solutions. We expect our executives and managers to do their jobs in a way that sets an example for all our people. We provide our employees with a motivating work environment and do what we can to help them achieve a healthy work-life balance. Our Code of Conduct establishes important ethical principles and rules for responsible behavior at our company and for our interactions with our business partners.

Suppliers and business partners

- Suppliers
- Subcontractors
- Service providers
- Joint venture partners

Their significance for E.ON: We procure the services of numerous suppliers and subcontractors. Our policy on responsible procurement, which is binding for our entire company, requires that our suppliers and subcontractors meet a variety of sustainability standards, including respecting human rights. We subject non-fuel suppliers with which we do more than EUR 5 million of business annually to a prequalification process involving a risk assessment. In the case of jointly operated assets and businesses, we work with our partners to define minimum standards and codes of conduct. Our partners expect us to grant them fair terms, abide by contractual arrangements, and be reliable and reasonable in our dealings with them.

Communities and regions

- Residents
- Local governments

Their significance for E.ON: The transformation of Europe's energy system and the deployment of innovative technology can only succeed with the active support and involvement of consumers and local residents. One way we can promote this is to do a better job of engaging local residents in dialog about the need to put up new power lines to expand the grid. In Germany there is a trend for cities and towns to remunicipalize their local energy networks. This makes it all the more important to seek opportunities to dialog with our community partners.

Policymakers, society, and the general public

- Policymakers and media at:
 - regional level
 - national level
 - EU level
- International organizations

Their significance for E.ON: Policymakers, the media, and the general public expect energy companies to supply energy reliably but also to operate transparently and to comply with all applicable laws and rules. We need a stable policy and regulatory environment that gives us the confidence to plan and make substantial investments for the long term.

NGOs and sustainability experts

- Environmental groups
- Humanitarian/charitable organizations
- Churches
- Foundations
- Research institutes
- Colleges and universities
- Trade press
- Industry associations

Their significance for E.ON: We view universities and charitable organizations as important partners in areas such as technology development and community involvement. In addition, NGOs provide us with valuable insights into public expectations, which we take very seriously.

Constructive, resolution-oriented dialog with our various stakeholders is integrated into our day-to-day business processes. One of our challenges lies in balancing our

stakeholders' sometimes conflicting expectations in areas like climate protection, environmental protection, energy security, job security, and returns to investors. It's a challenge we must meet in a difficult market environment characterized by increasingly interventionist regulations and rapid technological change. Stakeholder dialogs give us the opportunity to present our position in response to other people's viewpoints and priorities. We believe that this improves the public's acceptance of our actions and creates a broader basis of support for our business operations. To promote sustainable development in a more general way, we conduct some dialog activities in partnership with other companies, business leaders, policymakers, and opinion-makers from different walks of life. In short, stakeholder management is a core process of our corporate governance.

Assessing Stakeholder Relevance

We assess the relevance of our stakeholders using a variety of criteria. Stakeholders with a significant ability to influence public opinion – with regard to E.ON or a particular project – are particularly relevant. We also consider to what degree a stakeholder group is currently or potentially impacted by our activities and whether they have a direct stake (from a legal, financial, or operational standpoint) in our company's long-term business success. The assessment of stakeholder relevance takes place on two levels: at the project level (conducted by, for example, the team doing the planning work for new-build projects) or at the Group level (conducted by Group Management departments such as Investor Relations, Political Affairs & Communications, Human Resources, and Procurement).

Standardized Framework for Stakeholder Management

We strive for open, reliable, and consistent communication with our stakeholders. Our Group Policy on Stakeholder Management provides a standardized framework for our interactions with external stakeholders and our employees. It applies to all of our management units (Group Management, global units, regional units, support functions, and share investments in which we hold a majority stake) and clearly defines their roles and responsibilities.

The policy covers all issues for which stakeholder communications are appropriate. It ensures that the interests or rights of internal or external stakeholders will receive due consideration if they are affected by a significant change in our business, such as a strategic decision, technological developments, or innovation. Group Management is responsible for determining E.ON's position and talking points on issues that affect the company as a whole and for establishing the scope of possible activities. Group Management or the global units conduct stakeholder dialogs on a number of issues. As a general rule, however, the regional units have the best knowledge of the situation and needs in their operating territory, which makes them the ideal dialog partner for local stakeholders.

Stakeholder Involvement in Our Business Operations

We dialog with stakeholders at a variety of levels and in forums that are appropriate for the dialog in question. The following departments are typically most closely involved with stakeholder dialog:

- Corporate Responsibility (CR)
- Health, Safety & Environment (HSE)
- Political Affairs
- Communications
- Investor Relations
- Sales and Marketing
- Procurement
- Business Compliance (including Corporate Governance)
- Licensing & Permitting
- Human Resources (HR)
- Strategy

Sales and Marketing regularly conducts customer survey and develops, in some cases with customers' involvement, specific products and services. At job fairs and other events, HR is in frequent contact with a large number of students, recent graduates, and other job seekers. Corporate Sustainability conducts stakeholder surveys as part of its annual [materiality analysis](#) and regularly shares knowledge with staff from the other departments involved in stakeholder dialog. Together, they [define](#) areas where action needs to be taken and the appropriate response measures. In 2013 our Strategy department worked closely with renowned outside experts and senior executives to identify [eight megatrends](#) that will have a substantial influence on E.ON's future. This process also involved a broad-based, participatory discussion within our company about our core values. In 2014 we're conducting a review of our corporate strategy in which our stakeholders' viewpoints will again play an important role.

Stakeholder Management Integral to Risk Management

Government agencies grant us permission to operate our assets. However, this permission is generally contingent on public support (or at least public acceptance), which is the basis for our license to build and operate. We therefore view stakeholder management as an integral part of [risk management](#). The dialog we conduct during the planning stages of a project enables us to identify potential sources of conflict but also new business opportunities. The formal involvement of stakeholders takes place through the public consents process, which encompasses public hearings, expert testimony, and assessments of our planned asset's environmental impact. Transparent stakeholder relationships based on mutual trust help build a stable foundation for long-term infrastructure investments and enable us to take swift and foresightful action in key strategic areas. The numerous stakeholder dialogs conducted by our [regional units](#) are essential to this effort. At a national and European level we offer our expertise to governments and policymakers through [public consultation processes](#).

Further Expanding Stakeholder Dialogs

The purpose of stakeholder dialogs is to help us understand the sometimes conflicting expectations of our stakeholders and to factor this knowledge into how we define and articulate our own position on the issues. Going forward, we intend to further expand our dialogs. In 2011 we set a formal dialog target at the Group level in our [Sustainability Work Program](#). In 2013, for example, we participated in an event organized by econsense that brought together a diverse range of stakeholders to

discuss corporate responsibility in the supply chain. At nearly 40 [E.ON im Dialog](#) events across Germany we listened carefully to our stakeholders' criticisms, expectations, and questions and explained how we see things and why.

Our interactions with stakeholders are guided by the principles of the AA1000 standard developed by AccountAbility:

- **Materiality** (issues' relevance to stakeholders)
- **Inclusivity** (inclusion of stakeholders in strategy design)
- **Responsiveness** (responsiveness to stakeholder concerns and willingness to participate in a dialog and take action).



Interacting with our Stakeholders

URL: <http://www.eon.com/en/sustainability/approach/stakeholder-management/stakeholder-dialog.html>

We interact with our stakeholders in a variety of ways and forums, depending on the stakeholder group and the issue.

- **Information.** We use a variety of platforms – from mobile information points to visitors centers – to inform our stakeholders. We respond to specific questions from investors by providing them with the relevant metrics for our sustainability performance. In addition, our Sustainability Report contains performance indicators, factors, and detailed background information of interest to a wide variety of stakeholders.
- **Dialog.** Our E.ON in Dialog initiative creates a forum for ongoing dialog with customers and with business leaders, policymakers, and other decision-makers. We also engage in dialog with our stakeholders through international and multiregional initiatives. For example, we belong to ecosense, a network of 32 Germany-based multinational companies dedicated to promoting sustainable business development. We're also active in the World Business Council for Sustainable Development, where we're part of a multi-stakeholder processes aimed at, among other things, developing industry-wide standards. We carry out an annual [materiality analysis](#) to study how stakeholders assess the challenges we've defined. We draw on the results of the materiality analysis and our surveys of our stakeholders, customers, and investors when we define focus issues and objectives.
- **Involvement.** We involve our stakeholders in our decision-making processes by using appropriate dialog forums. We hold public meetings to talk with residents who live near the sites of where we plan to build new assets: conventional power plants, onshore and offshore wind farms, solar farms, and gas pipelines. This involves stakeholders in our decision-making processes as we assess the potential environmental and social impact of our planned assets. Industry-wide initiatives are playing an increasingly important role in some aspects of our procurement. For example, industry peers and interested stakeholders are working together to improve environmental and labor standards in the coal supply chain.

The following are examples of some of the ways we interact with stakeholders.

Bettercoal

[Bettercoal](#) is an initiative established by leading European power companies that aims to continually improve sustainability in the coal supply chain, particularly at mines. The initiative is open to energy-intensive industries. In the summer of 2013 the initiative reached an important milestone by issuing the Bettercoal Code. The code reflects international industry standards and Bettercoal members' expectations for their coal suppliers' ethical, social, and environmental performance. The code was developed in a transparent consultation process involving a wide variety of stakeholders worldwide, including NGOs, unions, industrial companies, and mine operators. The consultation process had two phases and involved stakeholders in South Africa, Columbia, Indonesia, and Russia.

Climate-Protection Plan

Since August 2012 E.ON has been involved in the development of a set of measures that will enable the German state of North Rhine-Westphalia (NRW), where our Düsseldorf headquarters are located, to achieve its legislated climate-protection targets for 2050. Initiated by the NRW Ministry of the Environment, six working groups (five for different sectors of the economy, one for homes) are designing specific emission-reduction measures. The working groups bring together experts from business, government agencies, and trade associations and are supported by the Wuppertal Institute for Climate, Environment, and Energy. E.ON is represented in the energy conversion working group and on the project's steering committee.

The first step, which was completed in late 2013, was to develop scenarios on which the measures would be based. A broad-based public consultation process begins in 2014. The schedule calls for a climate-protection plan containing specific emission-reduction measures to be presented to the NRW state legislature in the summer of 2014. After the plan is put into law, statewide programs for each sector of the economic will be put into place. In this process E.ON is one stakeholder among many. Our role in the working group and on the steering committee is to advocate our industry's views and interests.

econsense – Forum for Sustainable Development of German Business

Leading German companies with global operations have joined forces in an organization called econsense – Forum for Sustainable Development of German Business. It was founded in 2000 as a think-tank and dialog platform for sustainable development. E.ON has participated in a variety of ecosense working groups focusing on issues such as sustainability in the supply chain and sustainability performance metrics. Working groups create a forum for sharing knowledge and reaching a consensus on the members' views on sustainability issues, views that enable econsense to play an active role in public discussions and decision-making processes. In 2013 E.ON hosted an ecosense panel

discussion on “Supply-chain Transparency: Experiences and Challenges”; the experience of the Bettercoal initiative was cited as evidence that collaborative, industry-wide efforts are needed to solve complex problems along the supply chain. The “Making Sustainability Measurable” working group articulated ecosense’s position on the European Commission’s draft directive for the disclosure of non-financial information. The “Ratings und Rankings” working group monitored the evolution of GRI standards.

E.ON in Dialog

Conventions, trade fairs, and other events with a large number of attendees create a good forum for stakeholder dialog. In “E.ON in Dialog,” a communications campaign in Germany we launched in 2006, our employees serve as our ambassadors for our vision of tomorrow’s energy world.

In 2013 more than 130 colleagues represented our company at more than 37 public events across Germany, many of them more than once. They talked with visitors about E.ON’s position on energy-policy issues and the ways in which energy issues are interrelated. Just under 40,000 people, of whom 4,400 were in some way involved with politics or policymaking, visited our information stands in 2013. We talked at length with about 7,000 of them; not surprisingly, some visitors voiced their contrary opinions. The future of the energy system was by far the biggest issue for most of the people we talked to. We benefit from these conversations as well. Our visitors’ statements and questions provide us with important insights into current trends in public opinions, attitudes, perceptions.

E.ON helped develop the German Sustainability Code (GSC), which was published in 2011. Since then we’ve issued an updated Declaration of Compliance on an annual basis. The GSC is a standard for assessing companies’ sustainability performance based on their organizational setup, business processes, and reporting. By complying with the GSC we’re supporting the German federal government’s policy objectives regarding transparency and sustainability and also contributing to the policy debate on non-financial reporting. In 2014 the GSC will be reviewed and, if necessary, revised. Through its membership in the ecosense network, E.ON will participate in this process as well.

Power Plant Forums

Public forums constitute one of the ways we involve stakeholders in the decision-making processes surrounding new power plants. They take the form of a roundtable discussion between regional stakeholders and us in our role as power plant developer or operator. Forum participants all have the same rights and obligations. They meet several times a year to discuss their different viewpoints and concerns. The results of these discussions are published in press releases, in a newsletter, and on the forums’ respective websites. In 2013

we conducted a multi-stakeholder dialog as part of the public forum for Datteln power station in west-central Germany.

UN Global Compact

The UN Global Compact is a voluntary corporate citizenship initiative led by the United Nations. In 2005 E.ON became a signatory, thereby pledging to the UN to comply with [Global Compact's ten principles](#) on human rights, labor standards, environmental protection, and anti-corruption and to report annually on our progress. In addition, we participate in a number of events organized national networks of the Global Compact.

World Business Council for Sustainable Development

Specific, targeted corporate initiatives are often more effective – and faster to negotiate and implement – than multilateral agreements. The World Business Council for Sustainable Development (WBCSD) is a coalition of leading sustainability-oriented companies that serves as an important interface between international policymaking and the corporate world. It focuses on energy and climate protection, ecosystem protection, and sustainable development. We've worked in WBCSD collaborative projects, such as developing standards for sustainable water management in the energy industry. We also commented on the WBCSD's GHG Protocol Scope 3 Calculation Guidance, which was published in April 2013. The calculation of [scope 3](#) emissions along the entire value chain is complex and therefore difficult for companies to implement. The guidance includes calculation methods, criteria for choosing the best method for each situation, and examples of best practices.

World Energy Council und World Economic Forum

E.ON is also involved in national and international energy initiatives such as the World Energy Council (WEC) and as a member of the World Economic Forum (WEF).

Our global and regional units take an active role in additional initiatives and networks.



Assessing Materiality

URL: <http://www.eon.com/en/sustainability/approach/stakeholder-management/materiality-analysis.html>

What issues are material for E.ON? In other words, what issues have a profound impact on society and our business? Which expectations and concerns of our stakeholders do we need to take into account? In which direction should our strategy and operations go? What are the different ways our actions have impact on communities and society at large? Whom do we need to consult and how should we consult them in order to help us answer these questions? These are the questions we ask ourselves as we define objectives and develop and implement our [Sustainability Work Program](#). Our stakeholders have complex, partly conflicting interests. Some of these interests are consistent with our strategy. For example, the growth in renewable energy typically enjoys broad public support. But it also conflicts with some people's interests, such as when local residents oppose the construction of a wind farm near their community.

Annual Review of Key Issues

Since 2006 our sustainability reporting has been accompanied by an annual materiality analysis in which we identify and weight issues according their relevance for E.ON and our stakeholders so that we appropriately factor them into our processes. We continually develop and refine our materiality process in terms of both its scope and content.

For example, in 2013 we conducted an online survey. We asked [key stakeholders](#), including some who have been critical of us, to tell us what they think are the biggest challenges we need to address in order to minimize our operations' adverse impact on current and future generations and to maximize their positive impact. The survey was based on the strategic challenges we defined in 2012 and updated analysis of our business environment. We also conducted one-on-one interviews with 14 external stakeholders, including customers and policymakers.

The next step was for a committee consisting of representatives from a variety of Group Management departments (Procurement, HR, Political Affairs, Communications, Regional Coordination, Strategy, Investor Relations, and

Sustainability) to evaluate, from our company's viewpoint, the key challenges identified by our stakeholders and consider alternative courses of action.

Findings of the 2013 Materiality Analysis

Current and Future Challenges

The table below summarizes the findings of our most recent materiality analysis. The section of our Sustainability Report on our [value chain](#) describes how we're meeting these challenges.

Step in Value Chain	Prioritized Challenges 2013	
Strategic Planning	<ol style="list-style-type: none"> 1. Position on, and support for, the transformation of the energy system 2. Embedding of HSE issues in all business processes 3. Public acceptance of new energy infrastructure projects 4. Balance between climate protection and cost-effectiveness 5. Commitment to environmental standards outside Europe 6. Impact of demographic changes on HR management 	<ol style="list-style-type: none"> 1. New (relevant internally and externally) 2. New (relevant internally and externally) 3. Remains relevant 4. Remains relevant 5. Remains relevant (mainly externally) 6. New (mainly internally relevant)
Technology and Innovation	<ol style="list-style-type: none"> 1. Solutions that add value for our customers 2. Produce energy exclusively from renewable sources? 3. Intelligent deployment of conventional power plants 	<ol style="list-style-type: none"> 1. Remains relevant (mainly internally: focus on holistic distributed solutions and energy management) 2. Remains relevant (mainly externally; internally the focus is on integrating renewables) 3. Remains relevant (internally, focus on making assets more operationally flexible)
Exploration, Procurement and Trading	<ol style="list-style-type: none"> 1. Shared responsibility among energy producers and wholesalers for a sustainable energy supply chain 2. Human rights and environmental protection in mines 3. Transparent, systematic dealings with higher-risk suppliers 4. Adoption of international standards and anti-corruption in the supply chain Occupational safety and environmental protection among upstream gas suppliers 5. Climate-friendly and socially 	<ol style="list-style-type: none"> 1. New 2. Remains relevant (mainly externally) 3. New 4. Remains relevant (mainly externally) 5. Remains relevant 6. New (relevance differs for internal and external stakeholders)

	acceptable biomass production	
Generation	<ol style="list-style-type: none"> 1. Operational Excellence 2. Occupational and facility safety (particularly outside Western Europe) 3. Minimizing the environmental impact of power plants and reducing their carbon intensity 4. Virtual power plants 5. Radioactive waste management 6. Social and economic consequences of the decommissioning of fossil-fueled power plants Sensitivity to the impact the transformation of the energy system has on communities 7. Water management, including in light of climate change 8. Protection of biodiversity during the construction of on- and offshore wind farms 	<ol style="list-style-type: none"> 1. New (highly relevant internally, supplemented by committee) 2. New (highly relevant internally) 3. Remains relevant 4. New (highly relevant internally, supplemented by committee) 5. New 6. Remains relevant (mainly externally) 7. Remains relevant (mainly externally) New (mainly externally relevant) 8. New (mainly externally relevant)
Distribution	<ol style="list-style-type: none"> 1. Integrating renewables 2. Uninterrupted power supply 3. Minimizing the environmental impact caused by grid expansion 4. Appropriate handling of local resistance to network expansion 	<ol style="list-style-type: none"> 1. New (significant challenge across value chain) 2. Remains relevant 3. Remains relevant (mainly externally) 4. Remains relevant
Sales and Consumption	<ol style="list-style-type: none"> 1. Transparent prices 2. Responsible approach to energy poverty among E.ON customers and their access to energy 3. Affordable energy for customers 4. Innovative products and services that promote climate protection 5. Tangible reduction in carbon emissions on customer side 	<ol style="list-style-type: none"> 1. Remains relevant 2. New (mainly relevant internally) 3. Remains relevant (mainly internally) 4. Remains relevant 5. New

Comparing the 2012 and 2013 Materiality Matrices

We present the results of our materiality analysis as a matrix as well. It indicates the relevance of action areas and issues for us and our stakeholders graphically.

By Comparison: Materiality Matrix 2013 and 2011



1) To present the weighted fields of action more clearly, the scale of the matrix has been adjusted to start at 3.0. Our stakeholders rated the topics on a scale of 1 (not important) to 5 (very important). The topics with the highest priority for both sides (stakeholders and E.ON) are located in the upper right of the matrix.

Some issues were seen as less relevant in 2013. This may be due in part to changes in our survey methods. What's important, however, is how issues are ranked relative to each other. The next paragraph provides a brief overview.

Stakeholders continue to view climate protection, which encompasses a cost-effective and reliable renewable energy supply, as the issue with the biggest impact on society and our company's future. Good corporate governance and customer orientation gained in relevance relative to the other issues, which fits with our strategy of putting distributed-energy solutions and innovative products and services for our customers at the center of what we do. We intend to place much less emphasis on sponsoring, charitable donations, and employee involvement, which were generally considered to be of low relevance. Instead, we'll focus more on the [value we add](#) to society generally. Some issues of broad societal relevance result from the challenges we face. These issues include operational excellence, the societal consequences of power-plant shutdowns, and [network stability](#). We classified these issues according to where they fit in the value chain.



Foresighted and Systematic Risk Management

URL: <http://www.eon.com/en/sustainability/approach/risk-management.html>

Operating at a global level always entails risks. Besides market developments we are also affected by [megatrends](#) and global developments such as climate change, the shortage of resources, and urbanization. These strike at the heart of our business activities and entail risks, but at the same time they bring us new opportunities. E.ON is confronted with challenges when conducting analyses and making decisions. If we do not incorporate developments or if we evaluate them incorrectly, they may pose serious business risks.

So far our risk instruments have been oriented towards immediate, quantifiable risks. Here we apply established management and controlling systems as part of our Group-wide risk management system. However, the full scope of environmental or sustainability topics often lies beyond financial measurability and is therefore difficult to evaluate using existing systems. To provide strategic, conceptual and operative answers to these challenges over the coming years we have drafted a guideline that takes into account Environment, Social and Governance (ESG) risks that are difficult to quantify; the guideline is currently in the Group approval process.

Key Risk Categories

Identifying risks and evaluating them in relation to their likelihood and damage potential is a key task of all business areas involved in the risk management process. Our risk management system meets general best practice standards in the industry and aims to enable corporate management to take suitable measures in good time. In this regard, the key risk categories are:

- **Market and Price Risks:** Our national and international business with electricity, gas, and other energy sources is exposed to greater competition and general economic risks. Furthermore, price risks also arise as gas supply prices are partly linked to the oil price, whereas the sales price is guided by the retail market. In our operational business, price risks exist with electricity, gas, coal, emissions rights, and oil price-hedging transactions. Like other global companies, we are exposed to risks through exchange-rate, interest rate and share price fluctuations. In addition, short and long-term investments, which we use to cover longer-

term pension and asset-retirement obligations, give rise to loss-making risks.

- **Operational Risks:** Managing the company is also dependent on complex information technology. This presents risks through unauthorized data access, misuse and loss. Additional operational risks may arise when operational processes are neither clearly defined nor complied with, and when there is a shortage of well trained personnel.
- **External Risks:** Changes in the political, legal and regulatory sphere pose a risk to us as soon as they give rise to planning uncertainties. Examples include: Ongoing legal action and proceedings; sudden changes to long-term plans by public authorities such as the decision by the German government to accelerate the exit from nuclear power; lack of clarity regarding a nuclear waste-disposal site in Germany; implementation of a European directive on energy efficiency from 2014; the planned reform of the energy feed-in tariff in the United Kingdom as well as sluggish approval processes for new plants. Discussions on nuclear power, energy prices, the environment and sustainability affect the reputation of many energy utilities. In Germany as big company listed on the German DAX stock exchange, E.ON is especially exposed and is always mentioned in public discussions on the supply of energy.
- **Strategic Risks:** Our strategy incorporates acquisitions and investments in the core business as well as disinvestments, giving rise to countless risks. Among other considerations we need to familiarize ourselves in new geographical areas and business fields with unknown sales markets, competitors and new regulatory requirements. This applies particularly to growth markets outside Europe.
- **Technological Risks:** The increase in decentralized feed-in, primarily from renewables, has led to a shift in load flows in the electricity networks. This development demands expansion of the [distribution networks](#). There is also the risk of power failures or the unplanned shutdown of power plants, for instance as a consequence of unforeseen operational problems. Production stoppages, environmental damage and problems in developing gas fields could have a considerable impact on our cost situation. [Climate change](#) is also a key risk factor which may affect our operational activities, for instance due to a lack of rainfall, or flooding.
- **Counterparty Risk:** In our energy sales business, as well as to hedge against the risk of price fluctuations in our energy trading business, we conclude contracts with customers and business partners. In some individual cases payment defaults may occur. We tackle this risk through extensive credit risk management, whereby we set credit assessment-based limits which are reviewed continually.

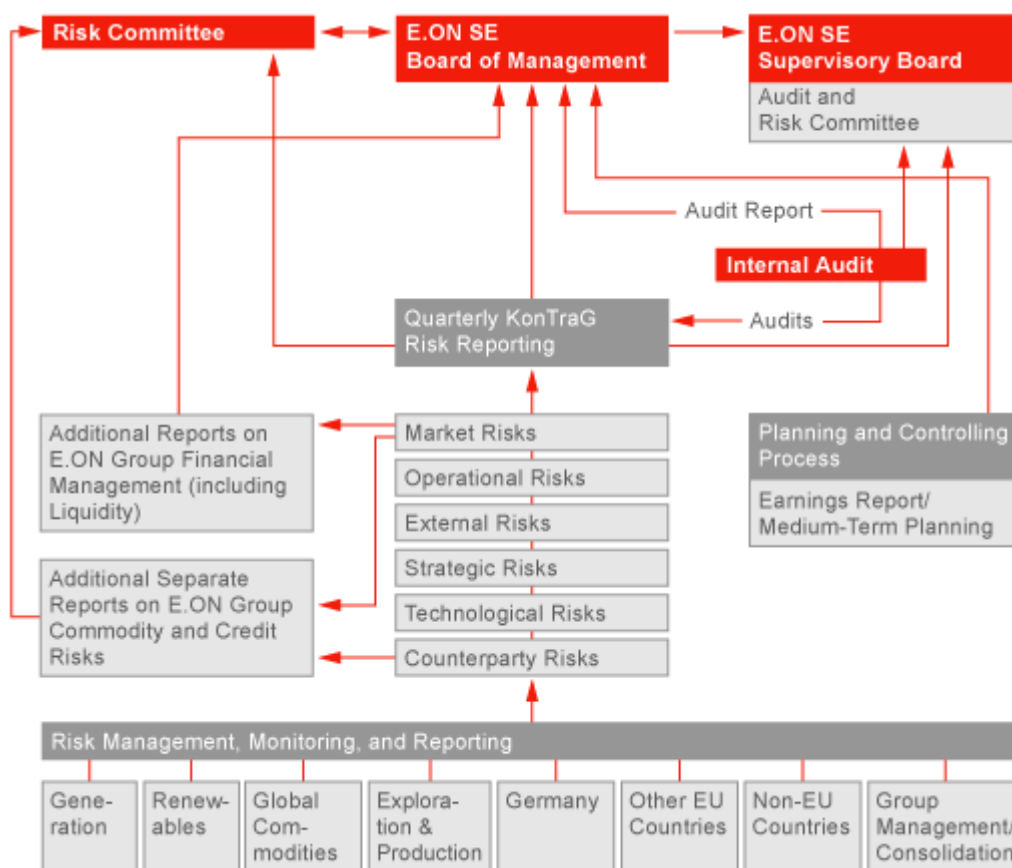
Comprehensive Risk Management System

Our risk management system is embedded in our organizational and operational structure. As a result, it is an integral part of our business processes and corporate decisions. Our risk management system encompasses all fully consolidated E.ON Group companies, and all companies accounted for at-equity whose book value exceeds EUR 50 million. It additionally includes our stakes in Brazil, Turkey, and upstream joint ventures in the areas of oil and gas exploration and production.

Consequently, our risk management system also covers risks relating to dam breaks as well as accidents at nuclear plants and offshore platforms.

The risk management system comprises a number of components, as the following diagram illustrates:

Risik Management System



The key components of our risk management system include Group-wide policies and reporting systems, our standardized Group-wide strategy, planning, and controlling processes, internal auditing activities, specific Group-wide risk reporting based on the German Corporate Sector Control and Transparency Act (KonTraG), and our Risk Committee. This committee, to which two members of the Board of Management, three E.ON SE Department Heads and the Head of the Risk Committee of our trading subsidiary E.ON Global Commodities belong, ensures the strategy agreed by the Board of Management in relation to the risk policy covering commodity and credit risks is implemented and complied with.

Additional Risk Mitigation Measures

We also implement additional measures to mitigate risk. These include countering market risks through hedging activities, extensive sales control activities, and close customer management. We mitigate operational risks through network management, ensuring optimal utilization of our power plants and by concluding insurance agreements. In addition, we have factored the operational and financial effects of environmental risks into our emergency plan. They are part of a catalog of crisis and system-failure scenarios prepared for the Group by our Incident and Crisis

Management Team. Additional risk mitigation measures and the current risk situation are regularly explained in our latest Annual Report.

Risk Analysis and Reporting Methodology

In 2013 we implemented a new, IT-based method to assess risks, named “risk2chance”. It allows us to assess the impact of quantifiable risks based on their distribution – continuous or discrete. Additionally we can select different distribution types (such as normal distribution) for continuous distributions. Using simulations, we can quantify the severity – ranging from “worst case”, through “likely” to “best case” – of the individual and aggregate risks to the Group. Furthermore, new, additional risk sub-categories as well as a method to classify the intensity and likelihood of non-quantifiable risks are part of the process.

We successfully piloted the instrument in 2012 and rolled it out uniformly across the Group at the start of 2013. Besides the analyses, it also performs Group-wide KonTraG risk reporting, whereby it stores the data and calculations together with a revision history. Following the extensive training of over 200 users, the roll-out of the instrument and the new risk-analysis methods led to the risk-owners taking an extremely close look at the risks they face. In doing so, an improvement in quality and a more standardized approach to the analysis of the same types of risk in the Group was achieved, leading to a more accurate assessment of the risk situation.

Significance of ESG Risks

Besides purely financial reporting, non-financial key figures are increasingly taking center stage in extensive risk-reporting activities. This is being reinforced by additional reporting requirements with the aim of taking a closer look at the [value chain](#). It is often the case that non-financial risks are not immediately quantifiable. Despite this lack of quantifiability, the description of the potential impact coupled with qualitative categorization can help mitigate risks to our reputation and also serve to indicate future financial risks at an early stage.

When considering non-financial risks, we focus on the Environmental, Social and Governance (ESG) approach. This enables us to better incorporate environmental, social and governance aspects, and in doing so systematically close risk gaps. This covers various areas ranging from operational environmental protection, through upholding employee interests, to fighting corruption.

ESG aspects are now a key component of the assessments conducted by analysts and investors. For example, this development is underpinned by the Principles for Responsible Investment of the United Nations (UN PRI), an investor-led initiative in partnership with the UN environmental program (UNEP), and the UN Global Compact. A further example is the Equator Principles, a voluntary set of rules established by banks to uphold environmental and social standards in the area of project finance. In addition, our major business customers are increasingly making their own demands for transparency and sustainability along the supply chain. Besides their own risk management activities, among other reasons this is due to the awareness that environmental and social challenges connected with globally networked value chains such as the production of raw materials, transportation, and

manufacturing cannot be solved by one company alone, but only through collaboration along the supply chain.

Governments around the world are also increasingly demanding that companies measure and publish details of their environmental and social performance. Examples of this include proposals for an EU directive on the transparency of non-financial information, and the German Sustainability Code. We are aware of our stakeholders' growing awareness of the non-financial reporting of our activities. By publishing these in a transparent way, we would like to allow fair discussion and ensure our business activities gain the necessary amount of acceptance.

New Policy Incorporating ESG Risks

To better incorporate non-financial aspects of our risks we are currently working on a new policy with which we are integrating ESG risks in a standardized and more extensive way into our Group-wide risk management system. Early identification of underestimated risks in the areas of the environment, social aspects, and good governance mitigates undesirable consequences for investments, or when selecting external business partners, for instance. The new policy is intended to create a uniform framework for incorporating relevant ESG criteria and lays down corresponding minimum standard for all business areas. We produced an initial draft in 2013 and reviewed it as part of an internal stakeholder dialog process. The next stage involves presenting the results in the [E.ON Sustainability Governance Council](#) and agreeing the final details together with the relevant specialist areas. Following that, it will be modified to fit existing codes.



Helping Create a Climate-Friendly Future

URL: <http://www.eon.com/en/sustainability/environment/climate-protection.html>

There's broad consensus among scientists that global warming must be limited to 2 degrees Centigrade to prevent potentially catastrophic changes to the earth's climate. As an energy company, we have a special responsibility to help achieve this objective. Our greenhouse-gas emissions consist primarily of [carbon dioxide](#) (CO₂), which is a by-product of the combustion of fossil fuels like coal and natural gas.

In line with our corporate strategy, "cleaner & better energy," we aim for our generation business in Europe to emit an average of less than 0.32 metric tons of CO₂ per megawatt-hour (MWh) of electricity produced, a reduction of 50 percent from our 1990 average. In fast-growing markets outside Europe we're committed to building power plants that are cleaner than the technology currently deployed there. Thereby we do not only improve their power supply but also provide [climate-friendlier](#) energy.

Reducing Emissions, Not Just in Generation

Back in 2007 we set the goal of reducing our specific carbon emissions. Our key indicator for monitoring our progress, and comparing it with that of our industry peers, is [carbon intensity](#): the amount of CO₂ (in metric tons) we release into the atmosphere for every MWh of electricity we generate.

We also measure the E.ON Group's overall [carbon footprint](#), which includes our indirect carbon emissions as well (for example, the emissions caused by business travel, E.ON company vehicles, and the transport of coal to our power stations).

As part of our 2012–2015 [Sustainability Work Program](#), we set the following binding targets:

Climate Protection Targets

Target	Status at year-end 2013
Halve, by 2025, the carbon intensity of our power generation in Europe from a 1990 baseline of	We've already reduced the carbon intensity of our power generation by 30 percent from a 1990 baseline. In 2013 it was 0.44 metric tons of CO ₂ per MWh.

0.63 to 0.32 metric tons of CO ₂ per MWh.	
Increase renewables' share of our owned generation to more than 20 percent by 2020.	Renewables (including large-scale hydro) accounted for 30.8 TWh, or 12.6 percent, of our owned generation in 2013 compared with 30.2 TWh in 2012 (adjusted to no longer include waste incineration). Renewables accounted for 8 percent of our owned generation in Germany.
Reduce, by 2020, our indirect carbon emissions (those not resulting from power generation) by 20 percent from a 2010 baseline.	This project began in the course of the year 2013.

Addressing Divergent Stakeholder Interests

As we work to decarbonize our operations, we face a number of different – and sometimes divergent – stakeholder interests, both locally and globally. E.ON faces the challenge of operating in an increasingly disparate national, European, and international [policy and regulatory environment](#). At the same time, we must provide our customers with a reliable energy supply and earn a reasonable return for our investors. We believe that the only way to ensure that the energy supply is reliable and affordable is for the energy system to be transformed as efficiently and cost-effectively as possible.

Our renewables business is already doing this successfully. It generated a significant share – 15 percent – of our consolidated earnings in 2013, an increase of two percentage points from 2012. More than 1,740 of our employees work in this segment. We aim for renewables to account for 20 percent of our owned generation by 2020. To get there, we're focusing primarily on significantly [reducing the specific costs](#) of developing and building renewables assets and achieving further [improvements in asset availability](#). [E.ON Connecting Energies](#) made targeted acquisitions in 2013 which further expanded its capabilities in energy management and distributed energy solutions. In addition, new [strategic partnerships](#) with our industrial customers are becoming more prevalent.

Collaboration and Dialog for the Future

Energy consumers are redefining their role. Many now manage their usage and produce their own energy as well, which is why they've been dubbed "prosumers". Other stakeholders are redefining their roles too. This makes it all the more important for us to earn their trust, whether it's the people who live near our existing facilities, our customers, our employees, policymakers, or the general public. We believe that addressing their interests has a positive impact on our business development. Our climate-protection efforts are therefore founded on dialog and collaboration. A current example is our involvement in the development of a [climate plan](#) for the German state of North Rhine-Westphalia (NRW). Under the aegis of the NRW Ministry of the Environment, working groups that bring together experts from business, government agencies, research institutes, and trade associations are designing a set of measures that will enable NRW to meet its climate-protection targets.

Active Risk Management: Adjusting to Climate Change

Published in 2013, the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (Working Group I, “Physical Science Basis”) confirmed in emphatic terms that climate change continues. We’re doing our part to slow climate change by reducing our emissions. We’re also addressing its consequences, which are already becoming apparent and represent a central [risk factor](#). Among the issue we’re studying is whether a reduction in precipitation could reduce the availability of [cooling water](#) and whether there could be an increased risk that flooding could lead to water incursion at one of our power stations. We factor long-term temperature changes into the planning for all our generation assets, from fossil-fueled power stations to wind farms.

A Stable Investment Climate for Climate Protection

URL: <http://www.eon.com/en/sustainability/environment/climate-protection/climate-policies-and-emissions-trading.html>

The European Union aims to reduce its greenhouse-gas (GHG) emissions by 80 to 95 percent by 2050 compared with a 1990 baseline. Energy companies in particular will make significant contribution toward achieving this target. In 2009 E.ON and other European energy companies pledged that 95 percent of the electricity they supply will be zero carbon by 2050.

To be politically and financially viable, the strategies for achieving these objectives require a stable investment climate. Such strategies will involve capital-intensive assets with operating lives of several decades. To have the confidence to build such assets, energy companies need a consistent, predictable policy and regulatory environment. This is absolutely essential if we are to do our part to help transform Germany and Europe's energy system, while at the same time ensuring supply security at affordable prices. In our opinion, the current investment climate isn't sufficiently stable. In many European countries, for example, subsidies and preferable dispatch for renewables cause market distortions and retard renewables' commercial viability. The lack of an EU-wide strategy for the energy transformation makes it difficult for companies to make investment decisions and therefore impedes investments in climate-friendly technologies.

Factoring Climate Protection into Our Decisions

Two factors are of decisive importance when we make decisions about the utilization of our power plants: economic considerations in light of our climate-protection targets and our expectations for future policy and regulatory developments.

We treat carbon emissions as a factor of production which we continually try to use more efficiently, just as we do with other factors of production like capital and fuel. To assist us in our decision-making, we design a range of scenarios reflecting assumptions about carbon prices (for example, that carbon allowances may become more scarce, resulting in higher carbon prices) and other future developments in energy markets. In this way, climate protection is factored into our long-term planning, investment decisions, and [risk management](#).

Revitalizing the Emissions Trading Scheme

As required by European law, E.ON has participated in the EU Emissions Trading Scheme (ETS) since 2005. The ETS has several important advantages: it's simple, transnational, market-based, and can easily be extended to new countries and industries. At this time, however, the ETS isn't performing its intended function. The European Commission originally anticipated that the ETS would result in carbon prices of about EUR 30 per metric ton by 2020. As of March 2014, however, carbon was trading for under EUR 7 per metric ton because too many carbon allowances are in circulation. In line with the Commission's goal of establishing an EU-wide internal

market for energy, E.ON is advocating a revitalization of the ETS along with binding climate-protection targets.

More Ambitious European Climate-Protection Targets

In February 2013 we signed a declaration, sponsored by environmental group Germanwatch, advocating efforts to make the ETS more effective. We also supported the EU's decision, made in December 2013, to implement backloading, a process by which the number of emission allowances available for auction will be temporarily reduced. Although backloading is an important step toward revitalizing the ETS, the ETS still requires additional reform for the long term.

The debate on binding European climate-protection targets will continue in 2014. In late January 2014 the European Commission presented its energy and climate policy targets for 2030. They call for GHG emissions to be reduced by 40 percent relative to 1990 and for renewables to provide 27 percent of Europe's energy. Ahead of this announcement, E.ON had advocated a GHG-reduction target of 45 to 50 percent by 2030, which we believe is necessary for Europe to have a chance of achieving its targets for 2050. In addition, more ambitious targets for 2030 would put persistent upward pressure on carbon prices. This would allow the ETS to function properly again and to send price signals that promote the transformation of Europe's energy system and provide incentives for investments in low-emission technologies.

Support for International Climate Treaty

We follow the debate about the United Nations Framework Convention on Climate Change (UNFCCC) and participate in it actively through industry associations of which we are members. In addition, we've long had our own observer present at UN climate conferences and related events. We're doing what we can to bring about a global climate treaty and call on governments to look beyond their national interests to develop a joint solution for the global challenge of climate change.

EU Carbon Allowances

Starting in 2013, energy suppliers are no longer allocated EU emission allowances at no cost to cover their power generation operations. Instead, they must acquire all of these allowances at one of the three auction platforms regulated by the EU (which is now how allowances enter the market) or buy them in the secondary market. Energy suppliers are only allocated allowances at no cost for a portion of the heat they cogenerate. In 2013 E.ON had to acquire allowances to cover 76 million metric tons of carbon emitted in the EU. The market value of these allowances was about EUR 265 million.

The E.ON Competence Service Center CO₂ serves as our central entity for collecting and managing data relating to carbon emissions and allowances. It improves the quality of our planning and makes our participation in the ETS more efficient. It also supports our regional units on issues such as carbon monitoring and verification.

E.ON Climate & Renewables (EC&R) traded Renewables Energy Certificates (RECs) in the United States in 2013. This enables us to monitor developments in the U.S.

carbon market, minimize risks for our operations there, and take advantage of new trading opportunities.

Project-Based Mechanisms

Through year-end 2013 we earned certificates called Certified Emission Reductions (CERs) through two project-based mechanisms (Joint Implementation and Clean Development Mechanism) included in the Kyoto Protocol. However, the number of CERs we earn has been declining. Emitters in the EU can redeem CERs in place of EU allowances through 2020.

Energy Mix and Decarbonization

URL: <http://www.eon.com/en/sustainability/environment/climate-protection/energy-mix-and-carbon-reduction.html>

When planning our generation portfolio's future energy mix, we try to achieve a balance between cost-effectiveness, supply security, and climate protection. We're convinced that only a balance energy mix will enable us to successfully address all future challenges. To plan for the future, it's important for us to know how much power we produce using each of the technologies in our current portfolio.

Energy Mix of Our Owned Generation

We adjust the composition of our generation portfolio to respond to changes in its business environment. In recent years, for example, renewables have accounted for an increasing share of our owned generation. Co-firing biomass and converting existing coal-fired power plants to biomass are playing an increasingly important role in helping us improve the climate performance of our conventional fleet.

✓ Reviewed 2013

Energy Mix of Our Owned Generation¹⁾

Percentages	2013	2012	2011
Lignite	6	6	6
Hard coal	26	26	23
Nuclear	23	22	23
Natural gas/oil	33	34	38
Hydro	6	7	6
Wind	5	4	3
Other (includes biomass and solar)	1	1	1
Total	100	100	100

1) Adjusted for discontinued operations.

The E.ON Group's owned generation in 2013 amounted to 245.2 billion kWh, nearly 7 percent less than 2012 figure of 263.1 billion kWh. Renewables (including large-scale hydro) provided 12.6 percent of our owned generation. Since 2008, wind has accounted for about one percentage point of growth in our renewables-based owned generation each year. Thanks to our growth in wind power, in 2013 our renewables-based owned generation actually increased slightly in absolute terms despite the sale of a number of hydroelectric stations. Fossil fuels like coal and natural gas continue to be important ingredients in our energy mix. They provided 65 percent of our owned generation in 2013, about the same percentage as in 2012 (66 percent).

Integrating Renewables into the Power System

Wind and solar power account for an increasing share of the energy mix. This is helping to reduce carbon emissions but is also causing fluctuations in power grids of Germany and neighboring countries. To ensure that power supply remains affordable and reliable, we continue to operate conventional power plants. We're also developing and deploying energy storage technologies. Together, conventional assets and storage technologies help us support the transformation of Germany's energy system as efficiently and cost-effectively as possible.

Conventional generating units that can ramp up and ramp down on short notice play a key role in integrating renewables. [Gas-fired units](#) are especially well-suited to this role. Technological advances, however, are making coal-fired units not only more efficient but also more flexible. [Pumped-storage](#) hydroelectric stations are capable of efficiently storing a large quantity of electricity and releasing it when needed to meet spikes in load or to respond to fluctuations in renewables output. Another technology called power to gas (P2G) makes it possible to use surplus renewables output. In August 2013 E.ON commissioned a [P2G pilot unit](#) in Falkenhagen in eastern Germany. It uses wind power to run equipment that transforms water into hydrogen which is then fed into the gas pipeline system. The [batteries of electric vehicles](#) could also, over the long term, help provide storage capacity for electricity.

Adjusting Our Generation Portfolio

We know that only profitable power plants are sustainable. But even the most technologically advanced combined-cycle gas turbines (CCGTs) in our fleet are often barely profitable to operate. The main reasons are low wholesale power prices, overcapacity in the generation market (which results in a declining number of operating hours), and persistently low [carbon prices](#). We're responding by adjusting our conventional generation fleet in Europe to rapidly improve its competitiveness. This involves further cost reductions and efficiency enhancements as well as plant closures in Europe. In 2013 the average age of our CCGTs was 21 years that of our coal-fired assets was 36 years. We plan to close generating units comprising roughly 13 GW of capacity by 2015. These units emitted about 5 million metric tons of carbon dioxide in 2013 alone.

Investments in renewables and growth in our distributed energy business are other ways we adjust our generation portfolio. We invested just over EUR 1 billion in renewables in 2013, more than in any other generation technology (for comparison, we invested EUR 900 million in conventional generation in 2013). In addition, our regional units operate about 6,000 distributed generating units, thereby serving a key growth market. We plan to invest about 1.3 billion in renewables in 2014, primarily in offshore wind farms in Europe (such as Amrumbank West and Humber Gateway) and in onshore wind farms in Europe and United States.

Growing outside Europe

Unlike Europe, many other parts of the world need to build lots of new generating capacity. We're meeting this need by building conventional and renewables capacity in fast-growing markets outside Europe, where we provide solutions that make the energy supply climate-friendlier, more efficient, and more secure. In North America

we rank among the leading wind-farm operators. In Russia we've improved our generation portfolio primarily by commissioning several high-efficiency CCGTs in recent years.

We've made significant progress in our growth markets of [Brazil](#) and [Turkey](#). In May 2013 our joint venture Enerjisa commissioned a wind farm with 143 MW of installed capacity, the largest in Turkey. Enerjisa has 1.8 GW of conventional and renewables capacity under construction. ENEVA, a Brazilian power producer in which E.ON holds a 38-percent stake, commissioned Parnaíba power plant complex in northeast Brazil after just 18 months of construction. Two of the overall four CCGTs comprising 845 MW began commercial operations there at the end of 2013. When the complex's other two CCGTs enter service, its total capacity will increase to about 1.4 GW. The complex sources its gas from nearby Parnaíba basin, an onshore natural gas field.

Expanding our Renewables Capacity

A key focus of our growth in Europe is renewables. Since 2007 we've invested more than EUR 9 billion in wind (onshore and offshore), solar, biomass, and other renewables. Renewables, which are increasingly self-financing, will continue to be a key focus going forward. We plan to invest EUR 1.3 billion in renewables in 2014. Our subsidiary E.ON Climate & Renewables (EC&R) manages the global expansion of our renewables business.

In 2013 EC&R increased its renewables capacity (excluding large-scale hydro) from 4.6 to 5.3 GW, which is 440 percent more than we had five years ago (2008: just under 1 GW). At year-end 2013 our renewables capacity including large-scale hydro totaled more than 10.4 GW (2012: 10 GW).

Achieving Competitive Advantages through Cost Savings and Operational Excellence

We aim to achieve significant reductions in the cost of building new renewables assets. This will make renewables more competitive and, in line with our cleaner & better energy strategy, create value for our company. By deploying renewables technologies on an industrial scale, we intend to achieve significant reductions in capital expenditures per MW of new capacity by 2015: 25 percent for onshore wind, 40 percent for offshore wind, and 35 for photovoltaic.

We may be lowering our costs. But we're maintaining our high quality standards and our commitment to operational excellence. This is one of the reasons why in 2013 the availability factor of our wind portfolio was 97 percent and that of our solar portfolio was 98.9 percent. We're aiming for even higher availability factors going forward.

Our new-build activities have been equally successful. In 2013 all of our onshore wind projects in Europe and the United States were completed on time and on budget. We're finding that partnerships and collaborative arrangements are excellent vehicles for reducing wind assets' operation and maintenance costs and improving their performance. An example of this is the agreement we reached in 2013 with General Electric (GE) to upgrade 469 of our turbines, which is expected to increase

their annual production by 5 percent. That's the equivalent of adding 19 new turbines. Arrangements like this one create value, improve our climate performance, and expand our capabilities in new markets.

Growth Offshore

Building and operating offshore wind farms – particularly deepwater farms located many kilometers from the coast – presents a considerable technical challenge. E.ON is a global leader in offshore wind. On our own and with partners, we've built seven offshore wind farms in the North, Baltic, and Irish Seas. We believe offshore wind has a lot of potential and plan to invest considerably more in it than in onshore wind. At year-end 2013 we had 688 MW of offshore capacity, 50 percent more than the 451 MW we had at year-end 2012. The increase is primarily attributable to the commissioning of London Array and Kårhamn wind farms.

- Located in the outer Thames Estuary about 20 kilometers from the coast of Kent, London Array is the world's largest offshore wind farm. Its 175 turbines comprise 630 MW of capacity, similar to that of a large-scale conventional power plant and enough to power 0.5 million households. It began generating electricity in August 2013 and displaces 925,000 metric tons of carbon emissions annually. E.ON owns a 30-percent stake in London Array, with involved eight years of planning and about two and a half years of construction.
- Located in the Baltic Sea near the Swedish island of Öland, Kårhamn wind farm has 16 turbines comprising 48 MW of capacity. Kårhamn entered service in October 2013 and produces enough power to supply 28,000 households. It was built in just 19 weeks at a cost of EUR 120 million.

We're drawing on our expertise from these and earlier projects to build more wind farms in 2014:

- Construction of E.ON's next deepwater wind farm is under way: Amrumbank West, which is located in the North Sea about 35 kilometers northwest of the island of Helgoland, will extend over 32 square kilometers, an area larger than 4,700 soccer fields. Its 80 turbines will give it a total capacity of 288 MW, enough to power up to 300,000 households. Amrumbank West, which will displace more than 740,000 metric tons of carbon emissions annually relative to a similarly sized conventional power plant, is scheduled to enter service in the late summer of 2015. E.ON is the sole owner of Amrumbank West, which will cost about EUR 1 billion to build. Innovative technologies are enabling us to reduce costs and protect the environment at this project. One of these technologies is geotextile sand-filled containers that had been established in April 2013 and are used to protect against scouring (the erosion of the seabed) around the turbine-tower foundations that will be installed in spring 2014. We're also using a state-of-the-art system to reduce water-borne noise when foundations are pile-driven into the seabed.
- Located off the Yorkshire coast, Humber Gateway wind farm will have 73 turbines comprising 219 MW of capacity. When completed in 2015, it will be able to power 170,000 households.

Growth Onshore

In less than five years E.ON has become one of the world's top ten wind farm operators. At year-end 2013 we had about 4 GW of onshore wind capacity.

In 2013 we commissioned four new wind farms in our target market North Europe. These farms are located in the United Kingdom, Sweden and Poland and represent 100MW of new capacity. They represent 100 MW of new capacity. We'll add another 200 MW of capacity at the end of 2014 when the first phase of Grandview wind farm comes on line in north Texas, USA. The sale of Dungavel wind farm in South Lanarkshire, Scotland, in the summer of 2013 is a successful example of our strategy of creating more value with less capital. Dungavel was our project from the first stages of development through the issuance of a construction permit to build 13 turbines at the site. At this point we sold the project to a specialized investor who will build and operate Dungavel. We can invest the proceeds from the sale in other attractive projects in our renewables development pipeline.

Innovative Approaches to Biomethane Production

[Biomethane](#) is an exception among renewables. It can be stored and, when needed, transported via the natural gas pipeline system. It can be used as a fuel to cogenerate power and heat, as a vehicle fuel, and as a fuel for condensing boilers to provide climate-friendly space heating. E.ON is actively involved in developing this market segment, primarily in Germany and Sweden.

In September 2012 a new biomethane plant entered service in Wolnzach in southeast Germany. It's the first in the world to use hops residue, a by-product of the brewing industry, to generate biomethane. Because the process uses a by-product, no additional hops production is necessary. E.ON planned and built the state-of-the-art plant, which is operated by Bioerdgas Hallertau, a joint venture of E.ON Bioerdgas and other partners. Investments in the project totaled about EUR 20 million. The plant produces about 1,000 cubic meters of biomethane per hour, which is enough to meet the gas needs of about 5,000 households. The residue of the fermentation process is captured and used as a fertilizer in hops and other agricultural production.

To make the production of biomethane even more sustainable and climate-friendly, E.ON has introduced new multi-year energy crops that will grow with almost no application of herbicides or chemical fertilizers, which will help protect the environment and groundwater. Germany is currently revising its biomethane policies, which puts a temporary hold on the development of new production facilities.

Solar Power

Sunlight can be transformed into electricity directly by means of [photovoltaic](#) (PV) cells or indirectly by means of [concentrated solar power](#) (CSP). CSP plants use mirrors to concentrate sunlight to heat a liquid, producing steam to drive a turbine and generator. We have a 50-percent stake in Helienergy, an existing CSP plant in Algeciras, Spain. Our CSP strategy focuses on gaining experience from Helienergy and sharing knowledge with other project developers.

PV, by contrast, is a growth market for us. At year-end 2013 we had more than 62 MW of installed PV and CSP capacity in Europe and the United States compared with 57 MW at year-end 2012.

Enhancing Efficiency and Operational Flexibility in Conventional Generation

Although renewables are growth business, our generation portfolio still contains fossil-fueled assets. Enhancing their efficiency and operational flexibility is a top priority, since it will reduce costs and carbon emissions. Our Generation global unit works continually to develop and implement new improvement measures.

Improving Our Existing Assets, Building New Ones

In 2013 we invested about EUR 900 million to improve our existing conventional assets. We invested EUR 23 million into [research and development](#) (R&D) in the area of conventional generation, for example into new and more efficient technologies. This will increase the operational flexibility of our conventional assets and enable them to serve as reserve capacity. Both of these capabilities help ensure the stability and reliability of the power system. Our coal-fired generating units in Europe have an average fuel efficiency of 36 percent, our CCGTs an average fuel efficiency of 49 percent. Both of these figures surpass the respective global averages of 33 percent (for coal-fired generating units) and 45 percent (for CCGTs).

In 2012 we inaugurated a power plant that will raise efficiency and lower costs: a state-of-the-art, high-efficiency 30 MW CCGT at Hattorf power station in Philippssthal in central Germany. Cogeneration of power and heat enables it to achieve a fuel efficiency of nearly 90 percent and to reduce carbon emissions by about 95,000 metric tons per year relative to an older unit of its size. From planning to commissioning, the project took more than three years.

Once operational, [Datteln 4](#), a hard-coal-fired unit in west-central Germany, will also improve our climate performance. It will be about 45 percent fuel-efficient and emit about 20 percent less carbon per kWh than older units of its type. That's around 100,000 metric tons less carbon per month. Datteln 4 will be capable of ramping up and down at short notice, enabling it to help balance out fluctuations in wind and solar power output. It will also supply district heating to about 100,000 households.

Biomass Generation

To improve the climate performance of our coal-fired power stations, we've begun to [co-fire biomass](#) in some and to convert others to fire biomass exclusively. For example, we're converting generating units in France (Provence 4), Belgium (Langerlo), and the United Kingdom (Ironbridge) to burn wood pellets instead of coal. Both 370 MW units at Ironbridge power station have operated using wood pellets since the start of 2013. This test will provide us with insights that we can use for upcoming biomass conversion projects. Depending on the generating unit, conversion to biomass enables us to displace carbon emissions around 80 percent compared with coal. We're conducting lifecycle analyses to monitor the climate performance of converted assets.

Pilot Carbon-Capture Unit

As part of our climate strategy, we're also exploring options for making coal-fired power stations climate-friendlier by retrofitting them with [carbon capture and storage](#) (CCS) technology. We operate a number of CCS pilot units in Europe. In 2012 we began testing a new CCS pilot unit at a coal-fired power station in Wilhelmshaven, Germany. The project's main purpose is to further refine the process, which involves using ammonia to capture carbon from the power plant's exhaust stream.

Withdrawal from Nuclear-Power Projects

Following a comprehensive strategic reevaluation, in March 2012 we decided to sell our stakes in nuclear-power development projects in the United Kingdom and Finland. Instead, we plan to focus our investments in these countries on renewables, distributed generation, and energy efficiency measures.

Nuclear power plants (NPPs) that have been or will be decommissioned present us with special challenges. We have taken responsibility for the specialized staff who have been rendered redundant, for our asset retirement obligations, and for the grounds around the NPPs. Safety is our top priority not only for our remaining operational NPPs, but also during the post-operational phase and [dismantling](#). We implement staff reductions in a socially responsible manner. In late September 2013 representatives of E.ON Kernkraft (which manages our nuclear power business in Germany), E.ON New Build & Technology, and their works councils reached an agreement on a key-issues paper entitled Integrated Nuclear Decommissioning. Through targeted HR planning and [retraining](#) programs, it will ensure that employees affected by these staff reductions are assured the prospect of long-term employment at our company.

An increasing number of our coal-fired and gas-fired power plants will also be closed. We typically work out an urban-planning agreement with the local municipality. The agreement stipulates the terms for the plant's dismantling and how the vacant property will be used.

Promoting Climate Protection through Transparency

URL: <http://www.eon.com/en/sustainability/environment/climate-protection/carbon-reporting.html>

Transparent reporting is an essential part of our climate strategy. We've participated in the Carbon Disclosure Project since 2004 by publishing our annual carbon emissions from power generation. We've reported our carbon intensity, a key metric for our decarbonization effort, since 2005 and our total carbon footprint since 2010.

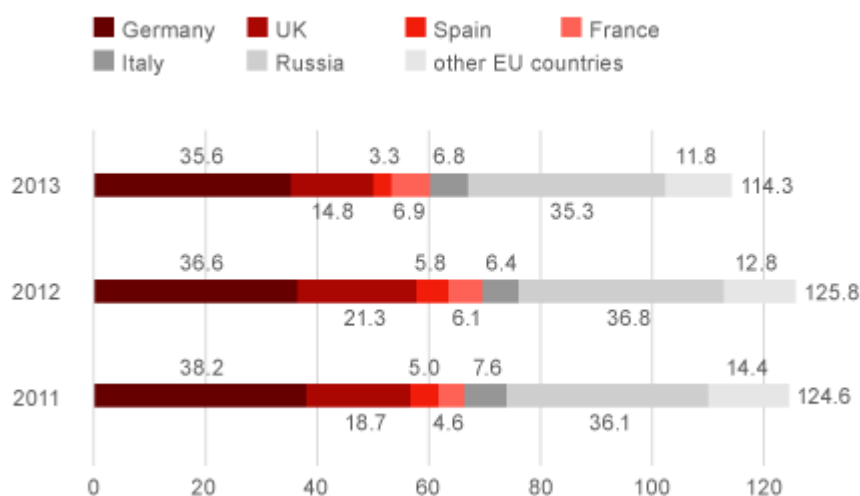
Carbon Emissions from Power and Heat Generation

Anthropogenic carbon emissions are responsible for most of global warming and are by far the most important greenhouse gas (GHG) emissions in power generation. Other GHGs like sulfur hexafluoride (SF₆) and methane (CH₄) play a less significant role, as do indirect carbon emissions.

✓ Reviewed 2013

Carbon Emissions from Power and Heat Generation

in million metric tons



E.ON emitted 114 million metric tons of carbon from power and heat generation in 2013, of which 79 million metric tons were in Europe. This represents a significant decline – 9.1 percent – relative to 2012. It results from the fact that in 2013 we produced less power and, thanks to a higher proportion of renewables, had a lower-carbon generation mix than in 2012.

Two of our coal-fired power stations in the United Kingdom could no longer comply with the EU's 'Large Combustion Plant Directive' (LCPD) and had to be closed in 2013. On the other hand, low coal and carbon prices continued to favor coal-fired generation.

Carbon Intensity

Our main carbon-reduction target is to halve the carbon intensity of our power generation business in Europe by 2025 compared with a 1990 baseline.

✓ Reviewed 2013

E.ON Group Carbon Intensity¹

Metric tons of CO ₂ per MWh	2013	2012	2011	1990
Germany	0.40	0.38	0.38	
United Kingdom	0.58	0.68	0.62	
Spain	0.57	0.64	0.55	
France	0.83	0.82	0.71	
Italy	0.45	0.48	0.45	
Other EU countries	0.29	0.27	0.26	
E.ON Group (Europe only)²	0.44	0.44	0.41	0.63
Russia	0.55	0.56	0.56	0.62
E.ON Group³	0.45	0.46	0.43	0.66

1) Specific carbon emissions are defined as the amount of CO₂ emitted for each MWh of electricity generated.

2) Includes renewables generation in Europe.

3) Includes renewables generation outside Europe (wind power in the United States).

Overall, our carbon intensity declined to 0.45 metric tons per MWh owing to the above-described factors. Reducing our carbon intensity in Europe remains our objective, which we will be achieved by 2025 by continuing to adjust our generation mix.

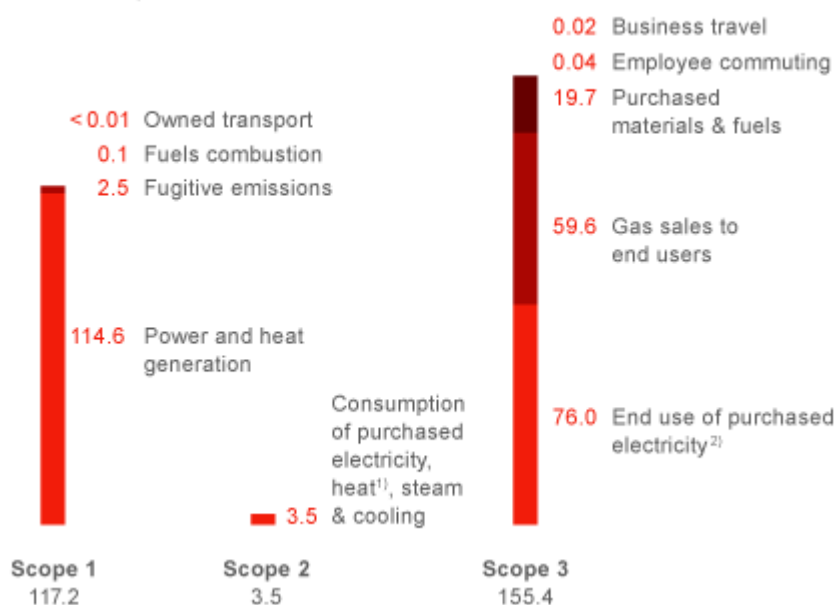
Carbon Footprint

Along with the carbon emissions from power and heat generation, we also measure our total carbon footprint, which extends from our suppliers to our end-customers. To make these complex calculations, we use the internationally recognized WRI/WBCSD Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

✓ Reviewed 2013

Carbon Footprint 2013

Total CO₂-equivalents in million metric tons



1) For reasons of materiality, our own consumption of district heat is not factored in, but transmission and distribution losses for power, gas, and heat are. The latter losses are responsible for the largest proportion of our scope 2 emissions.

2) Includes residential, business, and industrial customers.

Scope 1 bis 3

Scope 1

Total CO ₂ -equivalents in million metric tons	2013	2012
Power and heat generation	114.6	125.8
Fugitive emissions	2.5	3.9
Fuels combustion	0.1	0.3
Owned transport	< 0.01	0.06
Scope 1	117.2	126.9

Scope 2

Total CO ₂ -equivalents in million metric tons	2013	2012
Consumption of purchased electricity ¹⁾ , heat, steam & cooling	3.5	4.4
Scope 2	3.5	4.4

Scope 3

Total CO ₂ -equivalents in million metric tons	2013	2012
End use of purchased electricity ²⁾	76.0	77.9
Gas sales to end users	59.6	63.5
Purchased materials & fuels	19.7	8.1 ³⁾
Employee commuting	0.04	0.1 ³⁾
Business travel	0.02	0.07 ³⁾
Scope 3	155.4	149.6

1) For reasons of materiality, our own consumption of district heat is not factored in, but transmission and distribution losses for power, gas, and heat are. The latter losses are responsible for the largest proportion of our scope 2 emissions.

2) Includes residential, business, and industrial customers.

3) In 2013 the data gathering became overall more detailed and accurate. This results in significant deviations from the previous year. The changes in the values therefore do not reflect the actual changes in emissions resist.

Scope 1 consists of emissions from our own facilities and plants, such as the emissions resulting from power generation. It accounts for the majority of our carbon emissions. Increases are often the result of growth-driven increases in power demand and/or price developments. In 2013 our carbon emissions from power and heat generation declined to 117.2 million metric tons (2012: 129.9 million metric tons). This decline also resulted from the above-described factors: in 2013 we produced less power and had a slightly climate-friendlier generation mix.

Scope 2 consists of emissions that we can influence indirectly, such as those that result from the production of electricity we purchase to run our facilities, from the generation of heat and steam, and from losses in the transportation of natural gas. In 2013 our scope 2 carbon emissions fell to 3.5 million metric tons (2012: 4.4 million

metric tons). Because we're enhancing the efficiency of our assets and expanding our renewables production, we expect our scope 2 emissions to decline further.

Scope 3 consists of other indirect emissions resulting from our business activities: those from our supply chain, business travel, and from electricity and gas that customers purchase from us and consume themselves. The latter account for the majority of our scope 3 emissions, which is why we're developing [new products and services](#) in energy efficiency and distributed generation. In 2013 our scope 3 carbon emissions rose to 155.4 million metric tons (2012: 149.6 million metric tons). As acquired physical and investment goods are firstly included in estimates and data gathering became overall more detailed and accurate, a direct meaningful comparison of emissions from 2012 and 2013 are not possible.

Carbon Reporting for Investors

On behalf of more than 720 institutional investors, the Carbon Disclosure Project (CDP) publishes the CDP Global 500 Report, an annual report on carbon emissions, climate risks, and emission-reduction targets. The CDP has the world's largest database of climate and emissions data. CDP also uses a hundred-point scale to rate companies and organizations on the transparency and thoroughness of their carbon reporting. In 2013 E.ON received a rating of 83 out of 100 possible points (2012: 78 points). We also participate in five other [investor ratings and rankings](#), which, like the CDP, evaluate our reporting on our carbon emissions, strategy, and reduction plans.

Improving Reporting Standards

We're actively involved in a number of multi-stakeholder working groups, including the [World Business Council for Sustainable Development's](#) (WBCSD) 'Greenhouse Gas Protocol Working Group'. Our aim is thereby to help improve the standards by which companies and their stakeholders (such as investors) calculate greenhouse-gas emissions und use these data.



Helping Build a New Energy System

URL: <http://www.eon.com/en/sustainability/environment/technology-development.html>

Global trends like climate change, urbanization, and energy-market restructuring are fundamentally transforming the energy-supply landscape. Each stage of this transformation will present new challenges but also new opportunities. We want the transformation to lead to an environmentally friendly energy supply that's truly viable and reliable. And one whose costs are shared fairly across society. To get there, we need innovative technologies and solutions. We're confident that they'll be developed. And our Technology and Innovation (T&I) department is helping to make it happen. It's too early to say exactly what tomorrow's energy world will look like. That's why we try to recognize emerging technologies early and draw on them to design energy solutions that are both sustainable and commercially viable.

Closely Aligned with Our Corporate Strategy

In line with our corporate strategy ("cleaner & better energy"), our T&I activities focus on four technology areas: conventional, renewable, and distributed energy generation and customer-oriented solutions. We conduct flagship projects in each of these areas to spur innovations and the creation of new businesses.

T&I Focus

Our T&I activities are guided by a number of key assumptions:

Key Assumptions	T&I Activities (2013)
Renewables growth is transforming the power-generation landscape.	<ul style="list-style-type: none"> • Optimize our existing renewables assets, particularly offshore wind (examples: preventive diagnostics for turbine gearboxes, new types of foundations for turbine towers) • Study the potential of new technologies (examples: alternative photovoltaic systems)
Conventional power generation will need to achieve greater operational flexibility.	<ul style="list-style-type: none"> • Improve the operational flexibility (that is, reduce the ramp-up times and minimum load factors) of our existing coal- and gas-fired assets so that they can better respond to fluctuations in renewables output • Explore options to enhance efficiency and extend asset operating lifetimes (example: advanced

	condition monitoring)
There will be a greater demand for climate-friendly and energy-efficient solutions and services.	<ul style="list-style-type: none"> • Develop innovative energy-management and lighting solutions with smart control capabilities for homes and commercial buildings
Distributed generation will play an increasingly important role.	<ul style="list-style-type: none"> • Improve combined-heat-and-power (CHP) technologies (fuel cells and other micro CHP units) that enable end-users to generate their own low-carbon energy, in some cases using renewable fuels • Optimize distributed photovoltaic solutions by enhancing efficiency, reducing production costs, and improving battery storage options
Energy-distribution infrastructure will become more integrated and incorporate more information and communications technology.	<ul style="list-style-type: none"> • Develop IT solutions to enhance the efficiency of existing assets and connect distributed generating units to the overall energy system, thereby laying the foundation for a smart energy world • Further develop smart metering, optimize facility management and data gathering
Energy generation and consumption will be more closely calibrated.	<ul style="list-style-type: none"> • Increase active use of energy-storage technologies (examples: batteries, power to gas, and thermal) • Make networks smarter and more flexible so that they can support a distributed energy system • Use the flexibility potential of the local energy system (distributed generation, power-to-gas storage) to adjust output more closely to demand and develop smart home solutions utilizing real-time monitoring and remote control • Continue the rollout of smart meters and promote standardization

Research and Development (R&D) Expenditures

We're transforming ourselves from a traditional energy utility into a global, customer-oriented provider of energy solutions. That's why we're taking new approaches that emphasize new business areas and investments in R&D and demonstration projects.

✓ Reviewed 2013

Our R&D expenditures in 2013 were only slightly below the relatively high level of 2012. Despite a continued difficult business environment, we spent EUR 119 million on R&D, about 5 percent less than in 2012. In part, the decline reflects the fact that some innovative ideas moved from research to operations. This includes the acquisition of [Matrix](#), a company specializing in energy management. At the same time, R&D expenditures on distributed energy increased, whereas those on conventional and renewable generation declined.

Technology and Innovation

€ in millions	2013	2012 ¹⁾	2011
R&D			
<i>Technology</i>	86 ²⁾	94 ²⁾	81 ²⁾
Other			
<i>Demonstration projects</i>	29	24	18
<i>University support</i>	4	4	8
Total	119	126	107

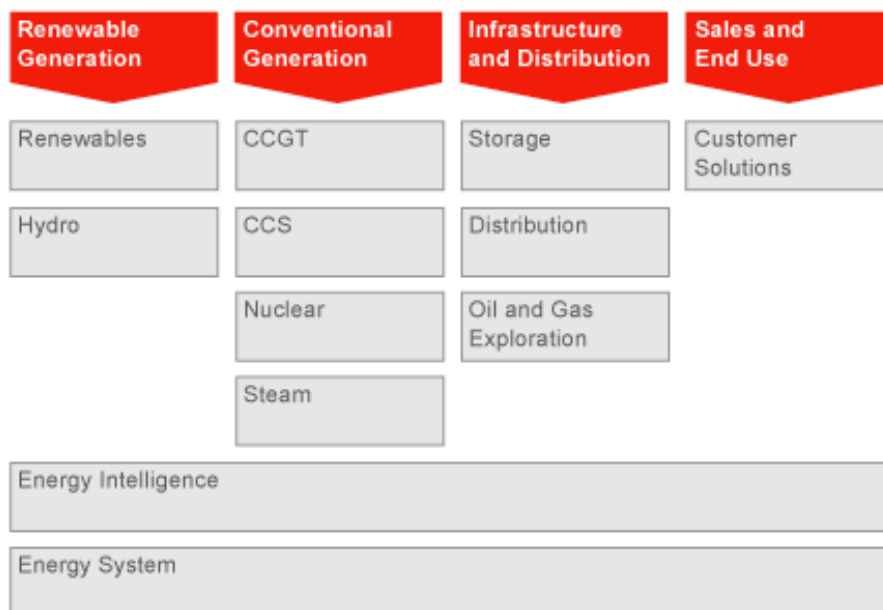
1) 2012 figure adjusted to reflect project updates.

2) R&D expenses pursuant to IAS 38 (EUR 42 million in 2013, EUR 56 million in 2012; see Note 14 to the Consolidated Financial Statements of the 2013 E.ON Annual Report) plus other projects that are part of our R&D effort.

The subpages on renewables, conventional generation, infrastructure, and sales/end-use contain further information about our R&D expenditures in these areas, which totaled EUR 98 million in 2013. We spent a further EUR 21 million on cross-technology projects. In the years ahead we plan to maintain our R&D budget at this level, although an increasing share of it will go toward distributed energy and new business areas.

E.ON Innovation Centers

In 2011 we created a new division at Group Management – Technology and Innovation (T&I) – to oversee our research and innovation processes and to address the many different aspects of tomorrow's energy world. T&I manages our relationships with research institutes, universities, and technology firms around the world and coordinates our innovation network. It also guides the activities of the twelve E.ON Innovation Centers (EICs), which are embedded in our existing businesses. The mission of each EIC is to integrate cutting-edge technologies into our value-creation processes.



Ten EICs belong to one of the following four technology areas: renewables, conventional generation, infrastructure, and sales/end-use. The remaining two, Energy Intelligence and Energy Systems, span a range of areas. In an increasingly networked and distributed energy world, there's a greater need to establish datalinks between customers' homes and the other elements of the energy system. Founded in 2012, our Energy Intelligence EIC aims to find ways to make better use of the wealth of data these communications technologies will provide. In 2013 we combined our three sales/end-use EICs – Retail, E-mobility, and Smart Homes – into a single EIC called Customer Solutions in order to leverage synergies for integrated, customer-oriented offerings. All of our activities in these areas place a great emphasis on data protection. We know that without our customers' trust our solutions won't be successful.

Scouting Out New Trends

We use experts we call innovation scouts to detect technology trends early and to develop new, pioneering business models. Their responsibilities also include safeguarding E.ON's patents and other intellectual property, serving as our interface with the technology world outside our company, and identifying investment opportunities in startup companies and smaller projects.

In September 2012 we began making strategic co-investments in startup companies so that E.ON can draw on their innovative business models and products. We intend to ratchet up these activities and benefit directly from the value creation of such companies. Each year we plan to invest in several new startups (somewhere between one and nine) that fit with our strategic ambitions. In 2013 we invested in [four startups](#), including a specialist for waste-heat recycling, a manufacturer of high-temperature fuel cells, and a provider of online tools that promote [customer loyalty](#).

Making Renewables More Efficient and Competitive

URL: <http://www.eon.com/en/sustainability/environment/technology-development/renewable-energies.html>

The purpose of our renewables R&D is to optimize our existing assets and to make new technologies like solar farms viable in the marketplace. We focus on achieving technological advances that fit with our strategy and that we believe have real potential. These include improving wind-power technology (particularly for offshore applications), developing new hydro technologies, deriving more energy from biomass, and enhancing the competitiveness of photovoltaic (PV) panels and solar energy generally.

Investments in Improving Renewables

In 2013 our expenditures for renewables R&D declined slightly to EUR 10 million and comprised 8 percent of our R&D budget. Most expenditures went toward industrial-scale applications for wind and solar. Our narrower focus on these flagship technologies, along with a structural shift toward [distributed generation](#), is responsible for the slight year-on-year decline in our expenditures in this area.

R&D Expenditure on Renewables

	2013	2012 ¹⁾	2011
Expenditures (€ in millions)	10	12	13
Share of R&D budget (percentages)	8	10	12

1) 2012 figure adjusted to reflect project updates.

Selected Projects from 2013

In this section we present just some of the renewables R&D projects we initiated or conducted in 2013. Each of these projects promotes sustainability by reducing carbon emissions and the environmental or social impact of power generation. You'll find information about other T&I projects at eon.com/innovation.

Offshore Wind

Improving offshore wind technology, including technology for maintenance and repair to help reduce operating costs, is one of our main R&D priorities. For example, we're developing predictive diagnostic software that calculates the likelihood that a wind-turbine gearbox will break down over certain period of time. We can use this information to conduct preventive maintenance. At just two of our offshore wind farms (Scroby Sands and Robin Rigg in the United Kingdom), predictive diagnostics could deliver more than EUR 10 million in cost savings. It will also enhance safety for maintenance crews, who can perform preventive maintenance during periods of calm weather. These and other projects are already helping us improve our operating business. In 2013, for example, we agreed to conduct a retrofitting [project with GE](#)

which we expect to boost our turbines' output and reduce operating and maintenance costs.

We're currently testing a new, cost-effective process for preventing seabed erosion near the monopile foundations of turbine towers. This process would further minimize the impact of our offshore wind farms on the marine ecosystem. It could also be used to prevent erosion around other underwater components like cables. You'll find a project overview [here](#).

We're already taking new approaches to installing the foundations for offshore turbine towers. At [Amrumbank West](#) wind farm in the North Sea we're using geotextile sand-filled containers to protect against scouring (the erosion of the seabed) around foundations.

The Offshore Wind Accelerator is an R&D program run by the Carbon Trust, a not-for-profit organization founded by the U.K. government. It aims to reduce the cost of offshore wind by 10 percent by 2015, primarily by testing new generations of high-performance turbines.

Hydro

Our hydro R&D aims not only to improve our existing assets and evaluate new technology but also to protect biodiversity. One example is a project in which we're assessing the feasibility of building small-scale, damless hydro units – known in the industry as very-low-head (VLH) units – on rivers that have a small change in elevation. VLH units are particularly suitable for environmentally sensitive sites where dams or other structures would interfere with fish habitats and movements. The [project](#) is scheduled to be completed in May 2014.

Biomass

We're conducting a comprehensive research program on the production of biomass and its use in power generation. It encompasses [sustainable procurement](#), transport, efficient combustion in traditional boilers, and the efficient expansion of dedicated biomass power plants.

Our R&D on biomass combustion aims to improve fuel efficiency and plant availability through the use of better components and process solutions to prevent corrosion. We're partnering with the Swedish Energy Agency and other energy companies in the Consortium for Materials Technology for Biomass Power Plants. The aim is to develop technologies and materials that would make it possible to increase steam temperatures to 600 degrees Centigrade (about 1,110 degrees Fahrenheit). This, in turn, would increase fuel efficiency by 2 to 4 percent. We expect to conclude the [project](#) in 2014 and to build a pilot plant that incorporates these technological advances.

Asset Monitoring System

Advanced condition monitoring (ACM) is a sophisticated form of asset monitoring. ACM is used to monitor process operations during an installation and to provide information about a power plant's current status. Combining process operations and status information makes it possible to generate scenarios that facilitate the early detection of faults or damage. We developed ACM technology for our gas fleet and are now testing its suitability for other generation technologies, including renewables. We can use ACM to identify when the behavior of a turbine has changed owing to issues such as when cooling systems becoming dirty, bearings become over-greased, or electrical components malfunction.

We also conduct vibration monitoring, performance monitoring, oil analysis, inspections, all of which help us reduce operation and maintenance costs. For example, improved planning for offshore maintenance can lead to significant savings. If we hire a crane to repair not only a malfunctioning turbine but also one nearby that's showing a performance decline, we can save up to EUR 0.5 million. E.ON Climate & Renewables has therefore decided to invest EUR 11 million to retrofit about 1,100 turbine with vibration monitoring equipment.

Tracker Systems for Solar Panels

Innovative tracker systems can significantly increase the output of solar farms by adjusting the alignment of photovoltaic panels depending on the angle of incoming sunlight. To help achieve further advances in this technology, we're testing single-axis and dual-axis trackers and evaluating the test data. We're comparing different tracker configurations with variables such as ambient temperature and luminance.

Single-axis systems are in use at E.ON solar farms in Italy (Fiume Santo) and France (Le Lauzet), a dual-axis system in the United States. By refining this innovative technology we can develop new business models for renewables that fit with our strategy.

Higher Efficiency, Lower Emissions

URL: <http://www.eon.com/en/sustainability/environment/technology-development/conventional-generation.html>

Our R&D in this area aims to test and perfect technology that will increase the fuel efficiency and operational flexibility and reduce the emissions of our various types of conventional power stations. This includes developing technology to capture and store carbon. In addition, we're designing even safer solutions for decommissioning and dismantling nuclear power stations.

R&D Expenditures for Conventional Generation Decline

In line with our strategy, R&D expenditures for conventional generation declined considerably year on year, from EUR 37 million to EUR 23 million. Their share of our R&D budget shrank from 29 to 19 percent.

R&D in prior years had focused primarily on increasing the fuel efficiency of new power plants, whereas in 2012 and 2013 it focused on optimizing existing plants. One key aim of our research is to improve monitoring technology, which will enable us to increase asset flexibility and reduce operating costs. We anticipate that in the years ahead conventional power plants will have to further improve their performance in terms of operational flexibility, fuel efficiency, and emissions.

R&D Expenditures on Conventional Generation

	2013	2012 ¹⁾	2011
Expenditures (€ in millions)	23	37	40
Share of R&D budget (percentages)	19	29	37

1) 2012 figure adjusted to reflect project updates.

Selected Projects from 2013

In this section we present just some of the R&D projects in conventional generation we initiated or conducted in 2013. Each of these projects promotes sustainability by reducing carbon emissions and the environmental or social impact of power generation. You'll find information about other T&I projects at eon.com/innovation.

Increasing Operational Flexibility

As installed renewables capacity increases, conventional power stations will need to operate more flexibly in order to maintain power-system stability during periods of peak demand or when wind and solar output fluctuates. We're developing new procedures to make this possible and testing them at our power stations. These procedures will enable us to reduce ramp-up times and minimum load factors. Extending our assets' operating lives and reducing downtime could deliver savings of millions of euros per power station. We're using mathematical simulations to make equipment tests more cost-efficient.

The capability of operating conventional power plants stably at 20 percent or less of their normal load factors (that is, at 20 percent of their full output) would give us a technological advantage as the growth in renewables capacity continues. This advantage would be particularly significant in grid segments where renewables output is very high and only a small amount of load needs to be covered by conventional resources, such as in segments in which households export large quantities of solar power during the day. We're conducting such a project at Heyden power station near Minden in North Rhine-Westphalia, Germany. Heyden consists of a single 0.9 GW hard-coal-fired generating unit – the largest in Europe – and was designed to serve intermediate load. Reducing the minimum load factor to 20 percent would make it possible for Heyden to be used to balance out the fluctuations in renewables output, thereby making an important contribution to supply security. However, it would not be economically attractive if Heyden had to operate at this low level of output for much of the year.

At Staudinger power station in central Germany we've recently been achieving similarly positive results and have therefore begun tests to reduce minimum load factors at Scholven power station near Gelsenkirchen and Emile Huchet power station in France.

Reducing Emissions

Coal-fired power stations are responsible for a large share of the air-borne pollutants emitted by our generation fleet. Some of our R&D projects aim to improve emission-abatement equipment. At one of our power stations we're also developing a new process for capturing mercury from the exhaust stream. We intend to deploy this process at other power stations so that we can comply with stricter EU mercury-emission limits which take effect in 2016.

Minimizing Environmental Impact

Connah's Quay is an E.ON combined-cycle gas turbine power station in North Wales in the United Kingdom. Existing biocides had not provided effective protection against biofouling in the power station's cooling system. This resulted in reduced performance and in the formation of unwanted chemical by-products in the discharge water. In 2013 we used a combination of laboratory tests, computer simulations, and operational trials to test the effectiveness of a new biocide. As a result, we're now successfully utilizing a new dosing regime in all of the CCGTs at Connah's Quay. By reducing biofouling, the new biocide, which meets strict environmental requirements, improves the power station's generation efficiency and extends the lifetime of a range of components.

A Smarter Future

URL: <http://www.eon.com/en/sustainability/environment/technology-development/infrastructure.html>

Our infrastructure R&D focuses primarily on smart grids and energy storage, in particular on achieving advances in smart metering and distribution grids and in improving devices (like large-scale batteries) for storing electrical energy. We also conduct research in other storage technology, including power to gas, compressed air, and thermal, the latter of which is especially relevant for combined-heat-and-power applications.

Infrastructure R&D Expenditures Remain Substantial

We increased our R&D expenditures for infrastructure by EUR 13 million. Their share of our R&D budget rose from 16 percent to 29 percent. Our R&D for distribution networks continued to focus on smart technology that will improve the integration of renewables. In energy storage, we launched several demonstration projects. Going forward, our infrastructure R&D will continue to focus on smart grids and energy storage.

R&D Expenditures on Infrastructure

	2013	2012 ¹⁾	2011
Expenditures (€ in millions)	34	21	26
Share of R&D budget (percentages)	29	16	24

1) 2012 figure adjusted to reflect project updates.

Selected Projects from 2013

In this section we present just some of the infrastructure R&D projects we initiated or conducted in 2013. Each of these projects promotes sustainability by reducing carbon emissions and the environmental or social impact of power generation. You'll find information about other T&I projects at eon.com/innovation.

Smart Cities

E.ON is playing a key role in making Hyllie the most sustainable neighborhood in Malmö, the third-largest city in Sweden. We're drawing on the experience we gained in sustainable urban development in Malmö's Western Harbor district in a project called the City of Tomorrow (Bo01). The measures we took included installing solar-thermal arrays with a total area of 1,400 cubic meters on the roofs of ten buildings to supplement their geothermal heat supply. In 2011 we signed a climate agreement with the city of Malmö for Hyllie. It contractually obligates us to ensuring that by 2020 Hyllie gets all its power from renewable or recycled sources. We're also helping to put in place a fully integrated infrastructure for supplying Hyllie with power, heat, and cooling. Much of this energy will come from locally sited distributed generating units, thereby

enhancing Hyllie's energy autonomy. We're also deploying smart energy infrastructure that communicates with innovative in-home technology. This will increase energy efficiency, reduce energy losses, manage peakload situations better, and make the power supply more reliable. You'll find a project overview [here](#).

Energy Storage

A power-to-gas (P2G) unit sited at a wind farm in Falkenhagen, Germany, entered service in August 2013. P2G, which harnesses surplus wind power and transforms it into another energy source, is considered a key technology for the transformation of the energy system. The unit at Falkenhagen uses innovative electrolysis equipment to transform about 2 MW of wind power output into up to 360 cubic meters of hydrogen per hour. The hydrogen is piped into the natural gas pipeline system, where it can comprise up to 2 percent of the system's volume at a maximum positive operating pressure of 55 bars (about 800 pounds per square inch). E.ON installed the unit in Falkenhagen because the location is ideal. The region has a high output of wind power, the necessary power and gas infrastructure is already on hand, and E.ON has a control center there. The Falkenhagen project is giving us technical and regulatory experience that will help this technology reach market maturity. We're pursuing similar projects in [Hamburg](#) and other locations. You'll find a project overview [here](#).

In September 2013 a pioneering hybrid energy storage system became operational on Pellworm, a small German island in the North Sea. Its main purpose is to deftly calibrate power production and consumption. E.ON worked with several partners to install a special energy storage system and to establish data links between customers' electricity meters and the island's wind and solar power plants, making it possible to harness as much locally produced energy as possible. If surplus electricity is generated on windy, sunny days, it is feed into large-scale batteries and into residential heating systems. On cloudy or windless days, the batteries supply power for the island's residents. The technology already deployed on Pellworm could – in the future, on a larger scale – help reduce the need for transporting large quantities of bulk power across Germany and Europe and, consequently, reduce the need for network expansion. The nearly EUR 10 million project, which is being conducted by a broad-based innovation alliance consisting of partners from industry and science, has entered its decisive operational phase. You'll find a project overview [here](#).

Distribution Networks

Automated transformer stations enable distribution system operators (DSOs) to maintain nearly constant voltage in a low-voltage system despite the intermittent output of solar panels and other distributed generating units connected to the system. They do this by automatically recognizing voltage fluctuations and to balance them out by altering the transmission ratio between low- and intermediate voltage while in operation. This makes it possible for distributed generating units to operate closer to their peak capacity and thus to harness more renewable energy. In 2013 we deployed this technology in larger numbers

at all our DSOs in [Germany](#) to gain more experience, to analyze its operational characteristics in greater detail, and to identify other potential applications.

Focusing on Our Customers

URL: <http://www.eon.com/en/sustainability/environment/technology-development/sales-and-end-use.html>

We strive continually to develop innovative products and services that make life simpler and better for our customers. The aim of our sales and end-use R&D is therefore to design technologies that add value for residential and business customers in areas such as energy efficiency, energy management, and distributed generation. We also design smart-home solutions that enable residents to monitor and control their home's electrical devices, appliances, and heating and cooling system from their computer or smart phone. These solutions enhance the comfort, security, and energy efficiency of customers' homes and provide us new opportunities in our retail, network, and generation businesses. They offer other advantages as well. They enhance customer loyalty, simplify network management, increase the load factors of generation assets, and reduce commodity price risks.

Significant Investments to Develop New Products and Services

Sales and end-use technologies represent an important focus of our R&D. In 2013 our expenditures in this area rose by EUR 7 million to EUR 31 million and accounted for 26 percent of our R&D budget. In the years ahead we plan to conduct demonstration projects that highlight the customer benefits of distributed generation, such as integrated applications that combining solar panels and batteries for storage.

R&D Expenditures on Sales/End-use

	2013	2012 ¹⁾	2011
Expenditures (€ in millions)	31	24	26
Share of R&D budget (percentages)	26	19	24

1) 2012 figure adjusted to reflect project updates.

Selected Projects from 2013

In this section we present just some of the retail/end-use R&D projects we initiated or conducted in 2013. Each of these projects promotes sustainability by reducing carbon emissions and the environmental or social impact of power generation. You'll find information about other T&I projects at eon.com/innovation.

E-mobility

Electric vehicles (EVs) have a shorter range than vehicles with an internal combustion engine. This makes some people reluctant to embrace this new technology, which they see as confined to in-city driving. To remedy this, a German-government initiative to [showcase](#) e-mobility is emphasizing technology that will enable EVs to travel longer distances.

As part of this effort, E.ON, Siemens, and BMW partnered in 2013 to install eight direct-current fast-charge stations at intervals of about 90 kilometers along the A9 freeway which connects Munich, Nuremberg, Leipzig, and Berlin. This will make more than 580 kilometers of one of Germany's most-traveled motorways viable for EVs. The A9 fast-charge infrastructure uses a combined charging system developed jointly by charging station manufacturers and the automobile industry. It features a uniform connector according to a single European-wide standard. An operation center monitors and controls the charging infrastructure, which was tested with BMW i3s and was opened to the public in January 2014. Users access the charging stations, which are compatible with any vehicle that has the standard connector, by means of a chip card.

You'll find more information about our e-mobility projects and their results [here](#).

Customer-friendly Heat Storage

Environmentally friendly distributed-energy systems like heat pumps, biomass-fired boilers, and solar-thermal units require a thermal-storage device to operate efficiently. To be viable in residential applications, however, such devices must be relatively small. That's why we're conducting a project to develop small, customer-friendly thermal-storage options for each of the above distributed-energy systems. This will make it possible for us to mass-market these systems and give us a competitive advantage in this segment, which in Germany alone is expected to nearly double in size, from EUR 48 million in 2010 to EUR 106 million in 2015.

Smart Homes

We partnered with the Milton Keynes Council, the National Energy Foundation, and a number of U.K. universities to install smart-home technology in 75 homes in Milton Keynes, located about 70 kilometers northwest of London. The three-year project, called Thinking Energy, has provided us with a wealth of quantitative data as well as qualitative data about users' experiences with this technology. We'll use this information to design future field tests and commercial trials, all of which will comply fully with European and national data-protection laws.

In 2011 we began installing home energy management systems (HEMS) in participating homes. The HEMS uses smart meters to monitor overall electricity and gas use as well as smart plugs to control electrical devices and appliances such as TVs, computers, washing machines, and refrigerators. By the end of the first year, three-quarters of the households had changed their energy usage habits.

In its final phase the trial shifts its focus from the home to the street. In the summer of 2013 eight Milton Keynes residents received electric cars and controllable at-home charging points. This phase aims to understand more about when and how electric cars are charged by their owners and to what extent solar panels and batteries can help reduce the need for electricity from the grid.

Our projects reflect country-specific differences. In northern [Germany](#) our focus is on how homes use and store the solar energy they produce. In [Sweden](#) seven families moved into the Hållbarheten apartment complex to test smart home solutions.

New Online Tool for Customers

We rolled out U.S.-based Opower's [Customer Engagement Toolkit](#) in the United Kingdom and, as a pilot project, in Sweden in October 2013. Customers can use the online platform to compare their power and gas consumption with that of similar customers in their neighborhood. It also offers them individually tailored suggestions for saving energy. The innovative platform is the first of its kind in the energy industry. It helps our customers use less energy and save money and is therefore one of the ways we help reduce carbon emissions.

Virtual Power Plants

In recent years E.ON has launched a number of initiatives to study virtual power plants (VPPs) and demand response with the aim of being prepared for the distributed-energy world and leveraging synergies from a cluster of distributed (and often micro) generating units. In 2013 our projects included Virtual Power Plant Germany. Its purpose is to establish a flexible VPP platform that can be deployed in other markets and that can be used as the basis for new products for [industrial and commercial customers](#).



Group-wide Commitment to Environmental Protection

URL: <http://www.eon.com/en/sustainability/environment/environmental-protection.html>

The E.ON Global Climate Change and Environment Policy, which took effect in 2008, ensures that our entire company conducts environmental management in accordance with uniform standards. It helps us minimize the adverse climate and environmental impact of our activities along the value chain. Our actions are guided by the precautionary principle endorsed by the United Nations. To prevent damage from occurring in the first place, we ensure early on that legal requirements are fulfilled and environmental dangers are prevented. That's why in 2010 we put environmental management systems in place (in compliance with EN ISO 14001 or EMAS III) at all E.ON facilities with a substantial potential environmental impact; there were 386 such facilities in 2013. These systems represent our minimum standards for environmental protection. In 2013 we again increased the emphasis our company places on environmental management by adopting a new [Health, Safety, and Environmental \(HSE\) Management Policy](#). It obliges all of our global and regional units – and shareholdings in which we hold a majority stake – to put in place environmental management systems and to have these systems independently certified. In 2014 we plan to conduct a survey at all E.ON units to determine the status of their certification. In subsequent years the survey will become part of our annual data gathering.

Because we're an energy supplier, protecting the environment and the [climate](#) go hand in hand. We know that any changes to our power generation business that are bad for the earth's climate probably also have other adverse environmental impacts. By contrast, using climate-friendly generation technologies not only reduces our greenhouse-gas (GHG) emissions but also other environmental impacts, such as those that may result from the emission of sulfur dioxide (SO₂).

Targets for Expanding Our Environmental Management

We aim to significantly reduce our specific carbon emissions from power generation. We've also set a number of other targets to improve our environmental performance:

Environmental Targets

Target	Status 2013
Shrink the carbon footprint of our daily business activities (those not directly related to power generation) in order to achieve efficiency advantages and reduce costs.	<ul style="list-style-type: none"> • As part of our commitment to achieving ongoing improvements, we're shrinking the carbon footprint of our daily business activities. • One way is by ensuring that buildings meet superior energy efficiency standards before we acquire them. For example, E.ON España's new headquarters in Santander is an Energy Class A building. • In 2013 we also took steps to reduce business travel. They included a new telepresence and video-conference system which fosters a realistic meeting atmosphere for participants at different locations. By reducing the need for participants to travel to meetings, the system enabled us to significantly reduce travel-related carbon emissions (see scope 3 emissions).
Conduct comprehensive water management along our entire value chain so that we qualify for membership in the UN CEO Water Mandate by 2015.	<ul style="list-style-type: none"> • In 2013 we began to develop and deploy the processes to conduct systematic water management along our entire value chain. By 2015 we intend to qualify for membership in the UN CEO Water Mandate by complying with its minimum standards for approvals processes, costs, water availability, water withdrawal, water piping and our supply chain.

Our Environmental Management Organization

The oversight and coordination of our entire company's environmental protection activities have been combined at the HSE department at Group Management. The E.ON Board of Management bears overall responsibility, reviews all HSE policies and measures, and, if necessary, refines them. The Board of Management at each of our units appoints an HSE Governance Council, whose mission is to raise employees' environmental awareness and enhance the unit's HSE culture. Effective 2010 the councils report directly to the E.ON Board of Management. The HSE Governance Council at Group Management sets the HSE course and priorities for the entire company. The council, which is chaired by the E.ON Board of Management member who is our Chief Sustainability Officer, is composed of members of the Board of Managements of our global and regional units. Establishing environmental management standards and sharing knowledge helps us ensure that we embed environmental protection in the decision-making processes across the E.ON Group as well as at shareholdings in which we hold a majority stake.

The E.ON Group strives continually to minimize its environmental impact or, if possible in some areas, to prevent it entirely. In 2013 we continued implementing a HSE new organizational model, a process we began in 2012. Meetings are held on a regular basis at which HSE experts from different countries and departments can share knowledge and, by working together, develop new projects that promote harmonization of HSE practices and add value for the entire company.

In addition, in 2013 we further improved our data-collection process, which enables us to provide HSE performance indicators to Group Management. Effective 2012 we issue a quarterly HSE incidents report to managers across the company.

In the summer of 2013 the E.ON Board of Management adopted the [Group Business Governance Policy for HSE Management](#), a new company policy document that will make our central HSE management and organization even more effective. It includes the Basic Elements of Good Health, Safety, and the Environment Performance, a company statement that defines our HSE values and incorporates the sustainability targets – including those for the environment – from our Sustainability Work Program for 2012–2015.

We also made progress harmonizing the HSE management systems in use at E.ON units. The Basic Governance Policy sets minimum standards for addressing HSE issues in the planning and implementation stages of business projects. All E.ON units with a significant HSE risk must comply with these standards.

Establishing Integrated Environmental Management

URL: <http://www.eon.com/en/sustainability/environment/environmental-protection/integrated-environmental-management.html>

We've defined environmental standards that apply to the entire E.ON Group. We also oblige our business partners and contractors to comply with them. This is an important prerequisite for us to conduct integrated environmental management along our entire value chain. Our Policy on Protecting the Environment and Climate, which took effect in 2008, sets minimum requirements for the E.ON Group. In 2012 we adopted a Environmental Footprint Policy. It defines the environmental criteria we consider when we conduct portfolio management and when we evaluate new technologies and marketing strategies. We defined the criteria on the basis of generally accepted environmental issues (such as climate change and resource conservation) and ranked them according to their relevance for E.ON. The definition of applied criteria depends on the issues raised in particular project. In 2013 we began putting in place an internal reporting system for our carbon footprint. The figures we compile will be verified by an independent entity. This system will enable us to do a better job of measuring and evaluating our climate performance.

Factoring Environmental Protection Risks into Strategic Planning

We factor current and possible future developments in the energy industry into our [risk management](#) and systematically consider environmental issues (such as climate change, water scarcity, resource use, and forthcoming environmental regulations) in our strategic planning. Consequently, addressing environmental risks along our entire value chain plays an important role in our risk management in accordance with Germany's Corporate Sector Control and Transparency Act (known by its German acronym, KonTraG). The scenario in the International Energy Agency's *World Energy Outlook* predicts that – despite the rapid growth of renewables – fossil fuels will continue to meet a significant share of global energy demand well into the future. Reducing the environmental and climate impact of energy production from coal, oil, and natural gas will therefore remain a key issue.

In 2013 we continued the process of integrating the New Build & Technology (ENT) global unit into our broader organization. ENT does important R&D for us. It also executes and manages our new-build projects. In 2012 ENT put in place a system that enables us to identify and assess innovations and project-related environmental risks and to do even an even better job of addressing environmental issues as we plan and adjust our generating portfolio. Each of our investments must meet economic criteria as well as sustainability criteria. The latter include the potential to reduce greenhouse-gas (GHG) emissions and to improve energy efficiency. We also ensure that we meet our obligations to comply with the environmental standards defined under cross compliance arrangements.

In 2013 we created a new unit called E.ON Global Engineering. It will pool and enhance our engineering capabilities, which previously had been dispersed at a

number of E.ON units. The aim is to enable us to address the challenges ahead more efficiently and effectively.

E.ON Global Engineering is playing an important role in helping us reduce our GHG emissions and improve our energy efficiency. It's also heavily involved in our effort to conduct systematic [water management](#) along our entire value chain so that we qualify for membership in the [UN CEO Water Mandate](#).

Central Approvals Platform for Asset Construction and Operation

Approvals processes and our stakeholders' expectations are becoming increasingly complex. This makes efficient and integrated environmental management all the more important. The EU Water Framework Directive (which protects water resources) and the amended EU Large Combustion Plant Directive (which sets tougher emissions standards) are examples of how environmental laws are getting stricter. To respond to this situation, in 2012 we put in place a central approvals platform for asset construction and operation. It enables us – on a national, European, and supra-European level – to continually monitor and assess current and potential laws and regulations that are relevant to an approvals process. It also helps us adopt a consistent, integrated approach in our interactions with national and EU government institutions, policymakers, municipal governments, local residents, NGOs, and other [stakeholders](#).

The permitting of large industrial installations in the EU applies the concept of best available techniques (BATs) for pollution prevention and control. BATs are developed for each industry in a consultation process and laid out in reference documents known as BREFs. Member states, companies in each respective industry, and environmental groups take part in the consultation process.

Because BATs evolve, information sharing about BATs is a dynamic, ongoing process. For example, the European Commission's Directorate-General for the Environment has conducted monthly surveys since 2001 to gather cooling water data from more than 1,500 power plants around Europe. The responses will be used to revise the BREF for industrial cooling systems. We use our central approvals platform to collate the responses from the E.ON units participating in the survey and submit them to the EU. This centrally managed process and data gathering system enables us to identify potential sources of risk in our generation fleet that might result from the revision of the cooling-system BREF.

Climate and Environmentally Friendlier Generation

Several key factors influence how we adjust our generation portfolio for the future: our strategy, climate policies in Europe, and environmental laws. Among the latter is the EU Large Combustion Plant Directive, which applies to new and existing power plants alike. In the case of some of our older plants, we had to decide whether it made sense to invest in desulfurization and other emission-abatement equipment to bring them into compliance with the directive or to reach an agreement with government agencies on the plants' remaining

operating lives prior to decommissioning. In cases where it appears profitable to do so, we're converting some power plants to biomass. For example, Ironbridge power station is being converted to burn [wood pellets](#), which will be sourced from sustainably managed forests. After conversion, Ironbridge may co-fire a certain amount of coal. Whether, and under what circumstances, conversion will allow Ironbridge to continue operating is still uncertain.

Environmental Standards for Investment Decisions and Joint ventures

We want to be among the leaders in environmental protection, both in and outside Europe. Our Code of Conduct commits us to apply environmental standards in our investment decisions, joint ventures, and minority shareholdings. When entering new growth markets such as Brazil and Turkey, environmental due diligence plays an increasingly important role. Among the standards we apply is the International Hydropower Association's (IHA's) new Hydropower Sustainability Assessment Protocol (HASP).

In May 2013 we released a comprehensive sustainability assessment of Walchensee, an E.ON hydroelectric station in southern Bavaria. The results demonstrate how hydropower can simultaneously deliver a strong climate, environmental, and social performance. The Walchensee assessment, in which the IHA participated, makes E.ON one of the first companies in the world to conduct an official assessment according to the HASP. The results set an industry-wide benchmark and will make a valuable contribution to E.ON's risk management. The knowledge we gained from this project gives us a clear competitive advantage in the renewables marketplace. We intend to utilize this knowledge primarily at the hydro projects of our joint ventures outside Europe in line with our strategy of "cleaner & better energy." A number of companies around the world have followed E.ON's example and implemented the HASP on their hydropower projects.

In the medium to long term, we're committed to adopting European environmental standards at our operations outside Europe as well. One example is asbestos abatement in Russia. Under our Health, Safety, and Environment (HSE) [improvement plan](#) for our operations in Russia, in 2013 we began to measure asbestos levels using European standards. In 2013 we also began a program to remove asbestos from our power stations there.

Environmental Considerations in Transmission and Distribution

E.ON operates power and gas distribution systems in a number of countries across Europe. These systems are the backbone of the energy world. They connect power stations to industrial facilities, biomethane plants to natural-gas fueling stations, and wind turbines to homes and businesses. These systems' environmental impact varies considerably, from minimal to moderate. Cumulatively, for example, the pathways for distribution lines take up a significant area. Another example is the maintenance and repair of gas pipelines, which can lead to the release of methane, a GHG that has 25 times the climate impact of carbon dioxide. There are special challenges as well, such

as the threats posed to marine biodiversity when by the submarine cables used to connect offshore wind farms and by leaks from submarine gas pipelines. That's why we conduct extensive environmental impact assessments in the development stages of large infrastructure projects like the Nord Stream pipeline in the Baltic Sea.

Climate-friendly Natural Gas Vehicles

We provide our customers with innovative, smart solutions so that they can do their part to help protect the environment and the earth's climate. One example is our activities in the gas mobility market. Natural gas powered vehicles (NGVs) help lower the carbon intensity of the transport sector. We're using tools to calculate the environmental footprint of natural gas fueling stations so that we can systematically optimize their environmental performance. Because our Responsible Procurement Policy covers our NGV infrastructure activities as well, we ensure that our supply chain for these activities complies with our environmental standards. We also calculate carbon emissions and the potential for biomethane to reduce GHG emissions, which helps us assess its environmental relevance. In the compressed natural gas market, there's greater demand for certified bio products (compressed biogas and compressed biomethane). In response, we've provided employees with training in the sustainability criteria for certification. We've also obtained certification for our entire biogas and biomethane production base. In our production for other markets that don't have a legally mandated certification process, we apply the criteria of the Biofuel Sustainability Regulation.

Environment-related Incidents

URL: <http://www.eon.com/en/sustainability/environment/environmental-protection/environment-related-incidents.html>

We can prevent environmental incidents by observing comprehensive facility and process safety procedures that cover the entire asset lifecycle, that address environmentally critical aspects of operations, and improve how we assess and manage environmental risks. If, despite these precautions, an environmental incident occurs, we aim to respond immediately, effectively, and responsibly. Our employees are aware of how important it is for them to report such incidents properly and without delay.

Thanks to our systematic environmental and safety management, environmental incidents in the “serious” category are very rare at the E.ON Group. Nevertheless, we remain vigilant to identify less serious risks and to reduce the likelihood of accidents. If damage occurs, we take on-site remedial action without delay. Under our policies, serious environmental incidents must be reported within 24 hours. To be classified as “serious,” an incident must fulfill at least one of the criteria in this category. Examples of these criteria include irreparable damage to protected habitats and clean-up costs exceeding EUR 1.5 million.



Reviewed 2013

One Serious Incident in 2013

Our reporting assigns environmental incidents to one of four categories: serious, moderately serious, minor, and inconsequential. In 2013 the E.ON Group had one serious incident (relating to an oil leak), 32 moderately serious incidents (such as parameters exceeding permissible thresholds), 229 minor incidents (such as small leaks in transformer stations), and 422 inconsequential incidents (such as small leaks in gas pipelines).

The serious incident took place at our Sweden regional unit near the town of Edsbyn. A faulty spigot on an oil tank led to an oil spill, roughly 30 cubic meters in area, on the surface of the water in a canal system designed to collect water runoff and transport it to nearby Ullungen lake. An E.ON crisis management team took emergency measures to ensure that the oil did not reach the lakeshore or move to other bodies of water.

We conduct thorough investigations to determine the causes of incidents so that we can put in place suitable prevention measures.

Incident Reporting and Management System

In 2013 we continued the process, begun in early 2012, of rolling out [Prevent!](#), our online incident reporting and management system. Prevent! can be used to record, analyze, and disseminate to appropriate departments information about risk-related incidents as well as about injuries, near misses, and unsafe work situations affecting

E.ON and contractor employees. The transparency established by Prevent! enables us to take rapid action across our company to prevent accidents from happening again.

We also improved our reporting processes for moderately serious incidents. Effective the summer of 2013, incidents of this category must be reported within 24 hours. The reporting system is already in place and is used for monthly environmental reports to Group Management. It's also used to report minor and inconsequential environmental incidents.

No Incidents at Nuclear Power Plants

As in the prior year, in 2013 there were no category one to seven incidents as measured on the seven-step International Nuclear Event Scale at our nuclear power stations in 2013.

Provisions for Environmental Protection Measures

Our current provisions for environmental protection measures and similar liabilities amounted to EUR 87 million in 2013, a reduction of EUR 14 million, or just under 14 percent, from the prior-year figure. Our non-current provisions declined by EUR 53 million, or 6.3 percent, from EUR 836 million in 2012 to EUR 783 million in 2013.

Reduction of Air Pollutants

URL: <http://www.eon.com/en/sustainability/environment/environmental-protection/air-emissions.html>

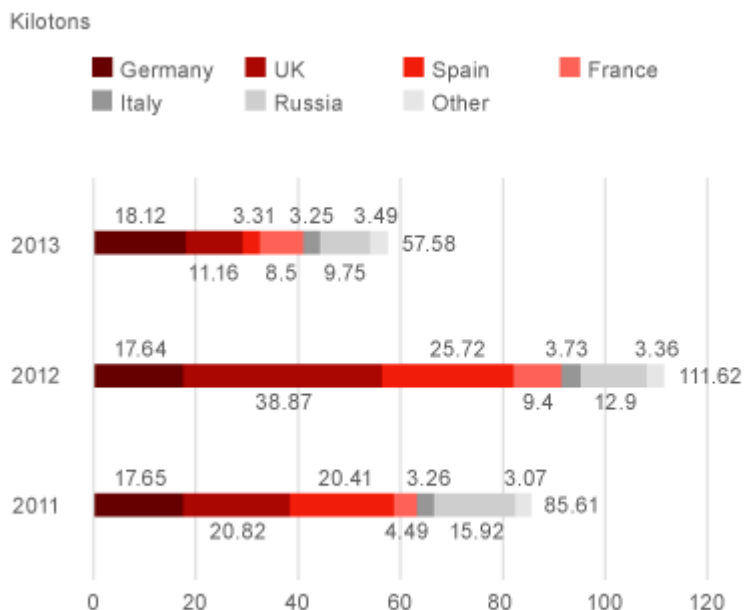
Power generation is responsible for by far most of E.ON's emissions, particularly of the air pollutants sulfur dioxide (SO₂) and nitrogen oxide (NO_x). As a power plant operator, we're committed to doing what we can to improve air quality. By investing in renewables and enhancing efficiency, we aim to pollutant emissions significantly.

✓ Reviewed 2013

SO₂ Emissions

Hauptemissionsquelle für Schwefeldioxid ist die Verbrennung schwefelhaltiger Kohle. SO₂-Emissionen können wir beispielsweise durch verbesserte Rauchgaswäschen oder die Steigerung des Gasanteils im Energiemix senken.

SO₂-Emissions



Our 2013 SO₂ emissions of 58 kilotons declined by 54 kilotons, or 48 percent, year on year, primarily because of the closure of several coal-fired power stations in the United Kingdom (Kingsnorth) and Spain (Escuchas and Purertollano) in response to the Large Combustion Plant Directive. We closed these assets even though generating power from coal generally remained profitable in 2013 because low carbon prices gave coal an advantage over other fuels like natural gas. In Russia, by contrast, it was more profitable to burn gas than coal in dual-fuel generating units. This, along with slightly lower output at our lignite-fired power station, led to lower SO₂ emissions at our operations in Russia.

Our specific SO₂ emissions declined from 0.42 kilograms per MWh in 2012 to 0.23 kilograms per MWh in 2013.

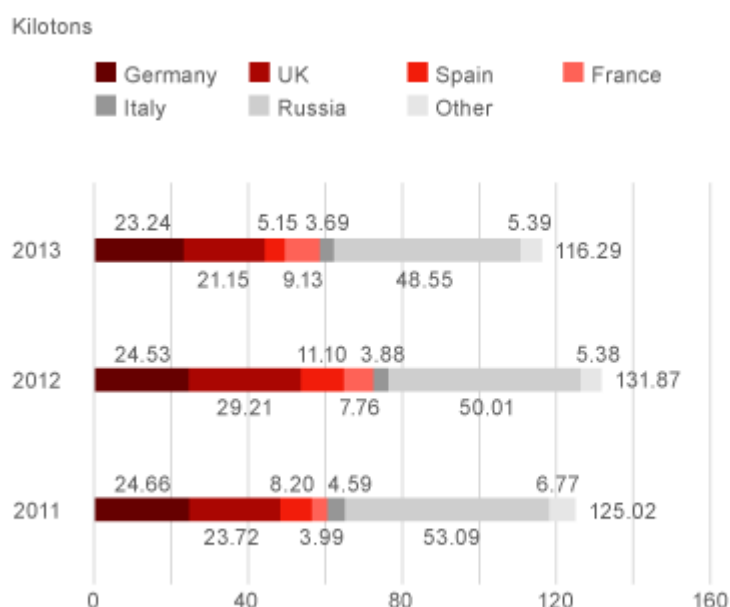
NO_x Emissions

NO_x is created mainly from atmospheric nitrogen when, for example, coal or natural gas is combusted at high temperature in a power plant. This gives us a special responsibility to achieve further reductions in NO_x emissions.

Our new power plants, and several of those that joined our portfolio in 2009, are fitted with advanced NO_x-abatement equipment. For example, we partnered with turbine manufacturer GE to install a new fuel management system called OpFlex Low Visible Emissions at our CCGT in Ostiglia, Italy. The system reduces the frequency with which the plant emits a yellowish exhaust plume, which indicates a high concentration of nitrous dioxide. It does it by optimizing fuel flow, which reduces NO_x emissions by more than 60 percent during the turbine's startup phase.

We've steadily reduced our NO_x emissions since 2009. Changes to our generation portfolio intensified this trend in 2013.

NO_x-Emissions



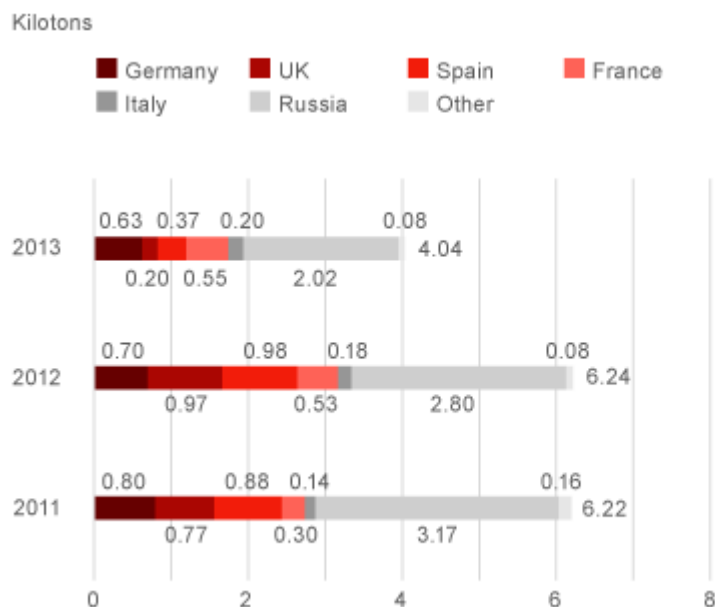
Our NO_x emissions declined by 11.8 percent, from 131.9 kilotons in 2012 to 116.3 kilotons in 2013. As with our CO₂ and SO₂ emissions, the decrease reflects the reduction in our fossil-fueled generation and, consequently, in the amount of coal and natural gas we burned in 2013 relative to 2012.

Based on our output of 245.2 GWh in 2013, our specific NO_x emissions of 0.47 kilograms per MWh were below the prior-year figure of 0.5 kilograms per MWh.

Dust Emissions

Coal-fired power plants emit dust, referred to in the industry as particulate emissions. In 2013 our particulate emissions totaled 4 kilotons.

Particulate Emissions



Our particulate emissions declined by 2 kilotons, or 35 percent, year on year, primarily because our dual-fuel generating units in Russia burned more natural gas than coal. Particulate emissions also declined because we consumed less coal owing to the closure of coal-fired power stations in the United Kingdom (Kingsnorth) and Spain (Escuchas and Purertollano) and because we sold E.ON Energy from Waste in Germany.

Resource Efficiency and Waste Prevention

URL: <http://www.eon.com/en/sustainability/environment/environmental-protection/ressource-efficiency-and-waste.html>

A key – and measurable – aspect of our environmental management is resource efficiency in the construction and operation of our assets. There's a direct link between conserving resources and preventing waste. To reduce waste – and our costs – our preference in descending order of priority is generally: prevent, recycle, and, as a last resort, dispose.

Increasing Efficiency

E.ON operates highly efficient power plants. They help conserve resources, protect the environment and climate, and reduce costs. One example is a state-of-the-art combined-cycle gas turbine we operate in Philippsthal, Germany, which cogenerates electricity and heat.

We're improving resource efficiency in our other business activities as well. For example, the compressor at fueling stations for natural-gas-powered vehicles is powered by electricity. We choose compressor motors for their electric efficiency and monitor available technologies for potential improvements.

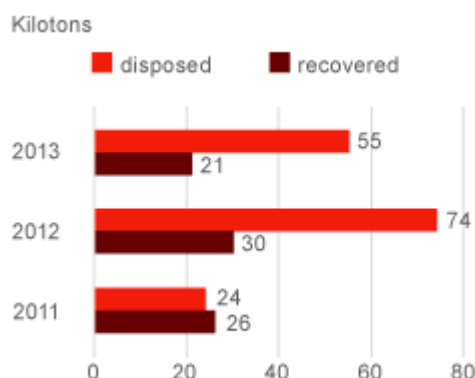
Preventing and Recycling Waste

As plant operators, we're obligated to recycle waste or dispose of it safely and appropriately. We adopt a number of recycling approaches. The approach we choose for a type of waste depends on how the waste was created. We have decades of experience in the resource-efficient recycling of waste products such as slag, ash, and gypsum.

Hazardous Waste

We had 76 kilotons of hazardous waste in 2013, nearly 27 percent below the 2012 figure.

Hazardous Waste¹⁾



1) We updated the figures for 2011 relative to our 2012 reporting because the hazardous waste figures for Russia and the United Kingdom included a significant amount of ash. As part of our ongoing effort to refine our reporting, we reclassified these amounts as ash and slag.

We classify hazardous waste as disposed or recycled. We recycled 21 kilotons in 2013, which was 9 kilotons, or 30 percent, less than in 2012. In compliance with applicable laws, we disposed of 55 kilotons, which was 19 kilotons, or 30 percent, less than in 2012.

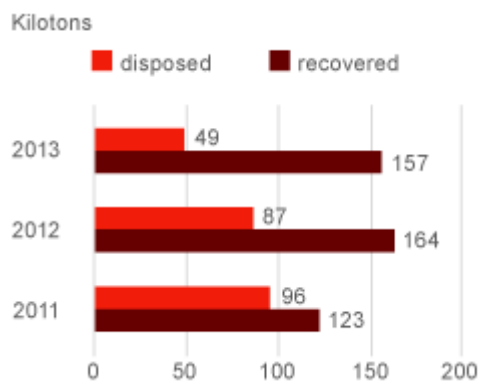
We produce hazardous waste at our operations and at our project-based business. We produced less hazardous waste at both in 2013.

We manage hazardous waste in compliance with applicable laws and regulations, which vary by country and region. How we deal with hazardous waste depends to some degree on the location and type of activity it was produced at. Experienced and certified waste management companies help us to ensure that we comply with ISO 14.001 and EMAS III and to further improve our environmental performance.

Non-hazardous Waste

Our non-hazardous waste declined by 45 kilotons, or 17.9 percent, to 206 kilotons.

Non-hazardous Waste¹⁾



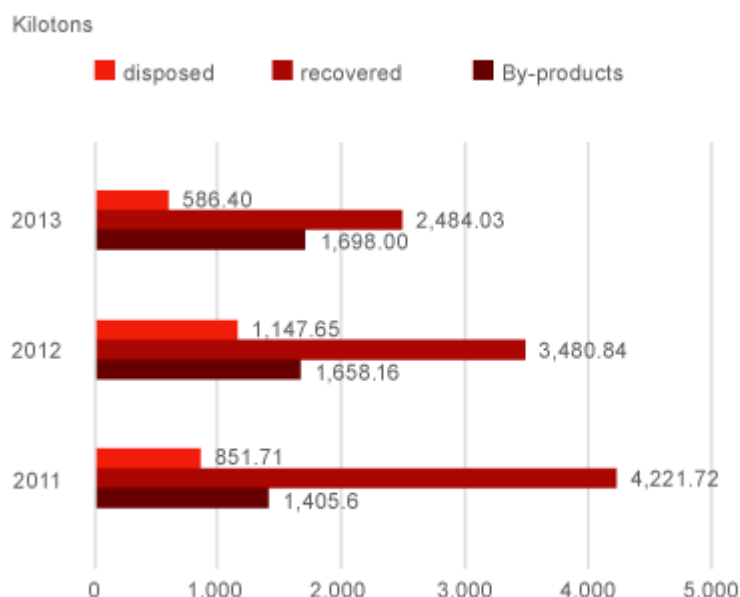
1) We updated the figures for 2011 and 2012 relative to our 2012 reporting because the non-hazardous waste figures for Italy, the Czech Republic, and the United Kingdom included a significant amount of ash. As part of our ongoing effort to refine our reporting, we reclassified these amounts as ash and slag.

We classify non-hazardous waste as disposed or recycled. Both categories was lower in 2013 than in 2012. Our disposed non-hazardous waste declined by 38 kilotons, or 43.7 percent; our recycled non-hazardous waste by 7 kilotons, or 4.3 percent.

Ash and Slag

Burning coal in particular produces considerable amounts ash and slag. In 2013 we produced 3,418.9 kilotons of ash and slag. We try to recycle as much of it as possible.

Ash and Slag¹⁾



1) We updated the figures for 2011 and 2012 relative to our 2012 reporting because the non-hazardous waste figures for Italy, the Czech Republic, and the United Kingdom included a significant amount of ash, which is now reported under ash and slag.

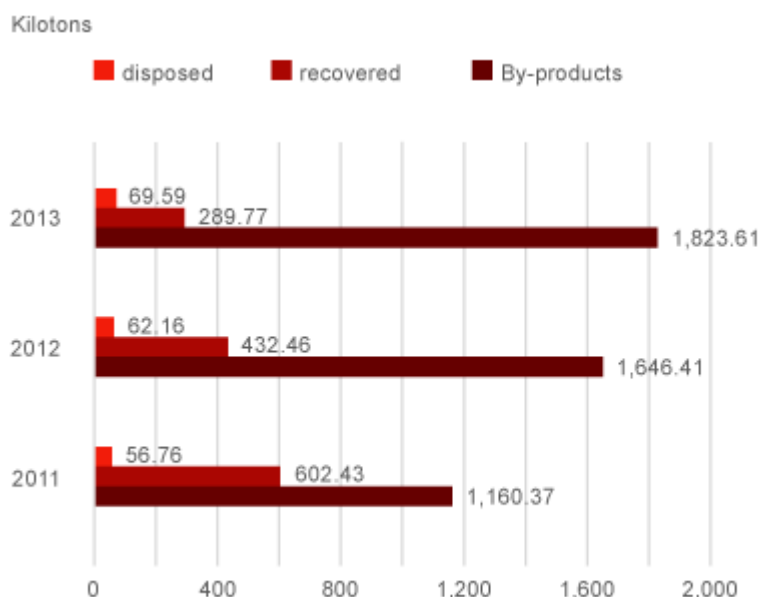
In 2013 our operations produced 4,768.4 kilotons of ash and slag (including by-products), which we recycled or disposed of. This represents a decline of 1,518.2 kilotons, or 24.2 percent, from the prior-year figure of 6,286.7 kilotons. We sell the by-products from our power plant operations to the construction materials industry. Effective 2012 we record them under this item; we adjusted the 2011 figure retroactively.

Gypsum

Our coal-fired power plants generate significant quantities of gypsum, which is a by-product of flue gas desulfurization. It's non-hazardous and can be used as a construction material. This reduces the need for gypsum mining and can therefore help minimize its adverse environmental impact. In compliance with air-quality laws, our power plants are equipped with scrubbers which capture environmentally harmful compounds from the flue gas. Capture, however, is only the first stage of environmentally benign disposal. Baumineral AG processes the by-products of the desulfurization equipment at our coal-fired power plants in Germany, Belgium, and the Netherlands. Baumineral AG specializes in marketing the by-products of power generation. These include flue ash, bottom ash, and gypsum, which are used to produce bricks, ready-mix concrete, and

other construction materials. We have a similar arrangement for our operations in Italy.

Gypsum



We disposed of 7.4 kilotons, or 12 percent, more gypsum in 2013 than in 2012. We recycled 142.7 kilotons, or 33 percent, less.

Including by-products, which we record under this item effective 2012 and retroactively for 2011, the total amount of gypsum rose by 177.2 kilotons, or 10.8 percent.

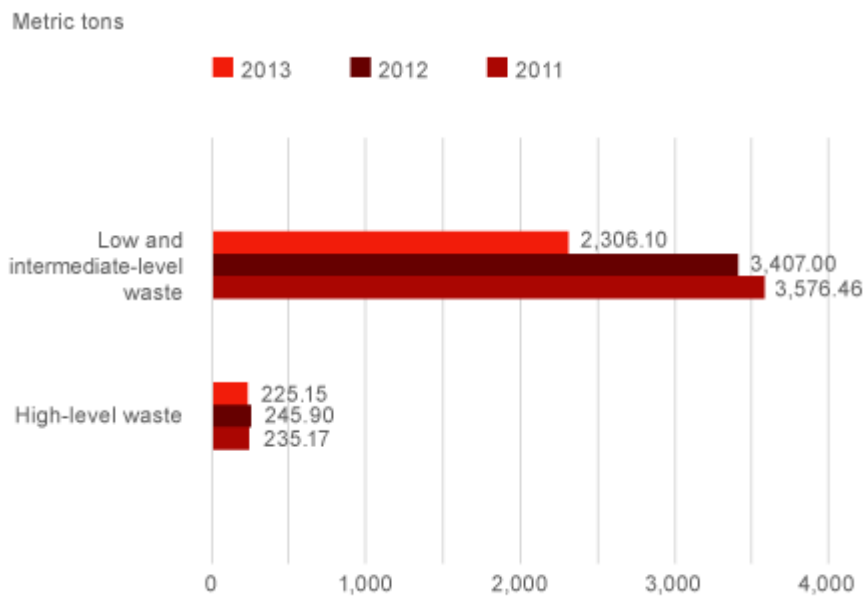
Radioactive Waste

✓ Reviewed 2013

Our nuclear power plants (NPPs) in Sweden and Germany produce radioactive waste. We distinguish between low- and intermediate-level radioactive waste and high-level radioactive waste.

Low-level radioactive waste includes such things as protective clothing, tools, and filters and is produced by medical facilities as well. This waste can be handled and transported without special isolation and is suitable for incineration. To reduce volume, low-level waste is often compressed before disposal or incineration. Intermediate-level waste includes chemical sludge, resins, metal casings, fuel containers, and materials from the dismantling of reactors. We work with experts to design a careful dismantling plan and obtain approval for it from appropriate government agencies before we begin dismantling a decommissioned NPP. Nearly all high-level waste is used fuel.

Nuclear Waste



After rising in 2012, the amount of low- and intermediate-level radioactive waste declined in 2013 by 1,100.9 metric tons, or 32.3 percent. High-level radioactive waste declined by 20.8 metric tons, or 8.5 percent. Both types accrued at our operational NPPs and at Stade and Würgassen NPPs, which are being dismantled.

Water: a Key Strategic Resource

URL: <http://www.eon.com/en/sustainability/environment/environmental-protection/water-management.html>

According to the International Energy Agency's most recent *World Energy Outlook*, ensuring the availability of sufficient amounts of water is one of the central challenges facing the energy sector.

We anticipate that climate change will impact the availability of water worldwide. Water is an important resource for our operations. We use it in our power plants as cooling water, process water for steam production, and in flue gas scrubbers. We therefore made responsible water management one of our strategic issues in 2010. Through our participation in the Carbon Disclosure Project's Water Disclosure program, we've published extensive data on our water use since 2011. On behalf of investors, the program surveys large companies on their water-related risks. Detailed information can be found in [our response](#).

Our Objective: Efficient Water Management

Our withdrawal and discharge of cooling water complies with all applicable environmental laws and regulations. We also use water to generate steam. Between 95 and 99 percent of the water used for this purpose condenses and is reused. Nevertheless, we know that it's important that we reduce our consumption of fresh water. We're committed to meeting all of the requirements of the [UN CEO Water Mandate](#) for more efficient water management by 2015.

As part of this effort, in 2013 we worked with our generation fleet to conduct a Group-wide best practice study on efficient resource use, waste water quality, and securing access to our water sources. We conducted a benchmark analysis of the water management policies of leading multinational companies and of the key methodologies, tools, and reporting pathways for sustainable water management. We're currently conducting a gap analysis to determine where we stand vis-à-vis the UN CEO Water Mandate's requirements.

To help us achieve this objective, we're also currently determining whether and how we can utilize the Ceres Aqua Gauge (a tool for managing water risks provided by CERES, a sustainable investor association) at our conventional power plants.

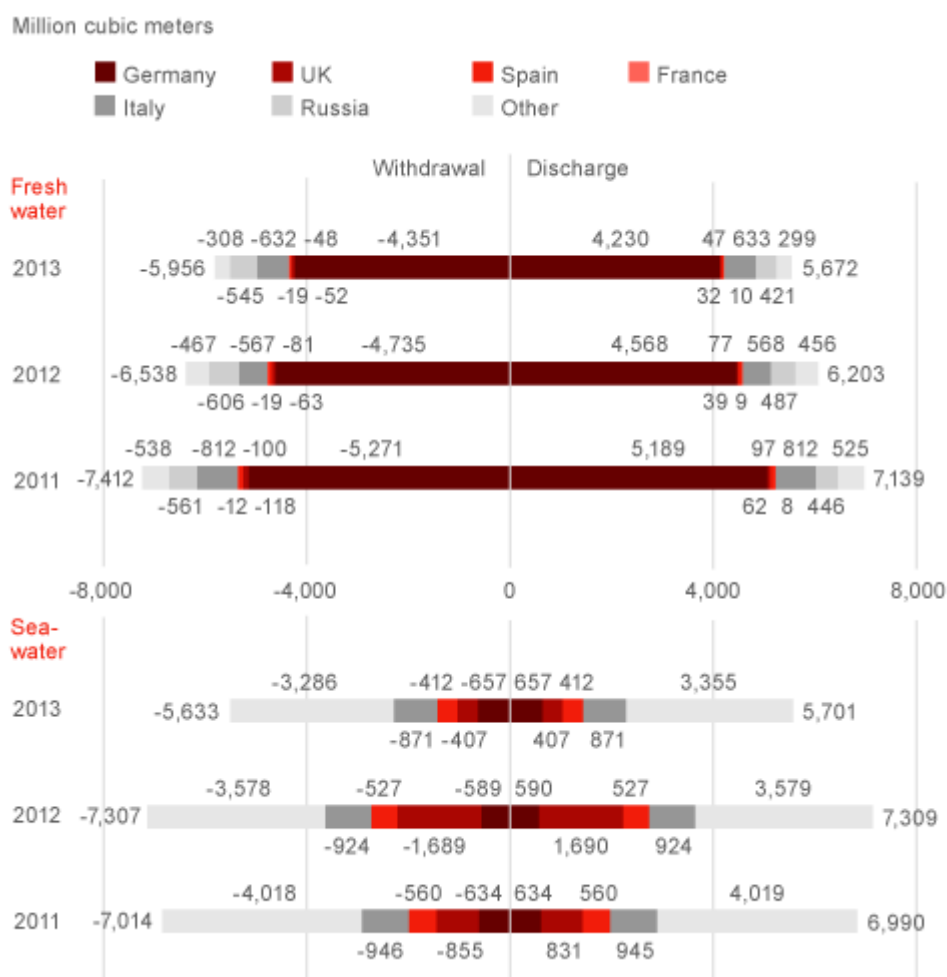
We took special steps to conserve water at our 56 MW combined-cycle gas turbine in Castleford, England. We installed equipment that uses reverse osmosis to transform water from a variety of sources (surface water, rain water, and waste water) into distilled water that can be used as process water in the turbine. The equipment has made Castleford autonomous with regard to process water. It has also shrunk Castleford's environmental footprint by reducing its consumption of municipal water and its discharge of waste water and by eliminating its use of chemical water-treatment agents.

Total Water Withdrawal and Discharge

In 2011 we joined other major energy companies to help the World Business Council for Sustainable Development to develop the Global Water Tool (GWT). In 2012 we began using the GWT to assess water availability for all relevant generation assets (coal, gas, nuclear, hydro).

We adjusted our water indicators to reflect those of the GWT. Effective 2011 we no longer measure our consumption of process water but rather the amount of fresh water consumed in our operations; this indicator represents the difference between our fresh water withdrawal and discharge. To give us a more comprehensive picture of our water management, in 2012 we began measuring our total water withdrawal as well. 2013 is the year for which we provide a breakdown of our water consumption. It provides an overview, by country, of the amount of fresh water and seawater we withdrew and discharged.

Fresh Water Consumption by Country^{1) 2)}



1) The term fresh water refers to the following types of water: groundwater, surface water, and municipal water.

2) 2013 figures audited by PwC.

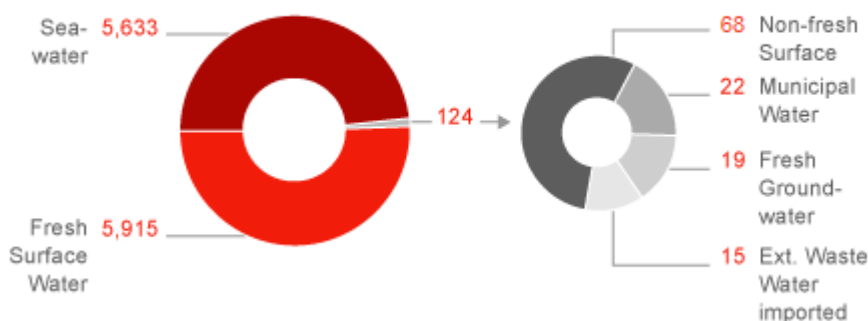
In 2013 we consumed significantly less fresh water and seawater than in 2012. Our withdrawal of fresh water declined by 582 million cubic meters (mcm), or 8.9 percent; our discharge by 531 mcm, or 8.6 percent. Overall, our fresh water consumption declined by 51 mcm, or 15 percent, to 284 mcm.

We withdrew 1,674 mcm, or 22.9 percent, less seawater; we discharged 1,608 mcm, or 22 percent, less.



Total Water Withdrawal million cubic meters (total: 11,672)

Million cubic meters (total: 11,672)



The figures for our water withdrawal by source supplement the figures for our fresh water and seawater consumption with those for our withdrawal of non-fresh surface water and waste water. We withdrew a total of 11,672 mcm of water in 2013, a decline of 2,173 mcm, or 15.7 percent, relative to 2012.

The change in our water consumption in most countries is attributable to changes in our business portfolio, in the amount of energy we produced, in the generation technology used, and in the share of fresh water used. New technologies and improved data gathering were also factors.



Essential to Our Success

URL: <http://www.eon.com/en/sustainability/social/workforce-challenge.html>

Our employees – their knowledge, motivation and dedication – are essential to our success, particularly in an increasingly competitive business environment. They're also essential to our “cleaner & better energy” strategy. We need people with the right capabilities and attitudes for our new markets such as Brazil and Turkey and our new growth businesses (renewables and distributed generation).

Successful HR management includes meeting these needs by hiring and retaining highly talented, multifaceted people, systematically fostering their personal and professional development as well as offering them attractive working conditions. We work together beyond the boundaries of our own company and national borders with the aim of becoming our customers' partner of choice for energy solutions.

HR Management in a Changing Environment

Skilled and motivated employees are essential for us to continue our success in new growth businesses as well as our established core businesses. Our HR management faces a number key challenges resulting from E.ON's specific situation and from external factors such as demographic and cultural change.

Internal Challenges	External Challenges
<ul style="list-style-type: none"> • Staff reductions and recruitment needs: We need to implement E.ON 2.0 staff reductions in a socially responsible way and at the same time fill new positions. Our existing employees are generally given priority when new job vacancies arise. Strategic HR planning and providing our employees with corresponding qualifications is our focus. 	<p>Megatrend of demographic change</p> <ul style="list-style-type: none"> • As our workforce ages, health maintenance and employability programs become more important. They help us reduce the risk of age-related absences and the additional personnel costs that go with them.
<ul style="list-style-type: none"> • Growth outside Europe: To tap new markets outside Europe we'll need managers and employees who are internationally minded, have the necessary language skills and are highly mobile. 	<ul style="list-style-type: none"> • Covering our long-term need for qualified employees is becoming increasingly challenging given demographic change. This is why, among other factors, it is essential to attract qualified women and international talent.
<ul style="list-style-type: none"> • Changing image as an employer: Our 	<ul style="list-style-type: none"> • Employees' need for flexible working

growth businesses increasingly enable us to offer new career opportunities.	<p>hours, a work-life balance and interesting activities is growing.</p> <p>With suitable offerings, we intend to be attractive to applicants.</p>
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Strategic HR

Our strategic HR response to these different challenges focuses on four key areas:

1. Strategic HR planning

We continually compare our talent needs with the available labor pool so that we can act early to meet these needs in HR planning. Training young people will continue to play a key role in securing the skilled, high-potential employees we need. In a [statement](#) in 2013 we affirmed our commitment to continue offering high-quality training despite the challenging market environment.

2. Talent management

We support our employees' professional and personal development through specific programs, periodic feedback on their performance and ongoing [training](#). These include personal development, line and project function management, business development, change management, and Health, Safety & Environment courses. We also support the development of select groups of talented people in the Group through special programs. Among these, our newly established international [E.ON Graduate Program](#) plays a key role in the targeted development of highly qualified university graduates.

3. International assignments and global learning

Temporary assignments in another department and particularly another country enhance our employees' motivation and expand their knowledge and horizons. The number of our employees on foreign assignments is increasing and we support their special needs through our International Transfer Policy. We also offer global learning programs tailored to the specific needs of our global and regional units and their employees.

4. Strategic recruiting and HR marketing

As part of our strategic recruiting effort, since 2013 we have participated in Quality Engineering for Sustainability, an initiative of the German Association of Engineers (VDI) and UNESCO's German arm. We've also joined forces with four other German companies and nine of Germany's leading technical universities to develop a program to improve engineering training in emerging and developing countries. As part of this, in summer 2014 we will establish partnerships with universities in seven countries including China, India and Brazil.

Socially Responsible Staff Reductions under E.ON 2.0

As in the year before, in 2013 the focus of our HR activities was on implementing the measures associated with our efficiency enhancement program E.ON 2.0. As part of this, we continue to attach great importance to our social responsibility towards our employees. This is why we implemented the measures based on codetermination processes with the respective employer representatives in the countries where we

are active. Within their frameworks, we agreed a range of tools and services in the past two years with additional social mechanisms such as preretirement and severance pay components, as well as the opportunity to gain additional qualifications. This enabled us to achieve the targeted staff reductions planned for 2013. In 2014 our focus will continue to remain on Group-wide implementation of E.ON 2.0 measures in close partnership with employee representatives.

Restructuring our HR Organization

As part of implementing E.ON 2.0, in an extensive transformation process – Transforming HR – we will restructure our HR organization by 2015. Our aim is to make it efficient, give it a clear structure and align it closely with the business. This will help us accelerate decision-making processes, make the company more flexible and enable us to adapt more quickly to market conditions.

We have consolidated our HR functions in five Centers of Competence which each represent core areas of our HR organization such as Talent Management and HR Controlling. In their respective focus areas, they have Group-wide responsibility for managing processes and products. In 2013 we largely completed establishing our E.ON Centers of Competence. At our business units our managers, in their function as HR Generalists, will be supported and advised locally by HR Business Partners. They will focus on their particular unit's strategic HR requirements as well as talent-management, remuneration and change-management matters. Additionally, we are consolidating activities with a high potential for standardization such as payroll, recruitment or training administration in our new HR Business Service Centers. These are part of our new, multifunction E.ON Business Services (EBS) support units which we established in 2013. Staffed by 3,400 employees in nine European countries, they provide finance, HR, and IT services.

Codetermination at E.ON SE

Representation on supervisory boards and various works councils gives our employees the opportunity to shape our company's development. Employee representatives and works councils are involved in all relevant processes. Codetermination at E.ON fulfils all statutory requirements, reflects the different cultural expectations of the countries where we operate and is driven by a shared commitment to work together to design socially responsible solutions.

The involvement of our European employees at Group level was given a new platform in 2012. In preparation for E.ON's transformation into a European Company (SE) in 2012, management and employee representatives reached an agreement on the involvement of employees at the European level. The composition of the employee-representative side of the E.ON SE Supervisory Board was also agreed. The E.ON SE Works Council was set up at the start of 2013. The Agreement on Minimum Standards for Restructuring Measures already agreed in 2010 with the then E.ON European Works Council forms the basis for collaboration at Group level. Furthermore, alongside the forms of codetermination required by law in European countries beyond Germany, the minimum standards in the European countries where we are active are fundamental to the involvement of local employee representatives.

E.ON SE Works Council

The E.ON SE Works Council represents all E.ON employees in Europe. It is informed and consulted about all company issues that transcend national borders. It also appoints the employee-representative members of the E.ON SE Supervisory Board. It has at least one representative from every European country in which E.ON operates. The number of representatives from a given country is weighted to reflect the number of E.ON employees who work there.

E.ON SE Group Works Council

Pursuant to Section 58 of the German Labor Management Relations Act (BetrVG), the Group Works Council is responsible for matters and projects affecting either the whole Group or several Group companies in Germany. It may also be asked by local works councils to carry out certain tasks. The Group Works Council consists of members of works councils of E.ON business units in Germany.

Group Council for Severely Disabled People

The mission of the Group Council for Severely Disabled People is to advise and work with management to ensure that our companies in Germany support the employment of people with severe mental or physical challenges.

In December 2013 in the United Kingdom E.ON UK launched the Disabled Employees Network: this informs and advises E.ON UK employees and managers about opportunities to make collaboration between people with and without physical or mental disabilities a fulfilling experience for everyone involved. Furthermore, existing processes and practices will be reviewed and suggestions for improvement developed through the network.

Our Workforce Figures

URL: <http://www.eon.com/en/sustainability/social/workforce-challenge/employee-figures.html>

This section provides an overview of our workforce numbers by unit, country, degree of employment (full or part time), and type of employment contract (temporary or non-temporary).

Number of Employees

✓ Reviewed 2013

At year-end 2013, the E.ON Group's fully consolidated companies had 62,239 employees worldwide, a decline of almost 14.0 percent from year-end 2012. E.ON also had 1,534 apprentices and 205 Board Members and Managing Directors.

E.ON Group Employees¹⁾ at Year-End

	2013	+/- %	2012 ⁵⁾	2011
Generation	8,687	-14%	10,055	10,578
Renewables	1,745	-5%	1,846	1,808
Global Commodities	1,449	-34%	2,190	3,941
Exploration & Production	219	20%	183	203
Germany	12,430	-31%	17,983	21,602
Other EU Countries ²⁾	27,312	-5%	28,628	31,909
Non-EU Countries ³⁾	5,019	–	5,038	4,896
Group Management/Other ⁴⁾	5,378	-13%	6,160	3,952
E.ON Group	62,239	-14%	72,083	78,889

1) Does not include Board Members/Managing Directors (2013: 205) or apprentices (2013: 1,534)

2) Includes UK, Sweden, Hungary, Czech Republic, Slovakia, Romania, Spain, Italy, Netherlands, France, SG ECT

3) Includes Russia

4) Includes E.ON SE, E.ON IT, E.ON New Build & Technology, E.ON Risk Consulting, E.ON Business Services, E.ON Facility Management

5) Segmentation same as 2013

Generation, Renewables, Global Commodities and Germany's headcount was lower owing mainly to efficiency-enhancement measures as part of E.ON 2.0.

Other factors in the Generation segment included plant closures and sell-offs. In the Renewables segment, the employee turnover rate caused a reduction in headcount which has not yet been compensated by new hires; however, this is being compensated to some degree by the expansion of the wind-power business in North America. In the Global Commodities segment, disposals in Hungary as well as transfers of operations in other segments led to a steep drop in headcount. Headcount expansion in the Exploration & Production segment is due to the filling of previously vacant posts, particularly in Norway. The headcount reduction in the Germany segment is chiefly due to the disposal of Thüringer Energie, E.ON Westfalen Weser, Energy from Waste, and E.ON Mitte. In the Other EU Countries segment the drop was attributable to disinvestments in the Czech Republic, a derecognition in the Spain regional unit and efficiency gains as part of E.ON 2.0, especially in the United Kingdom and the Czech Republic. However, headcount increases in Romania within the gas business as well as the inclusion of E.ON Connecting Energies partly compensate for the decline. Headcount in Non-EU Countries fell slightly compared to the same period the year before. In the Group Management/Other segment, the derecognition of the service business Arena One as well as the employee turnover rate and terminations as part of implementing E.ON 2.0 caused a steep drop in headcount; however, this was compensated by transfers and new hires as part of the centralization of support functions.

Geographic Profile

✓ Reviewed 2013

Employees by Region¹⁾

	2013	2012	2011
Germany	23,629	31,548	35,133
United Kingdom	11,053	11,556	12,264
Romania	6,903	6,324	6,457
Hungary	4,842	5,246	5,337
Russia	5,028	5,050	4,912
Czech Republic	3,066	3,451	3,477
Sweden	3,248	3,360	3,530
Spain	1,126	1,240	1,287
Other ²⁾	3,344	4,308	6,492

1) Does not include board members/managing directors (2013: 205) or apprentices (2013: 1,534).

2) Includes Italy, France, the Netherlands, Poland, and other countries.

At year-end 2013, 38,610 employees, or 62 percent of all staff, were working outside Germany, six percent higher than the percentage at year-end 2012.

Average Length of Service

✓ Reviewed 2013

Average Length of Service¹⁾

Years	2013	+/- %	2012	2011
Generation	18.1	-3.7%	18.8	17.7
Renewables	12.7	-5.1%	13.4	15.1
Global Commodities	9.4	-0.7%	9.5	11.8
Exploration & Production	2.6	-17.4%	3.1	3.2
Germany	18.0	17.5%	15.3	17.0
Other EU Countries ²⁾	13.2	3.2%	12.8	12.0
Non-EU Countries ³⁾	8.1	-8.5%	8.9	12.2
Group Management/Other ⁴⁾	11.3	7.4%	10.5	10.6
E.ON Group	14.2	2.2%	13.9	14.2

1) Includes Board Members, Managing Directors and apprentices.

2) Includes UK, Sweden, Hungary, Czech Republic, Slovakia, Romania, Spain, Italy, Netherlands, France, SG ECT

3) Includes Russia

4) Includes E.ON SE, E.ON IT, E.ON New Build & Technology, E.ON Risk Consulting, E.ON Business Services, E.ON Facility Management

In 2013 the average E.ON Group employee had worked for us for about 14 years, almost unchanged from the prior-year figure.

Employee Turnover

✓ Reviewed 2013

The turnover rate is defined as the number of voluntary terminations relative to the average workforce figure for the respective year.

Turnover Rate¹⁾

Percentages	2013	2012	2011
Generation	1.8	2.2	2.5
Renewables	4.5	4.1	3.5
Global Commodities	4.6	3.0	2.9
Exploration & Production	8.9	12.6	7.3
Germany	1.5	3.1	2.6
Other EU Countries ²⁾	4.3	3.7	4.5
Non-EU Countries ³⁾	6.4	7.6	4.8
Group Management/Other ⁴⁾	4.8	3.2	4.4
E.ON Group	3.5	3.6	3.6

1) Includes Board Members, Managing Directors and apprentices.

2) Includes UK, Sweden, Hungary, Czech Republic, Slovakia, Romania, Spain, Italy, Netherlands, France, SG ECT

3) Includes Russia

4) Includes E.ON SE, E.ON IT, E.ON New Build & Technology, E.ON Risk Consulting, E.ON Business Services, E.ON Facility Management

Based on voluntary terminations the turnover rate averaged around 3.5 percent across our organization, a slight drop versus the prior year.

Number of Employees by Degree of Employment and Employment Contract

✓ Reviewed 2013

A total of 4,605 E.ON Group employees were on a part-time contract, of whom 3,368 or 73 percent were women. The number of employees on a part-time contract fell significantly versus the prior year (2012: 6,305 – of whom 4,490 were women); however, in view of the overall sizeable reduction in headcount, in percentage terms the drop was only small.

Percentage of Workforce with Full-Time and Non-Temporary Employment Contracts in 2013¹⁾

Percentages	Full-time	Non-temporary
Generation	96	97
Renewables	95	96
Global Commodities	93	93
Exploration & Production	97	100
Germany	92	93
Other EU Countries	91	98
Non-EU Countries ²⁾	100	96
Group Management/Other ³⁾	88	92
E.ON Group	93	96
E.ON Group 2012	92	95
E.ON Group 2011	91	95

1) Includes Board Members, Managing Directors and apprentices.

2) Includes Russia.

3) Includes E.ON SE, E.ON IT, E.ON New Build & Technology, E.ON Risk Consulting, E.ON Business Services, E.ON Facility Management.

96 percent of E.ON Group employees have a non-temporary employment contract, a slight increase from the prior year. Collective-bargaining agreements cover 82 percent of E.ON Group employees.

Involving Employees in Group Projects

Engaging our employees in dialog across hierarchies has always been a top priority at E.ON. Since 2013 we have involved employees in a broad-based, Group-wide process in developing a new company vision.

Systematically Developing Our Employees' Capabilities

URL: <http://www.eon.com/en/sustainability/social/workforce-challenge/employee-development.html>

One of our managers' most important responsibilities is to ensure that their employees receive proper training as well as support for their development throughout their career. We believe in life-long learning and conduct systematic talent management. We derive the necessary knowledge and skills from the goals and development focus points of our "cleaner & better energy" Group strategy.

Helping People Enter the World of Work

We have always placed great emphasis on vocational training. At our German locations this is proven for instance by the high proportion of trainees we subsequently hire: of the 561 students who completed their apprenticeships in 2013, we employed 522. 441 young people started their apprenticeships at E.ON this year. Furthermore, in 2013 we stated that training should more closely reflect changes in the energy industry. To enable us to make best-possible use of Group resources for training, we also intend to strengthen Group-wide collaboration.

✓ Reviewed 2013

Apprentices in Germany at Year-End

	2013	2012	2011
Generation	394	491	522
Renewables	62	65	68
Global Commodities	27	94	197
Germany	954	1,507	1,551
Group Management/Other ¹⁾	97	95	128
E.ON Group	1,534	2,252	2,466

1) Includes E.ON SE, E.ON IT, E.ON New Build & Technology, E.ON Risk Consulting, E.ON Business Services, E.ON Facility Management.

The E.ON Group had a total of 1,534 apprentices and student interns in Germany in 2013, around 32 percent fewer than in 2012. The sale of power plants, the Thüringer Energie Group, the Energy from Waste Group, the E.ON Westfalen Weser Group and E.ON Mitte AG were the reasons for the decline.

As in previous years, in 2013 we again conducted the E.ON training initiative to combat youth unemployment. Through this initiative we offered more than 850 young people in Germany prospects for the future through vocational training, internships to prepare them for training, and school projects.

Talent Management

We want to identify and deploy our high-potential employees as early and efficiently as possible. This is why we operate a systematic talent-management system. The first step is to work with senior managers at our business units to identify our current and future talent needs. Our Talent Scorecard forms the basis of this. It offers an overview of the talent situation in the units and also includes the results of our annual Management Review process, which records the performance and potential of all managers and high-potential employees across the Group. Following that, we compare the results of this analysis with the actual situation and consider ways to close any talent gaps that may exist.

Our high-potential program for engineers has enjoyed huge popularity since it was launched in 2012. Around 120 employees applied to join, of whom 16 are currently on the program. It gives participants the opportunity to gain a broad range of experience and business skills through rotations in different departments and participation in projects. Senior managers from the Engineering division oversee the program and serve as mentors. We launched a similar high-potential program in Purchasing and plan to roll it out across other specialist areas.

We also restructured our international [E.ON Graduate Program](#) in 2013. Across the Group we employed 71 graduates from around the world, including Nepal, Tanzania, Singapore, Venezuela, Ukraine and the USA. In Germany, over 40 percent of the 27 new trainees deployed there are female, with women accounting for a third of trainees in the areas of IT and engineering – a really good percentage compared to most college technical courses, where the share of women is often only around 10 to 20 percent. We continually review the success of our talent management process in terms of specific hires, HR deployment planning for projects, as well as by means of internal performance assessments.

Fostering Continual Learning

Through a broad range of programs, seminars, courses and on-the-job training we ensure that our employees keep their skills up to date and also expand their capabilities. In 2013 we expanded this offering and will offer a program of around 450 training courses from mid-2014 across the Group in addition to Health, Safety & Environment (HSE) courses.

We are increasingly offering our employees the opportunity to gain qualifications regardless of time and location through e-learning courses which are sometimes blended with face-to-face training elements. In the first step we are focusing on languages and IT, but we plan to expand this e-offering to include the acquisition of interpersonal, specialist and functional expertise.

As in the year before, in 2013 we continued to spend an average of EUR 1,047 per employee (measured in full-time equivalents) on training. We cannot provide figures on the average number of days of training received in the reporting year 2013, as we are unable to calculate them with sufficient accuracy owing to current reorganization measures.

Compensation, Performance Evaluation, Employee Participation

Attractive compensation and appealing fringe benefits are essential elements of an attractive working environment – and are understood as a matter of course at E.ON. Company contributions to employee pension plans represent an important component of an employee's compensation package and, along with our employee share-purchase program, foster employee retention.

In Germany, with our E.ON Investment Plan we established an efficient tool to help employees accumulate assets on preferential terms and with a great amount of flexibility. Our employee share scheme forms a central component of this, for which we offer a partly tax-free bonus. In 2013, 13,492 employees subscribed to 1,057,296 shares. With a subscription rate of 51 percent, this was slightly higher than the prior year (49 percent). Every E.ON SE employee also benefits from the safety net of an employer-financed group accident insurance policy which, besides work-related and commuting accidents, also covers accidents outside working hours. We also place great emphasis on [promoting the health](#) of our employees.

Our senior managers and executives receive compensation that includes variable, performance-based components such as bonuses, salary adjustments, and, in some cases, long-term incentives. Their short-term incentives depend on their personal performance and the company's performance. Personal performance assessment is based on a competency model that defines the key competencies for each job family – from Board Member to Administrative Assistant – in our company. The competency model is an important tool for identifying potential as part of the Management Review process or 360° feedback, as well as for assessing the capabilities of potential new hires and trainees.

E.ON Wins Top Employer Award

A host of [awards](#) show E.ON is an attractive employer. In 2013 E.ON was again ranked one of Germany's top employers in the latest Top Employer survey by the Corporate Research Foundation Institute. Key rating criteria include pay and social benefits, training courses, personal development opportunities and working conditions. For the first time, in 2013 E.ON also won the separate accolade of 'Top Employer for Engineers' from the Corporate Research Foundation Institute.

Diversity's Creative Potential

URL: <http://www.eon.com/en/sustainability/social/workforce-challenge/diversity.html>

Equal opportunity and diversity have long been integral to our corporate culture. We take action to promote diversity with regard to nationality, culture, age and gender. We strive to provide our people with a work environment that is free of prejudice, that motivates them to be creative and reach their potential, that ensures equal opportunity and in which people with different abilities enjoy working together. We believe that harnessing the creative potential of diverse teams of employees will enhance our competitiveness and help us implement our “cleaner & better energy” strategy.

Through our Equal Opportunity and Diversity Framework of the E.ON Group we commit to upholding the following principles across our company:

- Zero tolerance of discrimination, prejudice, or harassment
- Active promotion expansion of workforce diversity
- Equal opportunity for personal and professional development
- Equal opportunity, not homogeneity: respecting individuality
- Fostering intensive dialog to increase mutual understanding.

We have also strengthened our commitment to increasing diversity as part of further external self-commitments. Since 2008 we have been a signatory to the German government's Corporate Charter of Diversity for Germany – a public expression of our commitment to valuing and treating our employees fairly. In 2011 we were one of the initiators of the DAX 30 Declaration which commits major companies to increasing the proportion of women executives. As a signatory to the German Federal Ministry of Education and Research's MINT pact (MINT = Math, Information Technology, Natural Sciences and Technology) we are also working actively to encourage more women to choose scientific and technical careers.

From Work-Life Balance to Healthcare Offerings

Every E.ON unit has programs and initiatives to promote diversity. These include measures to help our employees maintain a healthy [work-life balance](#), targeted support for specific employee groups, and preventive healthcare offerings which respond to the needs of our aging workforce. We've also added diversity to the curriculum of our executive development programs.

Doubling the Percentage of Women Executives

Just under 29 percent of E.ON employees are women; however, as in many companies the share of women in executive positions at E.ON is still small. In 2011 the E.ON Board of Management made a commitment to raise the share of women in executive positions and agreed an extensive plan of action. Consequently, we have set ourselves the target of more than doubling the percentage of women in executive positions by 2020 compared to the 2010 level. Each business unit has its own individual objectives to achieve this which are reviewed regularly. In Germany we

want 14 percent of management jobs to be filled by women by the end of 2016. In 2013 we even managed to beat the target we set for the year of 13.8 percent for the Group as a whole despite the challenging market conditions, with women filling 14.1 percent of executive positions at Group level and around 11 percent in Germany. We also included raising the share of women executives in the performance targets of top executives, and so whether units achieve these targets will affect their executives' variable compensation.

Target	Status at Year-End 2013
We aim to more than double the percentage of women executives in the E.ON Group by 2020 and, as an intermediate target, to raise it in Germany from 9.5 percent in 2011 to 14 percent by 2016.	At year-end 2013, 14.1 percent of E.ON Group executives were women (2012: 12.9 percent), thereby beating the target of 13.8 percent set for 2013. In Germany the percentage rose from 10.1 to 11.3 percent.

When working in diverse teams the premise is taken for granted that “we achieve more if we work together”. However, given the lack of skilled labor due to demographic change we aim to focus on securing and promoting qualified women in technical areas.

Support for Women

Throughout our company we support women in a variety of ways, including mentoring programs, help finding daycare, and flexible work schedules. In 2011 we revised our Group-wide Placement Policy for management positions: at least one male and one female must be considered as potential successors for each vacant management position. In collaboration with external partners, including the Association of German Engineers and the Femtec careers center, we also encourage women to pursue careers. We are also an active member of Genderdax, an index which reviews companies regarding their suitability for female specialists and executives.

Since 2011 E.ON has held the internationally recognized “top4women” corporate seal for employers that are particularly female- and family-friendly. In 2013 we also managed to renew the “Total E-Quality” certification we first achieved in 2010 for equal-opportunity excellence in HR policies. Additionally, [E.ON UK](#) received further awards for its diversity and integration-focused recruitment process such as the ENEI Award (Employers Network for Equality & Inclusion).

To help promote the interests of women, E.ON also works internally with two European networks: IngE (in German, an abbreviation of “female engineers at E.ON”) for women in engineering and technical professions, and FinE (German abbreviation for “women in the energy business”) for female executives and potential management staff. Both networks focus on career opportunities for women in executive and technical positions, coaching, mentoring and work-life balance. In 2013 around 127 female engineers and technicians were members of IngE and more than 89 female executives and management potentials belonged to FinE.

Gender Profile

✓ Reviewed 2013

Women as a Percentage of Our Workforce¹⁾

Percentage	2013	2012	2011
Generation	12.2	11.8	12.0
Renewables	19.5	19.2	19.5
Global Commodities	31.4	34.0	27.3
Exploration & Production	33.8	34.7	34.0
Germany	28.4	30.1	30.2
Other EU Countries ²⁾	32.1	32.7	32.4
Non-EU Countries ³⁾	30.3	31.1	31.4
Group Management/Other ⁴⁾	39.1	29.6	30.9
E.ON Group	28.6	28.4	28.3

1) Includes Board Members, Managing Directors and apprentices

2) Includes UK, Sweden, Hungary, Czech Republic, Slovakia, Romania, Spain, Italy, Netherlands, France, SG ECT

3) Includes Russia

4) Includes E.ON SE, E.ON IT, E.ON New Build & Technology, E.ON Risk Consulting, E.ON Business Services, E.ON Facility Management

Women made up 28.6 percent of the E.ON Group's workforce at year-end 2013, roughly the same as at year-end 2012 (28.4 percent).

Percentage of Women Executives

✓ Reviewed 2013

Percentage of Women Executives¹⁾

Percentage	2013	2012	2011
E.ON Group	14.1	12.9	12.5

1) Includes Board Members and Managing Directors

The percentage of female E.ON Group executives rose from 12.9 percent in 2012 to 14.1 percent in 2013. Women previously made up 25 percent of the E.ON Supervisory Board but currently this figure is only 17 percent owing to a change in personnel. By the Supervisory Board elections in 2018 we aim to raise the figure to 30 percent. Following the departure of Regine Stachelhaus in 2013 we currently do not have a female Board Member.

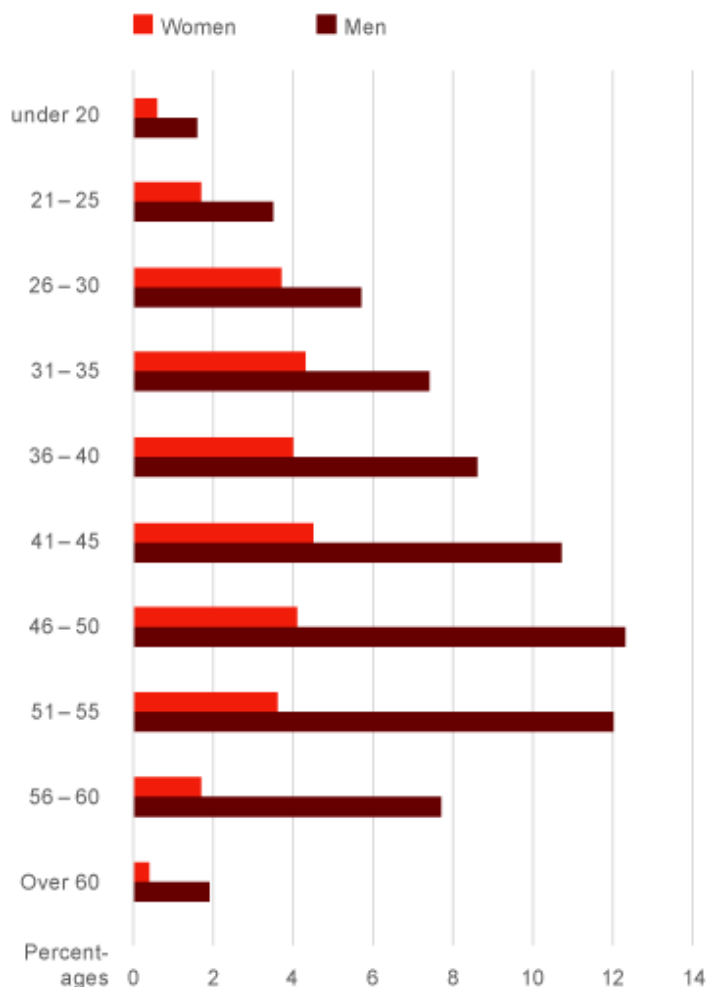
Age Profile

✓ Reviewed 2013

At year-end 2013 the average E.ON Group employee was about 43 years old, which is comparable with average ages at other DAX 30 companies. It also reflects demographic developments in Germany, where in 2013 17 percent of the labor force was under 30 years of age, 56 percent between 31 and 50, and 27 percent over 50.

E.ON is prepared for demographic change and has taken appropriate steps in the areas of [health promotion](#), recruitment and [talent management](#).

Age Profile (Total Workforce) 2013



Number of Severely Handicapped E.ON Employees in Germany

In 2013 our companies in Germany employed 1,537 people with severe mental or physical disabilities.

Number of Severely Handicapped Employees at E.ON Companies in Germany¹⁾

	2013	2012	2011
Generation	468	492	485
Renewables	98	85	115
Global Commodities	27	54	124
Exploration & Production	0	0	1
Germany	733	1,130	1,360
Group Management/Other ²⁾	211	122	127
E.ON Group	1,537	1,883	2,212

1) Does not include Board Members and Managing Directors; includes apprentices

2) Includes E.ON SE, E.ON IT, E.ON New Build & Technology, E.ON Risk Consulting, E.ON Business Services, E.ON Facility Management

The 2013 figure represents a decline of 346 employees from the 2012 figure; however, as the average number of employees declined even more sharply in the same period, the percentage of severely handicapped E.ON employees in Germany rose from 5.8 to 6.4 percent. The number of severely handicapped apprentices at E.ON companies in Germany declined from 24 at year-end 2012 to 15 at year-end 2013.

Nationalities in Our Workforce

Nationalities in Our Workforce

	2013	2012	2011
E.ON Group	103	106	108

E.ON Group employees come from more than 100 different countries and every continent except Antarctica.

Flexibility to Make Life Choices

URL: <http://www.eon.com/en/sustainability/social/workforce-challenge/life-balance.html>

To execute our strategy and at the same time meet the challenges of demographic change, we need to recruit and retain highly qualified people. We see creating a family-friendly working environment as a task for the whole of society. That is why we offer our employees programs that help them achieve a balance between their career and private lives. These include flexitime arrangements, preferential access to daycare centers and help finding homecare for family members. Our work-life offerings are naturally intended for either gender and are cross-hierarchical.

Flexitime

We offer our employees a variety of flexible working arrangements to help them maintain a healthy work-life balance. These arrangements include part-time schedules, home offices, trust-based working hours and sabbaticals. After longer periods of absence, we help our employees ease themselves back into working life.

Supporting Parents

We support the parents among our employees in a variety of ways. Those on parental leave are given the opportunity to stand in when colleagues are on vacation or sick leave, enabling them to follow developments at our company and their workplace. We also arrange for preferential access to daycare centers. We work with external service providers to help employees organize childcare at short notice. At year-end 2013 there were 925 E.ON employees on parental leave.

Our membership of a network of German companies dedicated to promoting family-friendly policies has led to us learning about a number of helpful ideas in this area. In addition, the family policies of E.ON companies in Germany are audited by the Hertie Foundation. After a three-month audit, successful companies receive a quality seal that they may bear for three years. Several E.ON companies were recertified in 2012, demonstrating that they've successfully achieved their targets and are embracing a family-friendly corporate culture. At Group level, the recertification will take place around the turn of the year 2014/2015.

The Role of Demographic Change in Making Life Choices

Demographic change means the average age of our employees and their dependents is increasing. When a family member needs care, it's often difficult to find a suitable solution. The range of care providers is rather confusing, plus insurance and legal issues need to be clarified. This is why we offer good support mechanisms through our modern, family-friendly HR policy. For instance, we work with the pme Familienservice group which offers our employees personal advice on inpatient and outpatient care, as well as providing care workers, helpers for elderly persons, and home helps. When employees themselves need temporary help, it can also provide support. In 2011 we passed a Works Agreement for the Group's corporate center in Düsseldorf which guarantees special leave in the event of a

serious illness in the family. A maximum period of six months' unpaid leave can also be granted in the form of suspended employment.



High Standards for Health and Security

URL:

<http://www.eon.com/en/sustainability/social/health-and-safety.html>

Nothing we do is so important or urgent that our people should ever work in unsafe conditions. The E.ON Health, Safety and Environment Policy Statement commits us to maintaining high safety standards and promoting our employees' health. In 2009 we signed the Luxembourg Declaration on Workplace Health Promotion in the European Union and the Düsseldorf Statement in support of the Seoul Declaration on Safety and Health at Work. We strive continually to improve the H&S culture at our company so that we do an even better job of protecting our own employees, contractor employees, visitors, and the general public. We're committed to being an H&S pacesetter in the energy industry.

Binding Group-wide Standards and Rules

Our safety culture is founded on zero tolerance for accidents. We've established binding safety standards and rules for our entire company and expect our contractors to comply with them as well. All E.ON operating units with potentially hazardous work situations – primarily those involved in network operations and power and heat generation – have occupational H&S management systems that have been certified to comply with internationally recognized standards such as OHSAS 18001. When we acquire new companies or form joint ventures, we address HSE issues as a matter of course by conducting systematic and structured due diligence to ensure that they are responsible companies. The issues we look at differ by asset type. For example, the issues that are relevant for a coal-fired power station differ from those that are relevant for a wind farm. There are a number of broader HSE issues for which we conduct due diligence regardless of asset type: approvals processes, emission figures, statements by NGOs, electrical safety.

Our health management effort focuses mainly on continually enhancing our people's awareness of the importance of health maintenance and illness prevention. We intend to make [health management](#) more systematic at E.ON units so that we can address important issues across our organization.

All of these measures are important components of an efficient and effective H&S organization and represent another facet of our "cleaner & better energy" strategy.

Fewer Injuries, More Health Maintenance

We aim to continually improve our H&S performance. As part of our [Sustainability Work Program](#), we set measurable targets for the period 2012–15 and are monitoring our progress toward them.

Targets	Status at Year-End 2013
Reduce E.ON and contractor employees' total recordable injury frequency per million hours of work (TRIF) to 3 by 2015.	<ul style="list-style-type: none"> Our combined TRIF (E.ON and contractor employees) was 2.8 in 2013. This means that we already achieved our target for 2015.
Reduce E.ON employees' lost-time injury frequency per million hours of work (LTIF) to 1 and our contractor employees' LTIF to 3 by 2015.	<ul style="list-style-type: none"> Our combined LTIF for 2013 was 2. This means that we already achieved our target for contractor employees for 2015. To achieve our LTIF target for E.ON employees, we'll continue to raise safety awareness of our employees and especially our managers and executives. We're also improving the procedural guidelines for contractor management. Regrettably, two contractor employees and two E.ON employees died while working for us in 2013.
Achieve a 50-percent participation rate in health-promotion measures for employees at risk for certain health issues by 2015.	<ul style="list-style-type: none"> We foster our employees' health in a variety of ways. Each year we define a health issue for the entire company and take action to address it. We ensure that all mandatory health screening and self-examinations are performed in accordance with local laws and regulations. We have no reliable data with which to calculate the rate at which at-risk employees participated in health-promotion measures in 2013. The situation is exacerbated by a lack of EU-wide harmonization: the definitions of at-risk employees and occupational illnesses differ by country. At the start of 2014 we asked all of our global and regional units to report to us about the current status of their health management effort, including their policies for identifying at-risk groups, their health monitoring mechanisms, and their reporting requirements under law. This survey will provide information and insights that will help us design measures to achieve our target.

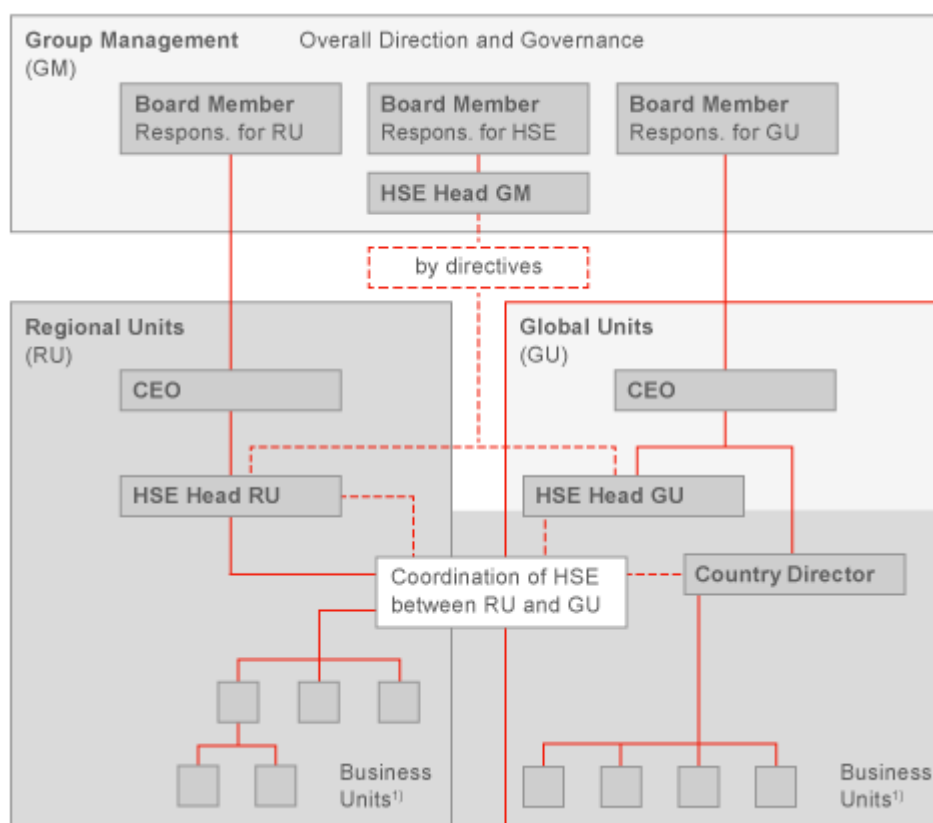
Combined TRIF is our key indicator for safety performance. The fact that we've achieved our 2015 combined TRIF target ahead of schedule will be considered as we revise our Sustainability Work Program. TRIF and LTIF are important indicators of our past performance. Going forward, however, we intend to place more emphasis on preventive, [foresightful H&S management](#), such as specific measures to prevent accidents and the incorporation of safety performance targets in executives' annual performance agreements.

HSE Focus Areas in 2013

We work to continually improve our HSE activities. In 2013 we completed the implementation of a new organizational model for the HSE department at Group Management, a process we began in 2012 as part of the changes to our company's organizational setup. In January 2014 we used our [data-gathering](#) process to begin compiling auditable data on HSE key performance indicators relating to process and facility safety. We continue to face the challenge of enhancing E.ON's HSE performance despite a reduction, measured in full-time-equivalent positions, in the size of our HSE team. We're meeting this challenge in part through [E.ON 2.0](#), E.ON's Group-wide efficiency-enhancement program.

Clearly Defined HSE Responsibilities and Organization

We combined all our global HSE oversight activities at the HSE department at Group Management. Its task is to oversee, coordinate, and continually improve these activities. Overall responsibility lies with E.ON Board of Management member Jørgen Kildahl, who is our Chief Sustainability Officer (CSO) as well as Chairman of our HSE Governance Council and our [Sustainability Governance Council](#), which was formed in 2013. A number of committees work with teams of senior HSE experts to establish HSE standards, rules, and targets for our entire company. The Board of Management at each of our units appoints an HSE Governance Council, whose mission is to enhance the unit's HSE culture. Group Management is responsible for setting minimum standards for specific HSE issues, such as contractor management, which are then implemented by the entire Group.



- Group Management activities: define overarching Group strategy, set targets, manage the HSE audit system, establish rules and standards for corporate governance
- Global unit activities: define global Unit HSE strategy, provide technological expertise, ensure that a standardized HSE management system is in place
- Regional unit activities: conduct a range of general activities on behalf of the global units include monitoring country-specific legislation and conducting audits, knowledge management, waste management, and HSE training.

If a global unit operates in a geographic area where there is no regional unit, the global unit itself is responsible for ensuring that adequate HSE resources are available. They are to provide support to their operations in such areas and to ensure that these operations are fully aware of applicable laws, regulations, and Group-wide policies and that they have a clear HSE management structure.

Incorporation of Safety Targets in Executive Performance Agreements

Our ability to achieve our HSE targets begins in the boardroom. Consequently, each year Group Management defines HSE targets for each management unit (global units, regional units, and support functions) and incorporates them into Board of Management members' performance agreements. The degree to which a unit achieves its targets affects the variable compensation component of Board of Management members' annual bonuses.

Implementation of HSE Policy

We combined two previous group policy documents (Health and Safety Management, Environmental Management) into a single policy document: Group Business Governance Policy HSE Management. It took effect in September 2013. It defines HSE management structures and processes as well as measures to protect our employees' physical and mental health and to shrink our company's [environmental footprint](#). Another HSE policy document, the Group Management Policy Health, Safety & Environment, took effect in 2013 as well. It describes the setup of the HSE organization at the E.ON Group.

Our management units must implement these policies by the summer of 2014. This includes establishing reporting pathways and an HSE management system that meets minimum requirements. We'll then conduct audits to monitor their compliance. [HSE improvement plans](#) and supplemental directives are further management tools we use to enhance occupational safety at E.ON.

Instructions for process and plant safety management have been in place across our company since 2011. The instructions establish uniform, high standards for support processes and will be gradually rolled out at our units in line with their respective risk assessment. Since 2011 we've set additional specific standards, particularly for our global units, to ensure implementation of, and compliance with, our Group-wide safety requirements. These efforts help ensure that our facilities operate without interruption and without harm to people or the environment.

Systematic Accident Prevention

URL: <http://www.eon.com/en/sustainability/social/health-and-safety/reporting-of-accidents.html>

To help us reduce the risk of future accidents, we compile data from around our company on accidents and their causes. By year-end 2013 we'd completed the rollout of Prevent!, our Group-wide incident management system, at nearly all E.ON units in Germany and at a number of units elsewhere, including Italy, Russia, and Sweden.

These units can use Prevent! to record, analyze, and disseminate to appropriate departments information about risk-related and environmental incidents as well as about injuries, near misses, and unsafe work situations affecting E.ON and contractor employees. Prevent! supports the creation of detailed accident files that include reports, analyses, photographs, sketches, and comprehensive documentation. Units use Prevent! to report serious accidents to [Group Management](#) with 24 or 72 hours according to a predetermined scale of severity. They also report [fatal injuries](#), which we strive systematically to prevent. The transparency established by Prevent! enables us to define Group-wide special focus issues to prevent serious accidents and to take rapid preventive action to address the risks we identify.

The safety of our employees is our top priority. So is that of our customers. That's why we tell them about in-home accidents involving power and gas that have occurred in their area. This issue is more prevalent at a number of our regional units, such as [Romania](#), which conduct information campaigns to raise their customers' awareness of potential hazards.

Advances in Injury Reporting

We report the frequency of total recordable and lost-time injuries for the last three years.

Reporting Near Misses

We compile data on reportable accidents and incidents and also on near misses that could've caused injuries. We recorded 24,921 near misses in 2014; 14,559 involved E.ON employees, 10,362 involved contractor employees.

In 2013 our management units put in place a reporting system for near misses. It includes the requirement that they inform Group Management about near misses that could've caused serious harm. In 2013, for example, near misses involving lifting occurred with greater frequency. We use the company intranet to disseminate information about near misses so that employees at other units can learn from them and take appropriate preventive action.

Our knowledge about near misses helps us put in place targeted preventive measures and further improve our safety performance. We systematically analyze near misses across our company as part of our effort to understand the causes of

accidents. The insights we gain from near misses may be formulated as corrective measures or targets in the units' respective [HSE improvement plans](#).

TRIF of E.ON and Contractor Employees

The key indicator for our safety performance is total recordable injury frequency (TRIF), which measures the number of fatalities, lost-time injuries, restricted-work injuries, and medical-treatment injuries per million hours of work. We've calculated TRIF for E.ON employees since 2010 and combined TRIF (which includes contractor employees) since 2011.

Combined TRIF^{1) 2)}

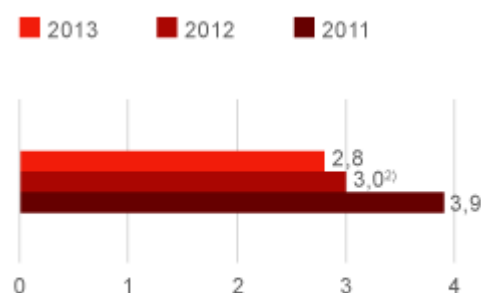
	2013
Generation	3,1
Renewables	3,8
Global Commodities	2,2
Exploration & Production	3,8
Germany	3,6
Other EU Countries	2,6
Russia	0,4
Group Management/Other ³	2,2
E.ON Group	2,8

1) Total recordable injury frequency (TRIF) - Number of fatalities, lost-time injuries, restricted-work injuries, and medical-treatment injuries per million hours of work.

2) Unlike our other sustainability reporting, our safety reporting includes companies in which E.ON holds less than a 50-percent stake but over which E.ON has operational control.

3) E.ON SE, E.ON IT, E.ON New Built & Technology, E.ON Facility Management.

TRIF E.ON Employees and Contractors¹⁾



1) Total recordable injury frequency (TRIF) - Number of fatalities, lost-time injuries, restricted-work injuries, and medical-treatment injuries per million hours of work.

2) After correcting a reporting error made by one of our units, we retroactively adjusted our combined TRIF for 2012 from 2.9 to 3.

We set the [target](#) of reducing our combined TRIF to 3 by 2015. We already achieved this target in 2012. In 2013 we further improved our performance by lowering our combined TRIF to 2.8. TRIF for E.ON employees remained at 2.6¹, the same low level recorded in 2012. Our contractors' TRIF declined from 3.4 in 2012 to 3.1 in 2013.

Nevertheless, we still see potential for improved safety performance at some units and with our contractors. Going forward, we intend to place more emphasis on prevention. In 2013 we changed how a unit's safety performance is included in its top executives' annual performance agreements. Starting in 2014 combined TRIF will have a lower weighting and will be supplemented by mandatory initiatives in the management units' individual HSE IPs designed to actively prevent illnesses and hazardous incidents.

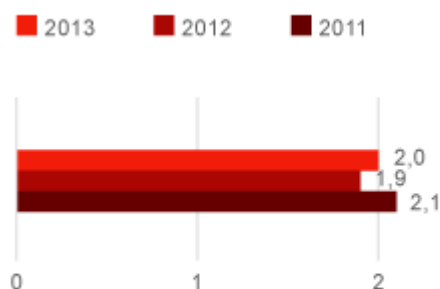
1) PricewaterhouseCoopers (PwC) verified TRIF for E.ON employees in its audit of our 2013 Sustainability Report.

E.ON Employees' LTIF

✓ Reviewed 2013

We also use lost-time injury frequency (LTIF), which measures the number of lost-time injuries per million hours of as a safety indicator. E.ON employees' LTIF rose incrementally, from 1.9 in 2012 to 2 in 2013. Although lost-time injuries declined year on year in absolute terms (from 255 to 229), so did the number of total work hours, which is why, on balance, our LTIF rose slightly.

LTIF E.ON Employees^{1) 2)}



1) Lost Time Injury Frequency (LTIF) – work-related accidents with lost time per million working hours.

2) Unlike our other sustainability reporting, our safety reporting includes companies in which E.ON holds less than a 50-percent stake but over which E.ON has operational control.

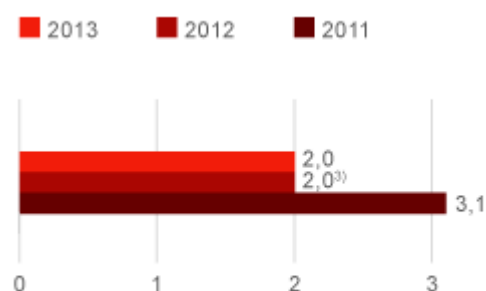
By further enhancing our safety culture we aim to reduce our LTIF to 1 by 2015. We'll focus on results-oriented measures, such as conducting safety training,

getting management more involved, and doing more to promote safety awareness. Clear rules and targets will remain indispensable to this effort.

Contractor Employees' LTIF

We expect our contractors to meet our safety standards. Combined TRIF, our key safety performance indicator, includes our contractors' safety performance. We began calculating our contractor employees' LTIF in 2009. Our 2015 LTIF target for them is 3.

LTIF Contractor Employees^{1) 2)}



1) Lost Time Injury Frequency (LTIF) – work-related accidents with lost time per million working hours.

2) Unlike our other sustainability reporting, our safety reporting includes companies in which E.ON holds less than a 50-percent stake but over which E.ON has operational control.

3) After correcting a reporting error made by one of our units, we retroactively adjusted our combined TRIF for 2012 from 2.9 to 3 and contractor employees' TRIF from 1.9 to 2.

After rising in 2011, contractor employees' LTIF declined in 2012 and stabilized at this lower level in 2013. This means that we've already achieved our 2015 LTIF target for contractor employees. Regrettably, however, two contractor employees suffered fatal injuries while working for us in 2013. We intend to conduct [structured contractor management](#) as part of our intensified effort to further improve our contractors' safety performance.

Fatal Accidents Involving E.ON and Contractor Employees

Despite our stringent safety standards, four fatal accidents involving E.ON and contractor employees occurred in 2013. In February a contractor employee suffered a fatal fall at a power-plant construction site in Russia. In April an E.ON employee died while working on electrical equipment in Romania. In June a contractor employee suffered a fatal fall from a power pylon in Sweden. In July an E.ON employee died while working on electrical equipment in Russia.

We deeply regret each one of these deaths and are therefore working hard to enhance our company's safety culture. In addition to the official investigation by government agencies, an independent team of experts conducted an investigation on behalf of Group Management to analyze the precise course of events that led to each

accident. We draw on their conclusions to design measures to prevent accidents from recurring. We work continuously to improve the quality of these investigations. The findings are typically presented by means of teleconferences attended by our HSE experts and by executives and specialists from the unit at which the accident occurred. They actively and thoroughly discuss what happened and why. This promotes the sharing of safety knowledge and insights throughout our company. If necessary, we draw on these insights to update our HSE policy documents. Our investigations in 2013 found that the primary cause of accidents was noncompliance with prescribed rules and procedures. The main purpose of our [safety campaigns](#) such as Safety F1RST! is therefore to raise awareness about these rules and procedures among E.ON and contractor employees.

Continual Monitoring and Improvement

URL: <http://www.eon.com/en/sustainability/social/health-and-safety/preventive-safety-management.html>

Detailed information about accidents and near misses enables us to determine how they happened and to conduct comprehensive risk analysis. We use these results to design specific preventive measures as well as broader, long-term approaches that will help us continually enhance our health, safety, and environment (HSE) performance. HSE improvement plans (HSE IPs) are a key management mechanism for our continual improvement effort. They set specific, measurable risk-reduction targets and prescribe process improvements that an E.ON unit must achieve within a certain time span, typically one year. We monitor progress at regular interval and, if necessary, intensify our efforts.

Our annual safety improvement plans have proven their worth since 2010. In 2013 we expanded them to encompass health and the environment. Each management unit (global units, regional units, and support functions) now receives annual improvement targets for health, safety, and the environment. In 2013 the plans required them to address two special issues: contractor management and the psychological impact on employees of changes in the workplace.

Audits

Pursuant to certification under OHSAS 18001, the HSE Governance Councils of all our global and regional units must update and implement their HSE IPs annually. We monitor this process periodically by means of audits. In 2013 we conducted audits of Fiume Santo (a coal-fired power station in Italy) and Blackburn Meadows (a biomass-fired power station in the United Kingdom) as well as at E.ON Hanse and E.DIS (a distribution system operator in Germany).

The purpose was determine whether HSE management systems for these assets and units were correct and effective. No serious systemic problems were identified, but a few areas for improvement were. These related to contractor management, construction site security, and traffic safety. A range of other audits took place at our management units in 2013: country-specific audits, monitoring and recertification audits conducted by outside firms, and internal audits conducted by the management units themselves.

Management Actively Engaged in Improving Safety

We actively involve our top managers in safety management and expect them to serve as role models. In 2009 we introduced a special training program called Leaders in Safety to raise our top managers' safety awareness, and all are required to complete it. About 400 executives and managers from all management levels participated in HSE awareness and qualification programs in 2013.

Another policy is aimed at raising top manager's safety awareness and encouraging them to play an active role in establishing preventive safety measure: top managers' their variable compensation is impacted by their unit's total recordable injury

frequency (TRIF) and, starting in 2014, by its success at implementing its HSE IP. TRIF, which includes lost-time injuries, has been the key indicator of our safety performance since 2011.

HSE Training

We actively promote the safety and [health](#) of all our employees. That's why we offer them a wide range of training and certification programs aimed at fostering safety and health in the workplace.

Global Learning, a new E.ON [Center of Competence](#), gathered data on all HSE training conducted in 2013. It then held workshops with HSE experts from outside our company to analyze the data. In 2014 we intend to compile a complete catalog of our HSE training programs, which will help us further improve both the contents and structure of our palette of training offerings. The offerings will range from company-wide programs that address broader issues to training that teaches employees how to use specific equipment, materials, and processes. [Environmental-protection](#) programs will also be available.

In 2013 selected employees from several countries participated in training sessions based on practices developed by Britain's National Examination Board in Occupational Safety and Health. In addition, 251 E.ON employees in the United Kingdom participated in H&S training sessions conducted by the Institution of Occupational Safety and Health.

We also took steps to provide qualified employees with advanced training in accident investigation. In consultation with Global Learning, in 2013 we successfully developed and deployed a range of accident investigation tools that will enable us to take a structured, targeted approach to identifying the true causes of accidents.

Involving Employees

Safety F1RST!, a Group-wide informational campaign we launched in 2011, is another important way we raise the H&S awareness of our employees and those of our contractors. It uses a variety of media (comics, videos, posters, and stickers) to communicate our three fundamental safety rules:

- **Rule No. 1: We take care of our colleagues.**
Everybody working for E.ON actively takes care of their own and the colleagues' safety.
- **Rule No. 2: We stop unsafe work.**
Everybody working for E.ON intervenes in unsafe or unhealthy situations.
- **Rule No. 3: We learn from near misses and mistakes.**
Everybody working for E.ON reports near misses and accidents and is ready to learn and improve.

As part of Safety F1RST! the entire E.ON Group observed a minute of silence in April 2013 to honor those who died in the previous twelve months while working for E.ON. Our managers support our commitment to improving occupational safety. In February 2014 they held safety hours: all-hands meetings at which they and their employees discussed safety issues and upcoming safety initiatives.

Supply Chain HSE

Contractor management continues to occupy a prominent place in E.ON's HSE strategy and programs. Two of our policy documents – The Basic Elements of HSE Performance and The Business Governance Policy for HSE – are binding for our contractors as well. In 2013 we conducted a review of all of our global and regional units' contractor-management standards to determine which might need to be improved to further enhance the safety of contractor employees. The review indicated that all units have standards in place, albeit of varying scope and stringency. We intend to revise our instructions for contractor management, thereby defining binding minimum standards for all units and to factor these standards more closely into our procurement processes.

We've already tightened the contractor selection and prequalification criteria for our entire company: in late 2013 we put in place a new [non-fuel procurement policy](#) that covers contractors. We expect all our suppliers to abide by the principles of the [UN Global Compact](#). We require our coal suppliers to conduct a self-assessment in accordance with the [Bettercoal Code](#). Our HSE executives, managers, and project leaders monitor our contractors on a regular basis by means of audits and facility inspections.

We support our contractors by providing them with opportunities for their employees to participate in training and certification programs. In some cases we make these programs mandatory. All of these policies help embed our corporate values, which include zero tolerance for accidents, along our entire value chain.

Helping Employees Live Healthier

URL: <http://www.eon.com/en/sustainability/social/health-and-safety/health-promotion.html>

A healthy work environment is one in which our employees can sit, stand, move, and see in ways that support their health. We also want them to have the opportunity to talk to their supervisor openly and objectively. From ergonomic workstations to individual health programs and noise protection, we have a wide range of measures in place to promote our employees' health. Each year we define a health issue for the entire company and take action to address it.

New Program for Promoting Health in Germany

We strive to offer broad support for our employees' health. In June 2012 the E.ON Board of Management approved the Employee Assistance Program (EAP), expanding the offerings for E.ON managers and employees in Germany. EAP is an independent consultation service to which our people can turn for individualized, confidential assistance for dealing with professional, personal, and health problems. EAP's certified care and consulting professionals will help employees deal with psychological problems (addictive behavior, stress, mental overload on or off the job) and life crises. The purpose of this service is to promote and maintain our employees' health, well-being, and performance. It's completely confidential, and our employees are the ones who decide whether to use it. EAP professionals provide specific, practical, solution-oriented, and effective advice via the web, by telephone, and in person. If appropriate, they can refer employees to specialists, therapists, and other healthcare providers.

EAP also offers our managers in Germany support in identifying and engaging with employees who are showing signs of psychological strain or substance abuse. Managers typically aren't trained to deal with employees facing these issues. In the future they'll have an EAP professional to support them.

Focus on Mental Health

Statistics show that mental-health issues are responsible for rising rates of employee absenteeism. Consequently, mental health was again a focus of H&S initiatives at many E.ON units. One main aim is to enhance managers' ability to recognize the signs of mental illness early: in themselves, their colleagues, and their employees. It's important for managers to be able to correctly interpret patterns of absenteeism and address the issue promptly.

In 2012 we developed a pilot project for promoting mental-health awareness and implemented it at the end of the year. The project was the result of close collaboration between the Health Safety & Environment (HSE) department at Group Management, E.ON health experts, and the HSE Governance Council of the E.ON unit at which it was to be conducted. Its aims are to improve employees' quality of life, to find help quickly for those who need it, to do a better job of pinpointing causes, and, if possible, to remove or mitigate them. We also want to reduce absenteeism and enable employees who have had mental-health issues to be reintegrated into the

workplace as quickly as possible. The project will be evaluated in 2013. Once approved, it will be rolled out gradually at all E.ON units in Germany.

Training Programs

E.ON has a wide variety of HSE training programs. In 2012 we began cataloging, restructuring, and harmonizing them. In 2013 we plan to hold four workshops at which outside experts will work with HSE staff to put together a more consistent palette of training offerings. They will range from company-wide programs that address broader issues to training that teaches employees how to use specific equipment, materials, and processes. Environmental-protection programs will also be available.



Community Involvement

URL:

<http://www.eon.com/en/sustainability/social/community-involvement.html>

As a company, we have certain responsibilities both for the social and the environmental effects of our business activities. With our Community Involvement (CI), our units support a sustainable development within society on the ground. This is part of how we try to earn the public's understanding and support for our business operations. We focus primarily on CI projects in which we can draw on our core competencies. For the mutual benefit of the local community and our company, we are striving for a positive relationship between business and society, which our Community Involvement is intended to foster.

Fit with Our Core Business

We want our CI to be effective and credible. That's why our strategic CI focuses mainly on issues that fit with our core business: energy and environmental education, climate protection, and access to energy. And why we support regional programs – often by means of long-standing partnerships – that address the needs of a variety of stakeholders. These programs and partnerships create opportunities for us to engage our [stakeholders in dialog](#) and benefit from their feedback to rethink and, if necessary, adjust our vision of sustainability.

Encouraging Our Employees to Get Involved

Employee involvement in charitable projects is a key element of our CI. Since 2009, we have had employee involvement programs in place in every country where we operate. E.ON Group employees logged a total of roughly 14,600 volunteer hours in 2013 – 300 hours more than 2012 – representing about EUR 367,000 in labor costs. Nearly 2,100 of our employees were active as volunteers in 2013, about 200 fewer than in 2012, due to lower employee numbers. We continue to support employees who are active as volunteers alongside their tasks in the E.ON Group.

Local Implementation

In the countries in which we are active, it's been an E.ON tradition for several years now to implement ground-breaking regional projects on energy and environmental education, adjusted to local demand and opportunities. These are aimed particularly at children between 3 and 18 years of age and/or their teachers and educators. The Group Management supports the units in an advisory function with the conception and implementations of their projects, which have often set the standard in their respective country for energy and environmental education, not least because of their high pedagogical content.

Gain an impression of the variety of local activities [here](#).

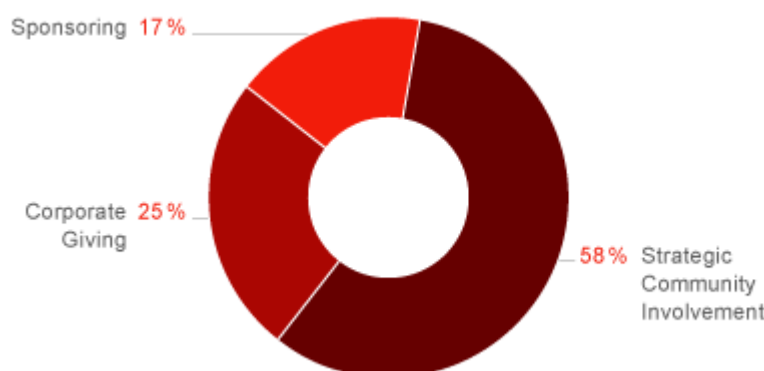
Community Investments

We have three categories of CI investments: strategic community involvement, the share of our sponsorship activities dedicated to sports and culture with charitable aspects, and pure donations without specific subject relevance.

Our corporate giving refers to our donations, which are typically monetary, to charitable and other not-for-profit organizations. Our donations are guided by the objectives defined by the World Business Council for Sustainable Development and, whenever possible, are targeted at projects relating to health, education, employment, and the environment.

✓ Reviewed 2013

Community Investments 2013 by Type



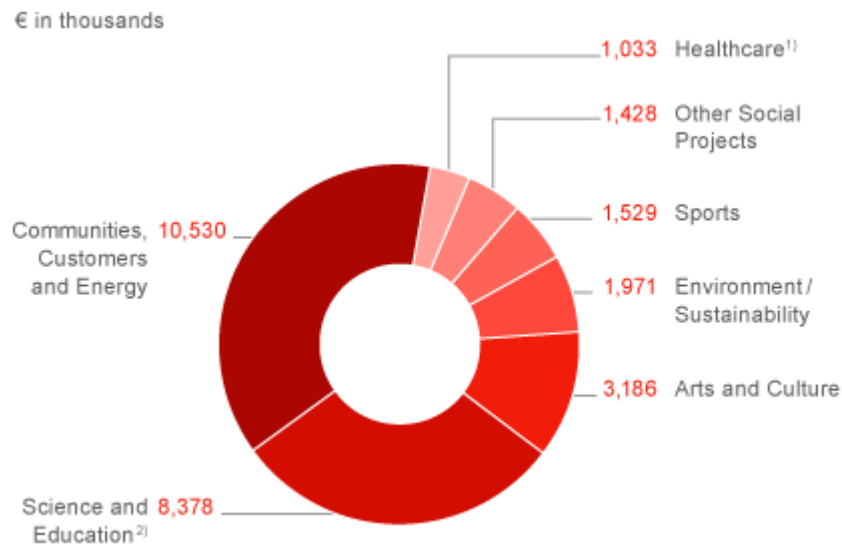
Our CI investments declined from EUR 36.4 million in 2012 to EUR 28.1 million in 2013, reflecting an absolute decline in all areas.

As with our other expenditures, we must adjust our CI investments to our lower earnings expectations, but we also intend to focus more on projects that fit with our core business. At 58 per cent our strategic CI continues to take up the largest share. However, in the last year the proportion of corporate giving increased from 20 to 25 per cent, at the expense of strategic involvement. The reason for this was the disaster relief we provided during the floods in Germany and surrounding European countries in the summer of 2013.

In order to maintain this sharper strategic focus going forward, we will assess carefully whether new requests for support are aligned with our strategic CI priorities. We will in general continue to support long-standing project partners.

We disclose our annual CI investments and assign them to seven categories:

Community Investments 2013 by Project



1) Investments in healthcare projects include disaster relief

2) Science and education includes training initiatives

The biggest share of our CI investment in 2013 went to Communities, Customers and Energy. Investments in Research & Development programs and expenditure on customer marketing are not listed here. These figures do not include our expenditures for R&D, customer marketing, or activities to comply with laws and regulations. Activities for compliance with legal requirements in the UK are counted in the total expenditure for community investments, however.

E.ONs Value Added

URL: <http://www.eon.com/en/sustainability/social/community-involvement/eons-value-added.html>

As an electricity utility company we provide an important foundation for prosperity and economic development in the markets in which we operate. The constant availability of energy is the basis for today's standard of living, from heated apartments through consumer and dietary habits to international communication and mobility. As a commercial enterprise we likewise make a significant contribution to regional value creation. By operating our plant and administration offices we add to regional economic power; at the same time we are a significant employer and a driver of innovation, for example in the area of e-mobility. As part of our sponsorship activities we support education and culture in our local communities.

It is our mission to be a partner of choice worldwide for energy solutions. To do so, we integrate the needs and desires of our [stakeholders](#) in our strategic planning, since we only can and want to create tomorrow's energy world in close cooperation with the people on the ground.

Positive contribution to communities and beyond

Our company's overall financial contribution to communities is measured by means of net value added. Taxes and duties, interest and concession levies make a significant financial contribution to communities. Wages and salaries, social security contributions and pension provision for our employees have a positive effect on purchasing power and from there on the regional economy. Many communities are also shareholders in power plants or joint municipal works. To a large extent we purchase products and services from local suppliers, for example for the construction of our facilities, for maintaining our own or rented buildings, or for operating staff canteens.

Utilization of Net Result

€ in millions	Use	2013	2012
Value added	-	10,741	9,709
Employees	Wages, salaries, benefits	4,687	5,166
Government entities	Income and other taxes ²⁾	1,804	194
Lenders	Interest payments ³⁾	1,746	1,772
Other shareholders	Minority interests' share of income from continuing operations	368	424
Net value added	-	2,135	2,152
Shareholders	Dividends ⁴⁾	1,145	2,097

1) From continuing operations.

2) Adjusted for deferred taxes; this item does not include additional government levies such as concession fees.

3) Does not include the accretion of non-current provisions; includes capitalized interest.

4) Dividends are paid out of the value added from both continuing and discontinued operations.

This calculation shows that our personnel expenses of EUR 4.7 billion represented the largest component – 44 percent – of net value added and were more than twice as high as our net income. These expenses declined by 9 percent relative to 2012 owing to disposals and our [E.ON 2.0](#) efficiency-enhancement program. For 2013 E.ON reported EUR 1.8 billion in taxes, substantially more than the EUR 0.2 billion figure for 2012. In addition, many communities received concession fees from E.ON companies.

Changes in our business model may also have negative effects on communities. For example, as part of our power plant program we are planning to close individual [plants](#). For the communities, this means a reduction in tax revenue and local value creation.

Decentralization in Europe

At the same time, communities are increasingly implementing the construction of energy plant from renewables and decentralized energy themselves, gaining a new opportunity for income. E.ON supports them as a competent partner. The expansion of renewable energy and the development of intelligent technology for controlling decentralized energy is one of our strategic focal points in Europe. This transition can only be carried out in close cooperation with the communities and the people on the ground.

Access to energy for all people

Decentralized power solutions can also make an important contribution to the development in emerging and developing countries. Access to energy continues to be on the international development agenda. It is seen as a material condition for achieving the United Nation's Millennium Development Goals; however, according to the International Energy Agency (IEA) around 1.4 billion people do not have access to electricity (source: World Energy Outlook 2010). A large proportion of them live in Africa, especially in the sparsely populated countries south of the Sahara desert. As an energy company we have a particular responsibility here – an issue that our stakeholders put forward to us in [surveys](#) and discussions.

As part of our “agile” innovations initiative, in 2013 we launched E.ON Off Grid Energy Solutions as an [inclusive business project](#) in order to give people in Africa access to energy. We intend to develop customer-oriented solutions that also work well under the special market conditions locally and remain affordable for people. Six months after the start of the project, E.ON entered into cooperation with the German Agency for International Cooperation (GIZ) to develop an initial business model and test it in the market as a first step towards implementation. Beforehand, two E.ON employees traveled to several African countries. In discussions with potential customers, locally active start-up companies and local administrations, they gained an insight into conditions in West and especially East Africa. A market pilot test in Tanzania will test a decentralized container solution – meaning off-grid plant – in combination with solar, wind and biogas plant in urban and rural regions.

By 2015 we will implement three [inclusive business projects](#) for people with little market participation and low income in emerging and developing countries in order to assess the topic as a potential business area.

The objective of our “agile” innovation initiative begun in 2013 is to make use of our employees’ creative potential to develop business ideas outside of our current operations. By the end of 2013, around 130 ideas had been submitted; ten of these were selected for further development through to market-readiness. Three projects went into operational realization in 2013, including E.ON Off Grid Energy Solutions.



Putting Customers at the Center of What We Do

URL: <http://www.eon.com/en/sustainability/governance-and-integrity/customer-orientation.html>

We do our best each and every day to improve people's lives. We put our customers and their needs at the center of everything we do. The essence of our strategy is to provide products and services that are cleaner and better than the competitions' and that add value to our customers. Our goal is to be our customers' partner of choice for energy solutions. To get there, we first need to listen to our customers and other stakeholders carefully and understand their [individual needs](#) so that we design [intelligent, custom-tailored solutions](#).

Markets and Regions

Eleven regional units manage our downstream operating business in Europe: retail sales, energy infrastructure, distributed energy solutions, and biomethane production. Through these units we supply energy products and services to residential customers provide all-inclusive service packages to small and medium-sized enterprises (SMEs). In addition, our regional units offer custom-tailored and efficient solutions to industrial and commercial (I&C) customers in other European countries. In 2013 we began building [long-term energy partnerships](#) with I&C customers in Russia. In some of European countries our regional units also work closely with the retail arms of regional and municipal utilities whose community presence is often particularly strong.

Our regional power and gas sales accounted for EUR 46 billion of our total sales in 2013 compared with slightly less than EUR 50 billion in 2012. In the residential and SME segments we had 16.9 million electricity and 7.5 gas customers in Europe at year-end 2013. Our total customer base of 24.4 million was 3.5 percent below the prior year-end figure of 25.3 million.

The Growing Business of Distributed Energy Solutions

For many applications, cogenerating power and heat (or air conditioning) at the site where they're needed is a particularly efficient and climate-friendly form of energy supply. That's why distributed energy solutions, which often involve renewables, are key technologies for the transformation of Europe's energy system. Distributed energy is also one of the fastest-growing segments of the global energy business

and is expected to account for 30 to 40 percent of new generating capacity between now and 2020.

These are the reasons why we're making distributed energy solutions a strategic focus area. Leading this effort is a new company called [E.ON Connecting Energies](#) (ECT) and a number of our regional units, particularly Germany. ECT offers end-to-end solutions encompassing energy efficiency, energy management software, and energy system services such as voltage maintenance. ECT's palette of services will enable our regional units to offer their customers market-leading solutions and build lasting customer relationships.

Energy data analytics and IT services are important tools for improving customer-side energy efficiency. In 2013 ECT expanded its market position by acquiring Matrix, the U.K. market leader for IT-based energy solutions for commercial buildings. Matrix's control center in Glasgow has datalinks to more than 31,000 customer premises worldwide, enabling it to remotely monitor and optimize their energy usage. In past projects this capability enabled customers to achieve energy savings of up to 40 percent. We intend to replicate these achievements by offering Matrix's product portfolio to all of our units' I&C customers.

Distributed Energy Business

Our regional units are playing a prominent role in expanding our distributed energy business. In Germany, for example, we installed 51 new cogeneration units and replaced seven existing units in 2013. We added a total of 18 MW of electric capacity in 2013, up from 12 MW in 2012.

Between 2012 and 2020 Germany's market for distributed generating capacity (solar, wind, cogeneration) is expected to double, and we intend to continue investing in it in the years ahead.

To assist in this effort, we have designed a competency model for the Germany's regional unit's distributed energy business. It combines key functions of our district heating companies, leverages synergies, and creates an efficient organization capable of responding swiftly to new opportunities in the marketplace.

Recognized for Superior Service

In 2013 our regional units received a number of awards for customer orientation and scored very well in surveys and rankings.

- In the United Kingdom we retained our title as the most popular energy supplier in a nationwide customer-satisfaction survey of uSwitch.
- In Spain we won an award for being the utility with the best customer care. We entered the competition, which Sotto Tempo advertising agency has held annually since 2007, for the first time after expanding our product palette and opening new customer service centers in Madrid and Barcelona.
- In May 2013 E.ON Benelux was ranked number one in the survey Top 30 Dutch Call Center by BBP Media, which included 14,400 test calls to call

centers around the country. The ranking's key criteria are customer satisfaction, customer loyalty, and brand experience.

- In Germany online comparison portals recognized E.ON in three categories: one ranked us fourth in online service; another, Check24, gave us a rating of "good" for the contractual terms (cancellation period, price guarantee for our web-only power product); and a third, eKomi, awarded us a bronze seal after conducting a survey of customers' satisfaction with our web-only products.
- In September 2013 our retail gas and power websites in Germany took third and fourth place, respectively, in a ranking of the 100 biggest power and 50 biggest gas suppliers in Germany. The ranking, conducted by Process Management Consulting, assessed suppliers' web presence, customer management, services, and information.

Regionally oriented, centrally coordinated

URL: <http://www.eon.com/en/sustainability/governance-and-integrity/customer-orientation/customer-satisfaction.html>

The employees at our frontline regional businesses interact with our customers every day and know their needs best. But a certain degree of central coordination of these businesses is important so that they can share knowledge and work together to improve their performance. Customer orientation guides how we do business in all of our markets. We listen to our customers and respond: by adjusting tariffs, introducing new products, and making our customer hotlines toll-free.

Our key performance indicator for customer satisfaction and loyalty is net promoter score (NPS). It measures our customers' willingness to recommend us to their friends. The E.ON Board of Management sets a broad target for improving NPS; the degree to which this target is met is reflected in executives' annual bonuses. In consultation with Group Management, our regional units set their own specific NPS target. Their executives report progress toward these targets to the E.ON Board of Management on a quarterly basis.

Calculating Customer Satisfaction E.ON-wide

We calculate two types of NPS:

- Bottom-up NPS measures customers' loyalty right after they've been in selected key contact situations with us, such as signing up for one of our energy products. After these situations we ask them – by telephone, in an email survey, or in person – to rate, on a scale of zero to ten, how willing they would be to recommend E.ON to their friends and to tell the reasons for the score they give us. Specialists at each regional unit analyze the responses and use them to generate ideas and recommendations for improving our customer service. We use NPS in Germany, the United Kingdom, Italy, Sweden, the Czech Republic, the Netherlands, Spain, Romania, and Hungary and thus at all of our fully consolidated retail sales operations in Europe.
- Top-down NPS measures customers' satisfaction with E.ON relative to our competitors in our various markets. We obtain it from market-research firms. We use the data they provide to calculate our competitors' NPS in the countries named above.

In late 2013 E.ON set a new overall NPS objective: to be best in class for top-down NPS by 2018. To get there, NPS targets will be set across our organization (support functions, business units, regional units) in 2014.

Serving customers better isn't just the role of our frontline retail employees. Non-customer-facing employees have a considerable influence on customer satisfaction through their role in the design of our products and services. To raise their awareness of their shared responsibility, we conduct an internal NPS program. After

making significant progress with the program in 2013, we're extending it to seven of our regional units, our Group-wide support functions (IT, finance, HR, and procurement), and locally managed support functions.

As the program continues to grow, the NPS Center of Excellence, which serves as Group-wide platform for sharing best practices, will support our units with its expertise.

Results of our NPS Program

To calculate our bottom-up NPS in 2013 we conducted more than 350,000 customers interviews. To calculate our top-down NPS and those of our competitors we analyzed the customer relationship surveys of more than 17,000 of our customers and talked to more than 46,000 of our competitors' customers. Every interaction with our customers helps us understand the keys to customer satisfaction and better evaluate our performance. In 2013 our NPS for the residential segment was ahead of the competition in one country, on a par in two countries, and behind the competition in four countries. For 2014 we expect to have comparative figures available for Romania and Hungary. Our object is to have the top NPS in all our markets by 2018.

Our market research tells us that customer satisfaction has three main drivers: good value for money, company reputation, and the quality and courtesy of direct customer contact.

Customer Dialog

Over the past several years our regional units have used NPS data to design measures to improve customer satisfaction. E.ON Sverige used customer feedback to make a number of improvements in its communications regarding outages and planned service interruptions. The changes included improving the language in customers letters, giving customers advance notice of service interruptions, and introducing new communication channels. Between 2010 and 2013 these changes helped E.ON Sverige improve its NPS by 38 percent.

We continued our extensive customer dialog in the [United Kingdom](#). E.ON UK customers can use YourSay, an online forum, to express their opinions and make suggestions. Since 2010 roughly 28,000 customers have provided feedback on 100 different issues. In 2011 we became the first U.K. energy supplier to create an independent customer council to address customers' concerns. The council convened in early 2012 and explored, for a period of 18 months, whether E.ON UK properly understands its customers' concerns and makes adjustments accordingly. In response to the council's feedback, in 2013 we reduced our bills from six pages to one, which makes them easier to understand and also conserves paper.

Understanding Our Customers Better

We get closer to our residential, SME, and industrial customers in the United Kingdom by conducting customer immersion programs for each of these segments. These programs, which we launched in 2013, consist of complaints forums, listening sessions, online chats, and other formats. They enable us to listen to our U.K. customers, better understand how they see things, and talk to them about their

experiences – both good and bad – with E.ON. The programs also give our non-customer-facing employees the opportunity to engage with our customers' needs. In early 2014 one of them was E.ON CEO Johannes Teyssen, who met with a group of 15 E.ON customers in the United Kingdom. We're rolling out customer immersion programs in other regional units in 2014, helping us to put our customers' needs at the center of what we do in each one of our markets.

We've committed our entire company to putting our customers' needs at the center of what we do. In January 2014 we launched a three-year initiative called CustomerFirst to enhance our retail capability and better respond to our customers' needs. It encompasses learning from other industries and investing in our employees' skills. One example is our focus on simplifying customers' access to information by means of digital products and services. We believe that CustomerFirst will help create real added value for our customers.

Along with NPS we record the number of customer complaints. Our customers can reach us 24/7 to make complaints via an online form.

Transparent Prices

URL <http://www.eon.com/en/sustainability/governance-and-integrity/customer-orientation/prices-and-security-of-supply.html>

We strive continually to be more competitive so that we can make the energy we supply as affordable as possible. That said, our ability to influence end-customer prices is limited. Taxes, levies, subsidies (such as price premiums for renewable power) accounted, on average, for 31 percent of residential electricity prices in the European Union in 2013 (prior to Croatia's accession in July). This represents an increase of two percentage points from 2012.

The tax-and-levy component of electricity prices varies considerably by country, from a low of 5 percent in the United Kingdom to a high of more than 50 percent in Denmark (source: Eurostat 2013). Alongside taxes and levies, residential electricity prices are influenced by fluctuations in global commodity prices. According to figures from the EU Statistical Office, electricity prices in Belgium declined by 6.6 percent between the first half of 2012 and 2013. In all other EU countries they rose by an average of 6.1 percent. A high percentage of taxes and levies goes hand in hand with higher prices. Germany's residential electricity prices are the second highest in Europe (after Denmark's). On average, German customers pay 29.2 cents for a kilowatt-hour of electricity compared with an EU27 average of 20.1 cents. Between the first half of 2012 and 2013 the average residential price for natural gas (including taxes and levies) rose by 4.6 percent to 6.6 cents.

Providing Customers with Price Security

We offer our customers a wide range of products and services so that we can respond to their individual needs, preferences, and circumstances. Depending on the market, we offer:

- price-cap and fixed-rate products that shield customers from price increases
- installment plans in which customers' energy bills stay the same throughout the year, which protects them from seasonally high bills, particularly in the winter.
- reward programs in which customers can earn rebates or credit on their bill for reducing their consumption by a certain amount
- price-tracker products that set a cap on rising prices but allow customers to benefit from declining prices.

Customers' buying decisions ultimately determine which power and gas products succeed in the marketplace. We're studying customers' willingness to choose the above options, which in some markets aren't well known. We're also testing new products on a pilot basis in selected regions. We want to find out in which areas we need to expand our palette of offerings. In addition, in some markets we offer customers courses in which they can learn ways to conserve energy and thus shrink their energy bill.

Helping Vulnerable Customers

Were committed to helping our vulnerable customers: older people, people who are physically or mentally challenged, people on low incomes, or people who require life-support medical equipment. We want to ensure that their energy supply isn't cut off, particularly in the winter, if they have difficulty paying their bill. Our assistance for low-income customers varies according to the welfare programs that are available in a particular country. Examples of this assistance include helping customers find out whether they qualify for government support schemes, partnering with other organizations to prefinance insulation measures for customers' homes and thus reduce their energy bills, and sitting down with customers to work out a payment plan that fits with their budget.

Helping Customers Protect the Climate

URL <http://www.eon.com/en/sustainability/governance-and-integrity/customer-orientation/climate-friendly-products-and-services.html>

When customers choose an energy supplier they may consider climate performance along with price. The data we gather to calculate our [carbon footprint](#) show that the emissions that result from our end-customers' power and gas usage – about 136 million metric tons of carbon dioxide in 2013 – actually exceed our own emissions. In line with our “cleaner & better energy” strategy, we strive to design efficient and climate-friendly products and services that support our customers' efforts to help protect the earth's climate.

Green Power Products

E.ON offers residential and business customers a variety of certified green power products, which respond to the public's heightened environmental awareness. The demand for them varies by country. Green power products are chosen by about 35 percent of our customers in Spain, 17 percent in Italy, but only 2 percent in Germany. The 2013 figure for all eleven of our markets was 4 percent. Altogether, we sold 14.4 TWh of green power in 2013, which represented about 5 percent of our total retail sales volume in the regions. The sales volume percentage was higher than the product percentage because some of our large-volume industrial and commercial customers choose such products. We market green gas and heating products mainly in Germany and the United Kingdom. About 0.1 percent of our customers in Europe choose them.

Encouraging Conservation

The simplest, most effective way to protect the earth's climate is to conserve energy. We offer our business and residential customers a wide variety of solutions to help them shrink their carbon footprint. In several [countries](#) (including Italy, Germany, and Spain), we offer special tariffs and reward programs that give customers a financial incentive to use less energy. In [Italy](#) we run a program called E.ON EnergiaPremiata in which customers can earn loyalty points for saving energy. They can also use an app called E.ON Energia Mobile to monitor their consumption in real time, helping them identify ways to enhance their home's energy efficiency.

Promoting Savings through Greater Transparency

We're taking a similar approach in the United Kingdom and Sweden. Together with our partner, U.S.-based Opower, we're offering our customers there an online toolkit that helps them consume less energy and save money. We believe this is also an effective way to improve [customer relations](#).

Opower's Customer Engagement Toolkit enables customers to monitor their energy usage and costs and find out how much energy similar households in their area are consuming. About 100 families of different sizes and usage patterns post their

consumption data anonymously. This makes it possible for other households to compare their consumption to the average household or the most efficient in their neighborhood. We want to help customers understand how they use energy and when they use it the most. By providing them with custom-tailored energy-saving tips, we can help them manage their energy use better. Participants can use social media like Facebook and Twitter to share their energy-saving successes with others.

About 5.2 million E.ON UK residential customers have access to the Customer Engagement Toolkit since it was introduced in October 2013. It's available to about 150,000 of our customers Sweden as part of a pilot project. If the response continues to be favorable, we'll provide it to all of our customers in Sweden and in other regions.

Eco-Friendly Electronic Bills

We offer electric billing, which conserves resources and reduces costs, in all our markets. As of year-end 2013, 13 percent of our customers chose this option, unchanged from the prior year. We intend to encourage more to do so; part of this effort will tailoring our communications more precisely. The Customer Engagement Toolkit will give us a new way to engage with our customers on this issue.

Smart Meters

Smart meters can also encourage energy-saving behavior. For example, they provide the data for our energy-efficiency product in Italy, E.ON Energia Mobile. Smart power and gas meters store customers' usage data and, with customers' prior consent, automatically transmit the data, at predetermined intervals, to E.ON. Customers can view their current usage online or on an in-home display screen at any time. Information about their usage patterns helps customers find ways to use energy more efficiently. We use the detailed consumption data provided by smart meters to manage and optimize our operations along the energy value chain.

We've completed the rollout of smart meters in Sweden and Spain. We began the rollout in the United Kingdom in 2012 and expect to equip all of our more than 8 million customers there with a smart meter by 2021. In Sweden, Spain and the United Kingdom the installation of smart meters is required by law. Just under 2 million E.ON customers had a smart meter as of year-end 2013.

Installed Smart Meters by Country

	Thousands	Year-end 2013
<i>Rollout Countries</i>		
	Sweden	1,000
	Spain	630
	Great Britain	300
<i>Pilot Countries</i>		
	Germany	26
	Hungary	10
	Romania	9
	Czech Republic	4.3
	Slovak Republic	1.5
	Total	1,980.8

Smart Homes

The German Federal Ministry of the Environment believes that smart technology will deliver tangible energy savings. The results of a series of pilot projects called “E-Energy: Smart Energy made in Germany” show that smart technology can help households reduce their consumption by up to 10 percent, businesses by up to 20 percent. We’re trying to help realize this potential in our smart energy [R&D](#) and in sustainable city projects in [Sweden](#) such as Hållbarheten apartment building and the neighborhood of Hyllie. In early 2014 we expanded our partnership with U.S.-based GreenWave Reality. This will improve our ability to offer customers secure, individually tailored solutions combining energy management and smart home infrastructure. The solutions will encompass solar-array monitoring and control, home automation, and connected lighting.

In 2012 we joined the EEBus Initiative to support the EEBus uniform communications standards for smart grids and smart home applications, which will help ensure flawless communications and data transfer between consumers and energy companies. We’re involved in design of a home automation scenario that will support the necessary technology development.

Climate-Friendly Mobility

We have a range of offerings to promote low-carbon mobility in vehicles powered by [electricity and natural gas](#). Electric vehicles (EVs) can help make mobility cleaner and less dependent on fossil fuels. Natural-gas-powered vehicles (NPVs) emit about one quarter less carbon dioxide than comparable gasoline-powered vehicles. As more regenerative biomethane is fed into the gas pipeline system, NPVs’ climate performance will improve even further. We currently operate more than 120 natural gas fueling stations in Germany and more than 60 in Sweden, of 42 are open to the public and 21 are for public transport vehicles. We also conduct trials and projects in a number of [regions](#) to raise public awareness and encourage people to embrace e-mobility. For example, in the [Czech Republic](#) we operate Central Europe’s largest fleet of Smart Fortwo electric cars.

Distributed Generation and Virtual Power Plants

Distributed energy is one of our [strategic focus areas](#) in Europe. We strive to find individually tailored solutions for residential, municipal, and commercial customers. Virtual power plants (VPPs) are integral to this effort. VPPs consist of a cluster of smaller generating units at different locations that are remotely controlled and dispatched to meet load as if they constituted a single larger unit. VPPs bring together low-carbon technologies like wind and [cogeneration](#). They can therefore help reduce carbon emissions, particularly when they replace less efficient fossil-fueled capacity to meet peakload.

In 2013 E.ON put in place a [VPP platform](#) in Germany to market the output of distributed generating units. The platform consists of IT systems, communications hardware, links to wholesale power trading floors, products, and contracts. With support from E.ON, in early 2014 Bioenergie Gellersen became the first company to use the platform to earn extra revenue by making its flexible on-site generating capacity available to the wholesale power market.

We also offer smart load management solutions in France. They help large customers with a flexible load profile reduce their energy costs and enhance grid stability. France's transmission system operator (TSO) offers remuneration to customers capable of shedding loads or shifting them to a lower-load time of day. We achieve targeted load reductions for customers and then aggregate these reductions with customers' on-site generating units to create VPPs, which the TSO can draw on if necessary to stabilize the grid.

Strategic Energy Partnerships for Commercial Customers

E.ON is forging long-term strategic partnerships to foster the growth of distributed energy. Under a partnership with METRO Cash & Carry, for example, E.ON will install technologically advanced gas-fired micro combined-heat-and-power (CHP) units at two METRO Cash & Carry hypermarkets in Germany and two in Russia. METRO Cash & Carry will operate them. The units will lower the stores' energy costs and reduce their carbon emissions by up to 20 percent. A future option would be to supplement the on-site CHP units with solar power. The first CHP unit became operational at a METRO Cash & Carry hypermarket in Düsseldorf in July 2013 after an installation period of just three months.

We're building similar partnerships with customers based in other countries as well. We're working with the Dega Group, a leading developer and operator of commercial and industrial parks in Russia, to design a long-term plan to enhance its energy efficiency by deploying on-site generating units to power and heat its assets.



Solid Foundation for Good Corporate Governance

URL: <http://www.eon.com/en/sustainability/governance-and-integrity/good-governance.html>

Companies like E.ON that operate around the world face complex societal challenges and expectations. We're expected to provide shareholders with a good return on their investment while at the same time managing our business sustainably and ensuring that our decision-making processes are transparent. Protecting the environment, meeting our social responsibilities, and avoiding conflicts of interest are very important to us. To ensure that we meet these and other sustainability standards, we've put in place effective organizational structures and established clearly defined responsibilities based on the principles of good corporate governance. In 2005 E.ON signed the United Nations Global Compact. With more than 10,000 members from 145 countries, the compact is the world's largest sustainability initiative. Becoming a signatory commits us to uphold the compact's ten principles encompassing human rights, labor and environmental protection standards, and the fight against corruption. In addition, in 2010 we were among the first companies to sign another voluntary pledge, the Code of Responsible Conduct for Business. The other signatories are also large, globally active German companies. The code underscores our unequivocal commitment to a social market economy and fair rules for global competition.

Corporate Governance System

Our corporate governance system ensures that the E.ON Supervisory Board and Board of Management work together efficiently and that our reporting practices are transparent. Our system complies, almost without exception, with the German Corporate Governance Code. This ensures that we safeguard the interests of our company and shareholders, that Board of Management decisions are as transparent as possible for our stakeholders, and that the Supervisory Board maintains its independence. E.ON AG was transformed into a European Company (Societas Europaea, or SE) on November 15, 2012. As previously (and in keeping with Germany's two-board system), the Board of Management and Supervisory Board manage and monitor the E.ON Group. The Supervisory Board was reduced from 20 to 12 members; equal representation of shareholders and employees was maintained. Its composition is international, consisting of two women and ten men from a total of four countries. The main purpose of the transformation was to make the Supervisory Board's work more efficient and effective and to achieve a broader European composition that reflects the increasing internationalization of our business.

Sustainability Embedded in Management Mechanisms

The Board of Management and Supervisory Board have executive and oversight responsibility for key sustainability issues. Both boards are updated at regular intervals about important sustainability initiatives and events as well as key performance indicators (KPIs). They also receive a Quarterly Board Report, which contains KPIs for safety, environmental protection, climate protection, and the percentage of women in senior management positions. In addition, managers from the Corporate Responsibility (CR) and Health, Safety, and Environment (HSE) departments provide information to individual Board of Management members, usually by means of reports and briefings. Between the Sustainability Management and Technology and Innovation departments there are areas of thematic overlap that we use, in projects like Innovation City Ruhr, to design sustainability-oriented products and services.

To give sustainability an even higher profile among our top executives, in 2013 we made Jørgen Kildahl – a member of the E.ON Board of Management whose areas of responsibility include international business growth, procurement, and sustainability – our Chief Sustainability Officer (CSO). In close collaboration with our senior CR and HSE leadership, he coordinates and oversees sustainability issues and periodically reports to his Board of Management colleagues on the latest developments and findings relating to sustainability management.

As CSO, Jørgen Kildahl is chairman of the [Sustainability Governance Council](#) (SGC), which we established in 2013. One of the SGC's roles is to ensure that our sustainability work program for 2012–2015 is executed and continued. In 2013 the SGC put in place an SGC Code of Conduct, which defines its purpose and objectives as well as its members' roles and responsibilities. The SGC submits a status report to the Board of Management at half-yearly intervals.

As the graphic indicates, Group Management, our global units, our regional units, and our support functions each send one representative to the SGC. This enables the SGC to address the entire range of our entities' various sustainability issues and interests and for the representatives, who function as sustainability ambassadors, to communicate the SGC's decisions and priorities to their respective entities. The SGC also addresses issues raised by our stakeholders.

Sustainability in Performance Agreements

We want everyone at E.ON, but particularly our corporate officers and senior executives, to take a proactive, foresightful approach to sustainability issues. The Supervisory Board includes E.ON's sustainability performance in the annual performance targets it sets for the Board of Management as a whole and for individual Board of Management members. Target attainment is determined on the basis of specific, measurable criteria, such as E.ON's ranking in the [Dow Jones Sustainability Index](#) (RobecoSAM). This way, qualitative and quantitative sustainability criteria can be embedded in our strategic orientation and in the management of our operating business.

The short-term incentive of Board of Management members and certain other senior executives is based on the achievement of individual and company performance

targets, including targets for sustainability. Gender-diversity and HSE targets are set for all E.ON units. HSE KPIs include lost-time injury frequency, workplace fatalities, audit results, and the implementation of preventive measures. The units' performance vis-à-vis these targets (and other targets they may have set for themselves) is factored into the variable component of their executives' annual compensation.

Voluntary Commitment to Values and Principles

URL: <http://www.eon.com/en/sustainability/governance-and-integrity/good-governance/compliance-and-prevention-of-corruption.html>

A company is in compliance when it conforms with all applicable laws and regulations. For E.ON it also means that we live up to the values and principles to which we've voluntarily committed ourselves. We've codified these values and principles in a Code of Conduct which is binding across our entire organization. The current version of the code has been in force since September 2013. In keeping with our Board of Management's commitment to zero tolerance, we ensure that all demonstrably unethical conduct or practices cease immediately and, if appropriate, that disciplinary action is taken. In addition, we support the aims of the German Corporate Governance Code and comply with all of its recommendations and nearly all of its suggestions.

Code of Conduct for all Employees at E.ON

The Code of Conduct requires our executives, managers, and employees to conform with central principles and rules for lawful and responsible behavior, especially in their interactions with business partners and public officials. In all processes, decisions, and daily activities, each E.ON employee – and in particular our executives and managers – must fully comply with the code at all times. The code encompasses:

1. interactions with business partners, third parties, and government agencies
2. the avoidance conflicts of interest
3. the handling of company information
4. the company property and resources
5. the environment and occupational health and safety

The Code of Conduct's Scope

The Code of Conduct's rules apply to all of our global and regional units, all Group companies, and all subsidiaries in which we hold a majority stake. They apply to all board members, executives, and managers and to all employees who have an E.ON employment contract, even if they have been seconded to a joint venture or a subsidiary in which we hold a minority stake. In line with our [Principles for Responsible Procurement](#), we also require that our suppliers and business partners pledge to conform with our code's rules. We also strive for the establishment of similar binding rules at companies in which we hold minority stake. At fifty-fifty joint ventures, we work with our partner to establish rules for the joint venture on the basis of our Code of Conduct.

Comprehensive Compliance Organization

The E.ON Board of Management and the Supervisory Board's Audit Committee have responsibility for the functioning of our compliance organization. The Chief Compliance Officer (CCO) reports to them on compliance issues such as antitrust law, securities law, insider-trading regulations, the Code of Conduct, fraud, and corruption. The CCO is also responsible for updating the Code of Conduct and other compliance guidelines on a regular basis. All regional and global units have a compliance officer who reports directly to the CCO at Group Management. The investigation of potential violations at our business units is conducted by, or in collaboration with, the Compliance Audits department at Group Management. The business units itself is responsible for rectifying the situation and, if appropriate, deciding what disciplinary action should be taken. An independent auditor is in the process of certifying our compliance organization for conformity with IDW PS 980, a German standard for compliance management systems.

All E.ON employees are required to familiarize themselves, and comply with, our Insider Trading Policy, Intermediary Policy, and all other E.ON Group compliance policies. The Code of Conduct is supplemented by a compliance checklist which our employees can use to determine whether proposed activities are in keeping with E.ON's principles of integrity. A violation may result in criminal or civil sanctions. Additional detailed provisions and specific instructions apply to antitrust law and hospitality.

Preventive Measures for Identifying Compliance Risks

The purpose of our compliance organization is to ensure that our company complies with our Code of Conduct and to identify and rectify any weak points related to proper ethical behavior. We develop preventive measures in cases where employees' function or location exposes them to special compliance risks.

In addition to monitoring compliance with the Code of Conduct and investigating potential violations, last year we designed and conducted a compliance risk assessment across our organization. Its purpose was the systematic early detection and evaluation of compliance risks. The audit findings were reported to, and discussed by, the E.ON Board of Management.

Compliance Reporting

Ninety-nine alleged compliance violations were reported and thoroughly investigated in the E.ON Group in 2013. Most were reported via our internal compliance system. Their gravity varied widely. Some turned out to be mistaken reports, and others represented serious violations that resulted in immediate termination and criminal investigation. On the whole, however, violations tend to be minor. But some can result in significant financial loss or harm to our reputation. Avoiding all violations is a top priority for us.

Measures to Prevent Corruption

As part of our compliance organization, we've created an expert teams in the Compliance Audits and Internal Compliance Controls departments, which are part of our Corporate Audit division, to detect and investigate fraud. They play a key role in our efforts to fight corruption and fraud.

We want our employees to alert us to potential compliance violations and, if they wish, to do so anonymously. Consequently, since 2010 we've collaborated with a law firm to maintain a Group-wide whistleblower hotline that employees can use to report potential violations. Anonymity shields the whistleblower from any potential adverse consequences. Our compliance risk assessments also give employees the opportunity to offer their opinion and draw our attention to potential violations. In addition, our Corporate Audit division periodically conducts audits to ensure that our Group-wide compliance standards are in place and being complied with in our daily operations.

By signing the [UN Global Compact](#), we committed ourselves to combating corruption. Consequently, anticorruption measures are embedded in our corporate policies. We participate in national and international Global Compact networks in countries such as Germany and Sweden, working across sectors to strengthen initiatives that will help combat corruption around the world.

We're aware that our business activities involve countries where the risk of corruption is higher. We have operations in twelve countries and suppliers in five others that score below the 60-point threshold on Transparency International's Corruption Perception Index. We generated approximately EUR 12 billion in sales, or 9.5 percent of our total sales, in these countries in 2013. Two of the purposes of the Group-wide compliance risk assessment we conducted in 2013 were to address different types of corruption risk and to initiate a number of risk-specific countermeasures.

Compliance Training

Our employees can consult the text of our Code of Conduct at any time. In 2010 we launched a special e-learning program for the code with the aim of raising employees' awareness and helping them practice compliance. The program addresses topics such as:

- lawful behavior
- interactions with business partners, third parties, and government agencies
- the avoidance conflicts of interest and corruption
- the handling of company information, property, and resources

More than 60,000 E.ON employees (all of those who have access to our company intranet) can use the program; of these, 83 percent have completed it successfully. Compliance training is mandatory for new employees. We issue brochures to employees without internet access so that they too can receive compliance training. In 2013 we revised the compliance pages of our company intranet and added downloadable policy documents and guidelines as well as FAQs and contact information. In addition, an interactive film gave employees the opportunity to refamiliarize themselves with company policies relating to gifts and hospitality. To let employees know that the tone is being set from the top, the film contained a video message from CEO Johannes Teyssen, who stressed the importance of compliance with the E.ON Group's Code of Conduct and compliance rules.

Protection of Human Rights

URL: <http://www.eon.com/en/sustainability/governance-and-integrity/good-governance/protection-of-human-rights.html>

E.ON has always respected human rights. In view of the increasing internationalization of our business, in 2005 we underscored this commitment by pledging to abide by the principles of the UN Global Compact. The pledge to respect human rights is also contained in the E.ON Board of Management's Commitment to Corporate Responsibility of 2006. Our entire company is also subject to our own Human Rights Guidelines, in which we recognize the UN Universal Declaration of Human Rights, the International Labor Organization's convention on human rights, and the principles of the UN Global Compact. The Board of Management signed the ILO convention on the company's behalf in 2008 and explicitly stated (with reference to ILO conventions 29, 105, 132, and 182, among others) E.ON's opposition to child labor. We integrate human rights issues into our [procurement processes](#) and CR audits.

Since 2011, the UN Guiding Principles on Business and Human Rights have provided companies with global standards for respecting human rights and preventing and remedying violations. We observe these principles along with our own rules and guidelines. We have designated people at our company whose responsibilities include continually updating their knowledge of global standards and implementation processes and disseminating this knowledge at our company.

Commitment Encompasses All E.ON Global and Regional Units

Our Human Rights Guidelines obligate all of our global and regional units to respect human rights. The guidelines are periodically reviewed and refined to ensure that they're properly embedded in our management practices and business processes. A Chief Responsibility Officer (CRO) serves as a contact point for human rights issues at Group Management. Our CRO is Jørgen Kildahl, who is also our Chief Responsibility Officer and the Chairman of the [Sustainability Governance Council](#).

We use the company intranet to make our employees across E.ON aware of the importance of our Commitment to Corporate Responsibility, Human Rights Guidelines, and Principles for Responsible Procurement. Being an energy company with global operations and a prominent public profile gives E.ON and all our employees a special responsibility in this area. We want each one of our employees to be aware that our actions must not only fully comply with the laws and regulations of the countries where we operate and with our own policies and rules but also that a commitment to responsibility is integral to our corporate culture. The E.ON Code of Conduct, which we revised in 2013, explains our fundamental rules for lawful and responsible conduct.

Respecting Human Rights at Our Equity Investments

Our Group-wide guidelines and standards apply to fully consolidated E.ON companies. In the case of joint ventures (JVs) over which we do not have legal control, we strive, in our own interest, for the JV to adopt E.ON standards for issues

such as [compliance](#) and to have these standards, or qualitatively similar standards, written into the JV agreement.

Mechanisms for Reporting Violations

E.ON employees can report suspected human rights violations through our Group-wide compliance organization. People outside our company can do so via customer hotlines set up by the lead E.ON company in each particular country. This company's management is responsible for deciding what action to take in view of local laws and regulations.

Integrating Human Rights Issues into Procurement

Our supply chain presents the greatest challenge in our effort to protect human rights, which also includes preventing child labor and ensuring acceptable working conditions and ethical business practices. We expect our [suppliers](#) to respect human rights and ensure fair working conditions for their employees.

The lack of industry-wide standards, however, hinders systematic monitoring. For example, we can't be certain that human and workers' rights are respected in all of the countries from which we source coal and uranium. We're aware of these risks. That's why we joined seven other leading European energy utilities to launch [Bettercoal](#), whose aim is to promote the continuous improvement of sustainability in the international coal supply chain, particularly at mines. Minimum standards for [uranium mining](#) are in the process of being approved by an international working group coordinated by the World Nuclear Association. The group includes uranium producers and consumers. E.ON is observing this process and will take these standards into account when we conduct our own mine audits.

We participate in the Sustainable Supply Chains project group run by [econsense](#), a network of German companies committed to promoting sustainable development. In 2013 the group issued guidelines to foster a better understanding of corporate sustainability in a global context. The guidelines, which represent a consensus of econsense members, are intended, in particular, to help companies that don't yet conduct systematic sustainability management to embed sustainability into their organizational structures and business processes. One of the guidelines' three thematic categories is "Social Responsibility and Human Rights," which addresses companies' responsibilities toward their employees and society in general.

Responsible Lobbying

URL: <http://www.eon.com/en/sustainability/governance-and-integrity/good-governance/responsible-lobbying.html>

Democratic countries have clear rules for participating in the legislative process. E.ON complies with applicable European laws, with the laws of the countries in which we operate, and with rules for participating in committees and public-policy working groups. We offer legislative decision-making processes the benefit of our expert knowledge and do so openly. As a large publicly listed energy company, we focus primarily on energy, environmental, and climate policy. In 2013 we participated in EU consultations and discussions on issues of strategic relevance to our company. Examples include a consultations for “Energy Regulation: A Bridge to 2025,” a position paper to be issued by the Agency for the Cooperation of Energy Regulators (ACER); for draft network codes for high-voltage, direct-current transmission developed by the European Network of Transmission System Operators for Electricity (ENTSO-E); and for the European Commission’s consultation paper on generation adequacy, capacity market mechanisms and the internal market for electricity.

Alongside these issues, relevant issues in Germany included network fees, power market design, and renewables subsidies. As part of a broad alliance of policymakers, environmental protection groups, municipal utilities, network operators, and representatives of the green energy industry, we submitted recommendations to Germany’s new federal government. They included a plan to reform the transformation of Germany’s energy system. The objective is to make energy production nearly zero-carbon by 2050. The ways to get there include requiring new wind farms and solar arrays to be more subject to market forces and revising the European Emissions Trading Scheme so that it [creates incentives](#) for investments in climate-friendly technology.

Transparent Lobbying at the EU Level

In late 2011 E.ON joined the European Union Transparency Register for organizations and self-employed individuals engaged in influencing the making and implementation of EU policy. This underscores our commitment to making our interactions with EU institutions as transparent as possible. In addition, our lobbyists have obtained accreditation from the European Parliament. We would welcome the introduction of a similar accreditation process in Germany and support efforts to bring it about.

Advocacy through Trade Associations

E.ON is active in trade associations and special-interest groups at a national and international level. Our membership in national associations gives us representation in Eurogas and Eurelectric, the European trade associations for the gas and electric industries. Johannes Teyssen was elected president of Eurelectric in June 2013. As a member of another group, the “11 CEOs Initiative,” he advocated ambitious climate-protection targets and other policies to European Commission and national governments. At a national level, we help represent the interests of the energy

industry through our membership in organizations such as the BDEW German Association of Energy and Water Industries, Swedenergy, ACUE in Romania, and Energy UK. These organizations create a forum for discussing a broad range of technology, policy, and business issues; they also advocate the members' collective position vis-à-vis standards agencies, policymakers, and the general public. In addition, we participate in general business associations, such as the Federation of German Industries (BDI) and its European umbrella organization, BUSINESSEUROPE. We also participate in cross-sector projects (such as a multi-stakeholder event organized by the IGBCE Mining Energy and Chemicals Union to promote the efficient transformation of Germany's energy system) and in regional initiatives (such as the design of a [climate-protection plan](#) by the German federal state of North Rhine-Westphalia, where our corporate headquarters are located).

Clear Rules for Communications

Our [Group Policy on Stakeholder Management](#) establishes clear rules for our participation in political decision-making processes. It sets standards for the information we convey and delineates responsibilities, processes, and mechanisms. These include rules regarding the transparent management of information and policy dialog by E.ON government affairs staff who interact with policymakers and government agencies. This policy also prohibits the release or distribution of selective information or misleading publications containing inaccurate or incomplete facts. If this happens inadvertently, we issue a correction immediately. We strive to communicate openly and consistently with our stakeholders. The above policy lays down clear rules and responsibilities for this as well.

Gift, Benefits, and Government Subsidies

Our Guidelines on Benefits state that we do not make monetary payments or grant non-cash benefits to government officials. Our employees may only accept non-cash benefits if there's no possibility of the mere appearance that the benefit is a quid pro quo for actions or behavior desired by the conferrer. Examples of benefits include gifts, invitations to events, or hospitality. The downloadable Guidelines contain further details.

We periodically conduct training sessions to sensitize our employees to these issues. If employees are uncertain about the propriety of accepting a particular benefit, they must obtain the explicit consent of an E.ON Compliance Office before doing so. We categorically do not give gifts to policymakers. We respect people's dignity and their right to form an opinion independently.

Supply Security and Reliability

URL: <http://www.eon.com/en/sustainability/governance-and-integrity/good-governance/security-of-supply.html>

We take comprehensive action to ensure that the energy we supply to our customers is secure and reliable. Our generation mix is balanced and broad, encompassing coal, natural gas, nuclear, and renewables. This means we're not dependent on a single energy source. And we invest billions of euros each year to build new power plants and energy networks and upgrade our existing ones. Reliability is at the center of our strategy. We do everything we can to prevent power and gas supply outages from happening and, in the rare instances that they do, to restore service promptly. Our aim is to ensure an uninterrupted supply of power and gas at all times.

We take our responsibility as a distribution system operator (DSO) very seriously. Our low- and intermediate-voltage power lines and our pipelines deliver power and gas to millions of end-consumers. Increasingly, power from distributed generating units and biomethane is fed into them. The transformation of Germany's energy system presents us with many challenges, particularly when it comes to integrating renewables. Our extensive operations in Germany give us the opportunity to take what we learn as we meet these challenges and apply it in other countries. Distribution grids – to which 95 percent of Germany's renewables capacity is connected – are the backbone of the energy transformation. Up to 60 percent of the electricity flowing through [E.ON's distribution grids in Germany](#) comes from renewables. And about one third of Germany's renewables capacity is connected to our grids, making them integral to the transition to a clean, green energy mix. Getting there, however, presents us with many challenges. For example, the fluctuations in wind and solar output are pushing our distribution grids to the limits of their stability.

Reliable Grid Operations

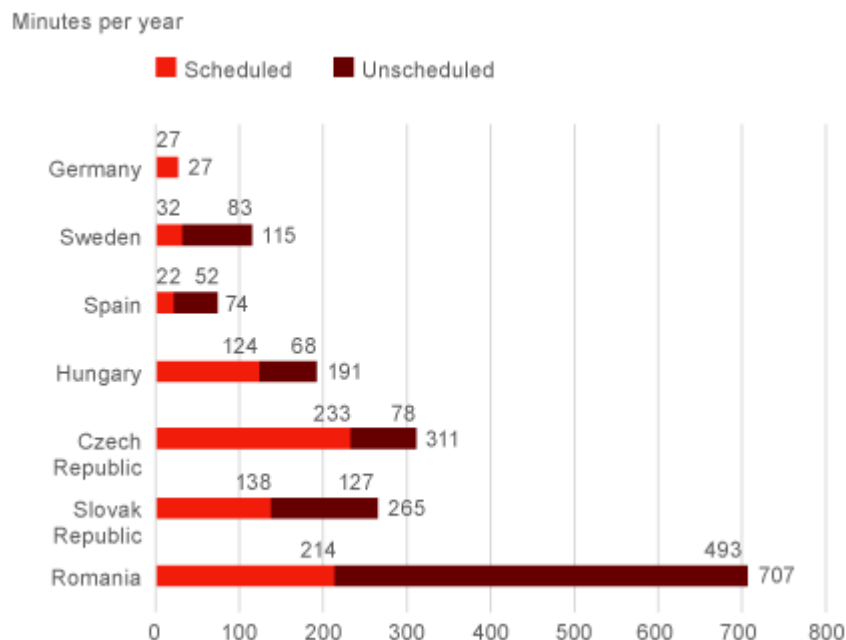
E.ON operates about 752,000 kilometers of power lines and more than 104,000 kilometers of gas pipelines. They deliver power and gas to 17 million network customers. In the countries where E.ON is a licensed DSO – Germany, Spain, Sweden, Romania, the Czech Republic, Hungary, and the Slovak Republic – nearly every home and business is connected to the energy system.

Power and Gas Distribution Systems by Country

Length in km	Power	Gas
Germany	349,000	55,000
Sweden	134,000	2,000
Spain	32,000	–
Hungary	83,000	18,000
Czech Republic	63,000	9,000
Slovak Republic	37,000	–
Romania	54,000	20,000

We measure our service quality using the system average interruption duration index (SAIDI), which indicates the average aggregate outage duration per customer per year.

SAIDI Power (average aggregate outage duration per customer 2013)



We rank among Sweden's top DSOs when it comes to restoring power swiftly and efficiently after an outage. Our customers there can even track the progress of our restoration effort using their computer, tablet, or smart phone. Among our grid operations in Europe, our distribution systems in Germany have the highest service quality, thanks to our ongoing commitment to maintenance and repair.

Role of Power Grids in Integrating Renewables

We're facilitating the integration of renewables by making our grids smarter and ensuring that they have sufficient capacity. On Germany's breezy North Sea coast, for example, we're putting up a new, higher-capacity distribution line to export the region's sharply higher wind power output to more populous areas. The project, which got under way in 2013 following a two-year permit process, involves replacing 38.5 kilometers of 110 kilovolt lines between Hemmoor and Cuxhaven. For this project we used towers that differ from standard towers in two ways: they have smaller bases (which helps protect the landscape) and are taller so that the power lines are higher off the ground (which makes them safe for the farm machinery that operates under them). The total cost of the project is about EUR 18 million.

Another important trend for us is that more and more of our [customers](#) are generating their own power, want to export it to the grid, and require a range of support services to do so. Grid operators and third-party service providers are working together to meet this challenge. The growth in self-generation could compromise the stability of our distribution grids. The regulatory agency expects us to choose the most cost-effective solution to address this issue. But at this stage it's difficult to say whether

the right solution is to build more lines or to invest in smart grid technology. We're conducting a range of R&D projects to help us understand [customer behavior](#) better and find better ways of evaluating the functionality and cost-benefit performance of new grid technologies. We also need to develop expertise in new areas – in meteorology, for example – so that we can predict when customers will use the electricity generated by their micro and mini units themselves and when they'll feed it into the grid. To benefit from the opportunities presented by temporary power surpluses and deficits, we need to develop new systems that enable the owners of embedded power plants to participate in the reserve and wholesale markets. We're meeting these challenges by [developing smart grids](#) and conducting a number of projects to enable self-generators to participate in the market for short-term balancing energy.

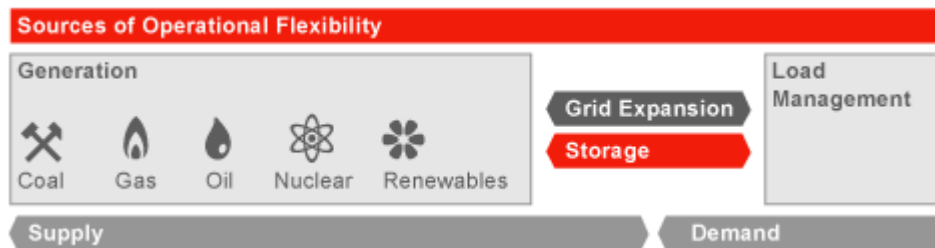
In late 2013 we introduced a balancing-energy management system that enables distributed generating units – such as cogeneration units and photovoltaic arrays – to participate in the market for short-term balancing energy. This benefits both their operators (who receive payment for making their generation capacity available for balancing) and us (who owns the balancing system). Balancing energy helps maintain grid stability by enabling grid operators to equalize unforeseen imbalances between output and consumption. Imbalances can happen when a generating unit has a fault and has to go offline. Grid operators then dispatch short-term balancing energy in order to restore the balance and maintain a reliable supply to customers.

We're also making it possible for wind and solar sources to feed in more power, resulting in a higher proportion of renewable power in some grid segments. We're doing it with voltage-regulated distribution transformers which enable us to increase the useable capacity of the low-voltage network. We began deploying this technology in fairly large numbers in 2013. Unlike typical transformers, voltage-regulated transformers can adjust the intermediate-to-low-voltage transformation ratio up or down while under load. Consequently, more renewable power can be fed into the grid without the grid's voltage rising or falling beyond the mandated tolerance range. By increasing the capacity of the existing grid, this technology will make some grid expansion unnecessary and therefore help keep costs down.

Innovation Enhances Gas System Stability

E.ON's pipeline systems encompass low-, intermediate-, and high-pressure local and regional systems that supply natural gas to end-customers, industrial customers, and downstream gas suppliers. Increasingly, we also inject [biomethane](#) into our pipelines, which both enhances supply security and shrinks our carbon footprint.

The transformation of the energy system toward more distributed, renewable energy production is creating the need for much greater operational flexibility. Energy storage devices, which balance out [fluctuations in supply and demand](#), constitute one source of flexibility. Gas-fired power plants and cogeneration plants are another. The task is to combine these elements – renewables, new [storage technologies](#), and distributed generating units – so they work together efficiently and reliably.



Power-to-gas (P2G) technology makes it possible to store wind power in the natural gas pipeline system and in gas storage facilities. In 2013 we commissioned a P2G pilot unit in [Falkenhagen](#) in eastern Germany. It uses wind power to run equipment that transforms water into hydrogen, which is then injected into the gas pipeline system. Our underground gas storage facility in Etzel, near Germany's North Sea coast, has been in operation since late 2012. It has a capacity of about 2 billion cubic meters and is used to even out demand spikes, like those during periods of extremely cold weather.

Liquefied natural gas (LNG) reduces Europe's dependence on pipeline gas by providing access to new supply sources, such as North Africa and the Middle East. This improves supply security for European consumers. E.ON owns a stake in, or has booked capacity at, five regasification terminals in Europe. Tanker ships deliver LNG to regasification terminals, where it's transformed back into gaseous natural gas, which is injected into the gas pipeline system. LNG also has potential as a vehicle fuel. Our [:agile](#) innovation initiative is currently testing the use of LNG as a fuel for trucks.

Reliable Energy Mix

E.ON has a broad and balanced [energy mix](#) and procures energy from a wide range of sources.

Our generation fleet is one of the biggest and most efficient in Europe. We have major asset positions in Germany, the United Kingdom, Sweden, Italy, Spain, France, and the Benelux countries, giving us one of the broadest geographic footprints among European power producers. At year-end 2013 we had about 61 GW of attributable generating capacity and about 63 GW of fully consolidated capacity.

E.ON takes great care to achieve the right balance between supply security, climate protection, and cost-effectiveness. We therefore continually adjust our generation portfolio in response to changes in our business and regulatory environment. Increasing the proportion of wind and solar in our energy mix reduces our carbon emissions. But this comes at the cost of greater grid fluctuation. We help balance out this fluctuation by continuing to operate conventional power plants, which are available 24/7 regardless of the weather. Nevertheless, we're closing a number of our fossil-fueled plants, mainly older, less efficient ones. Of the roughly 13 GW of conventional capacity we plan to close by 2015, about 7.4 GW was offline at the end of 2013.

We accept the accelerated phaseout of nuclear power in Germany as the majority political will. As the country transforms its energy system, nuclear power will remain in our energy mix in Germany for about a decade. By expanding our renewables

capacity and our high-efficiency conventional capacity (both large and distributed), we're doing our part to help Germany maintain a reliable, affordable, and balanced energy supply.

We procure all types of fuel from a wide range of sources so that we avoid dependence on individual suppliers and the pricing distortions this can lead to. For instance, we procure natural gas from reliable and geographically diverse sources and via a number of different supply pathways. We source [natural gas](#) by pipeline from six countries: Russia, Norway, the Netherlands, the United Kingdom, Denmark, and Germany.

Sustainability is a key aspect of our fuel procurement. Our commitment to protecting the environment and promoting better workplace conditions and human rights at coal mines led us to join with our industry peers to launch the [Bettercoal initiative](#) and to involve a number of NGOs in this process. Similarly, we procure [uranium](#) in accordance with strict rules and strive to minimize the negative environmental and social impact of uranium mining.



Responsibility for a Sustainable Supply Chain

URL: <http://www.eon.com/en/sustainability/governance-and-integrity/sustainable-procurement.html>

Our ability to procure fuel and other materials securely and price-effectively is a key success factor in our business. At the same time, we believe that as a multinational corporation we bear a significant social responsibility. This includes doing our part to ensure that our entire supply chain meets minimum environmental, social, and governance standards. We strive to establish high standards the regions where we, our suppliers, and their suppliers are active. Differences in local laws and regulations along with the absence or inadequate enforcement of standards present us with special challenges in a number of areas.

Addressing Key Challenges

We face a wide variety of challenges in our commitment to responsible procurement. Examples include:

- Hard coal. We actively support the development of industry-wide [environmental and social standards](#), which in the past have often been lacking. Some issues, such as respect for human rights and the use of certain mining techniques, are of particular relevance in individual regions.
- Natural gas. Reliable procurement pathways are important for price stability and supply security for gas customers in Europe. We use a combination of long-term and flexible supply contracts to ensure that we provide a [reliable gas supply](#).
- [Biomass](#). Biomass production must not crowd out food production or endanger biodiversity. The use of biomass should result in a significantly smaller carbon footprint relative to the use of fossil fuels. Our contracts with biomass suppliers and our [biomass-fired power plants](#) conform with these principles.
- Non-fuels. Alongside various types of fuels for our generation operations, we procure large quantities of [non-fuels](#), such as technical components and maintenance services. We optimize our non-fuel procurement by taking a consistent approach: applying uniform contractual terms and conditions and using standardized processes and systems throughout our company.

Updating Our Group-Wide Standards

We set a goal of procuring [non-fuels](#) (technical components, maintenance services, office supplies, and other goods and services) worldwide in accordance with uniform processes and standards. Building on our general procurement terms and the Responsible Procurement Policy which has been binding across our company since 2007, in 2013 we put in place the Business Governance Procurement Policy, which defines the operating principles as well as the processes and roles that govern non-fuel procurement for our entire organization.

An important way our procurement organization adds value is by choosing the right suppliers. We apply the same standards worldwide when we procure non-fuel goods and services and preapprove suppliers of all categories (the subpage contains further details). Many of our non-fuel suppliers are based in countries of the Organization for Economic Cooperation and Development (OECD). In a large majority of these countries the procurement risks for environmental and social performance are lower than in countries outside the OECD.

Regardless of where we operate, however, we intend to further improve our procurement processes and take steps to continually increase transparency about our suppliers and the markets in which we operate. Our objectives are to subject all of our suppliers to prequalification and risk assessments in accordance with uniform standards, to evaluate their performance using methods that enable us to compare suppliers across our company, and, if necessary, to provide targeted development support to individual suppliers.

On the fuel side, our [uranium suppliers](#) have contractually obligated themselves to comply with our Responsible Procurement Policy. The same applies to all of our Generation global unit's contracts with [solid biomass suppliers](#), with the exception of its operations in Sweden.

We conduct a thorough risk analysis of suppliers of hard coal, natural gas, biomass, and other fuels before we start doing business with them. The procurement of [hard coal](#) for our power stations is an area of particular scrutiny. Our aim is to achieve globally accepted and adopted sustainability standards. That's why we and a number of our European industry peers launched the [Bettercoal initiative](#) in 2010. Bettercoal is dedicated to the continuous improvement of workplace conditions and environmental performance at mines and along the entire coal supply chain.

We also develop our own environmental and social standards which reflect the results of our discussions with stakeholders as well as internationally recognized standards. For example, in November 2009 we established sustainability standards for all [biomass](#) procured by our company. Our objective is to steadily enhance our ability to influence and monitor our supply chain while at the same time minimizing risks to our reputation. As part of this process, we work with our industry peers and with stakeholders, such as non-governmental organizations, that take a critical view of us or aspects of our operations.

Enhancing Supply Chain Sustainability

In 2011 we set specific targets for systematically embedding sustainability criteria into our procurement decisions and to address stakeholder concerns and criticisms. These targets are part of our Sustainability Work Program for the period 2012-15.

Procurement Targets

Targets	Status at Year-End 2013
Manage key supplier relationships centrally and in accordance with our sustainability standards; optimize our non-fuel supplier base.	<ul style="list-style-type: none"> • In 2013 we began managing our key supplier relationships centrally in order to minimize risks, ensure consistent relations, and strengthen E.ON's bargaining position. The focus of this new function is on identifying our key suppliers and making our business dealings with them more transparent for all parts of the E.ON Group. We've already taken initial steps to improve how we manage a number of key suppliers and will expand and deepen these activities going forward. • As part of our effort to conduct global sourcing, in 2013 we identified new suppliers also outside Europe (including some based in China and India) and, after thoroughly assessing potential compliance and sustainability risks, prequalified them to participate in tenders for our operations in Europe. • We expect to enlarge the scope of our supplier assessments in 2014 and to expand and standardize the processes for supplier relationship management.
Promote the work of, and participate in, Bettercoal, an initiative to foster sustainability along the coal supply chain; expand on-site mine audits by 2015.	<ul style="list-style-type: none"> • E.ON is a founding member of Bettercoal, an initiative launched by European companies to promote continuous improvement of workplace conditions and environmental performance at coal mines and along the entire coal supply chain. The Bettercoal Code was issued in 2013. The code, the first in the industry, clearly defines Bettercoal members' expectations for their suppliers' ethical, social, and environmental performance. • The code will also serve as the basis for mine audits conducted by independent experts. A number of audits will take place in 2014. In addition, all Bettercoal members' are requiring their suppliers to conduct self-assessments in accordance with predefined criteria.

In our sustainability reporting we report annually on the degree to which we have achieved these targets. Subpages about fuel and non-fuel contain additional information about important developments and key performance indicators.

To achieve our targets, our procurement and sustainability teams work together closely on non-fuel procurement, which is conducted in accordance with our [Responsible Procurement Policy](#). With the support of sustainability as well as health, safety and environment (HSE) experts, the process owners for non-fuel procurement are responsible for ensuring compliance with our Responsible Procurement Policy.

But we don't just want to sensitize our suppliers to our Responsible Procurement Policy and to our sustainability expectations regarding their HSE health, environmental, and social performance. We also want our purchasing staff to actively engage with these issues, which is why we provide them with targeted training. In 2013, for example, we launched the E.ON Compliance Program, a training module that focuses on antitrust law. The module was successfully completed by a total of 620 E.ON purchasing agents who deal with our suppliers worldwide.

Improving the Coal Supply Chain

URL: <http://www.eon.com/en/sustainability/governance-and-integrity/sustainable-procurement/coal.html>

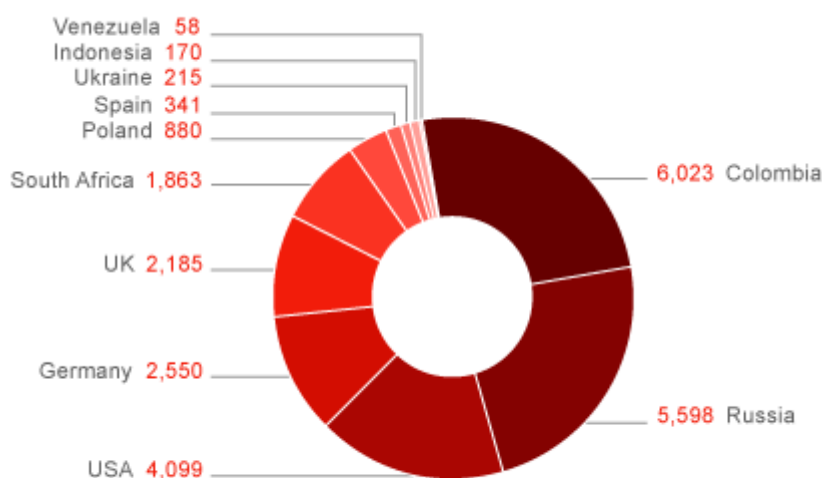
Hard coal meets more than one third of the world's electricity needs. Large, economically extractable coal reserves are located in Russia, Africa, and North and South America.

Together, Russia and Columbia provide more than 48 percent of our hard coal, making them by far our largest suppliers. Russia was for many years our main supplier. In recent years, however, that role has been taken over by Columbia, which in 2013 supplied 25 percent of our hard coal. In 2013 we procured a total of 24,000 kilotons of hard coal for power generation, a decline from the 2012 figure of 24,900 kilotons.

✓ Reviewed 2013

Hard Coal Procured for E.ON Power Stations by Source Country (2013)

t in thousands (Total: 23,982)



Industry-Wide Collaboration to Promote “Bettercoal”

The extraction of coal, which often takes place in open-pit mines, may harm the environment, pollute the air, contaminate groundwater, or adversely impact human and workers' rights. Because we're aware of these risks, we're partnering with our industry peers and non-governmental organizations (NGOs) to improve coal-mining sustainability. We joined seven other leading European power producers to launch

Bettercoal. This initiative, which now has eleven members, promotes the continuous improvement of environmental and social conditions in the international coal supply chain, particularly at mines.

Bettercoal Code to Serve as Global Standard

In the summer of 2013 the initiative reached an important milestone by issuing the Bettercoal Code. The code, the first of its kind in the coal-mining industry, was developed in a transparent consultation process involving a wide variety of stakeholders worldwide, including NGOs, unions, the energy industry, and mine operators.

The Bettercoal Code creates a globally recognized framework and defines social, environmental, and ethical standards for coal mining. It draws on international standards, including the International Labor Organization's Fundamental Principles and Rights at Work and the UN's Respect and Remedy Framework. It seeks to prevent child labor by establishing a minimum age for employees. The code is formulated as a set of specific criteria that can be used to verify compliance (a criterion for preventing child labor, for example, is that companies obtain verification of a potential employee's age prior to hiring).

To support the operational side of its work, Bettercoal has set up a Secretariat, which worked with members and external stakeholders to develop audit guidelines and to initiate on-site audits of suppliers, the first of which will be conducted in the summer of 2014. The audits will be conducted by independent, certified third-party auditors who will inspect a supplier's operations and conduct interviews. Mines that don't conform with the code will receive targets for improving their processes and conditions. In parallel Bettercoal will compile a database of audit results. Members will therefore have access to reliable data about mines' ethical, governance, environmental, and social performance, data that they can use to conduct risk management and guide their procurement decisions.

Bettercoal plans to reach another important milestone in 2014 by issuing the questionnaire with which suppliers conduct self-assessments. After a database of members' supplier contacts is compiled, suppliers will begin completing the questionnaires.

Mountaintop Removal

Mountaintop removal (MTR) is a controversial type of mining that results in substantial topographical alteration. MTR is used particularly in the United States, one of our biggest supplier countries for hard coal. Coal seams in some mountainous regions are accessed by first removing the summit that covers them. Explosives are used to loosen rock and earth, which is then typically dumped into a nearby valley. Although we're aware that U.S. federal and state environmental standards are high, we're determining whether we believe MTR is environmentally responsible. The E.ON Sustainability Governance Council will address MTR in 2014.

Procuring Gas from a Variety of Sources

URL: <http://www.eon.com/en/sustainability/governance-and-integrity/sustainable-procurement/natural-gas.html>

We provide our customers with a reliable supply of gas. We ensure this supply with a combination of long-term and flexible procurement contracts, gas storage facilities, and supplies that we source from liquefied natural gas (LNG).

Natural gas will make a significant contribution to the success of the transformation of Europe's energy system. It supplements renewables as an efficient, climate-friendly and consistently secure source of energy. E.ON is a founding member of a German association called Zukunft ERDGAS (The Future of Natural Gas). Through this and other partnerships, E.ON will continue to promote the use of natural gas.

✓ Reviewed 2013

We procured and traded 1,200 billion kilowatt-hours of natural gas in 2013. This figure includes the purely trading activities of E.ON Global Commodities as well as the physical purchase and sale of gas by our gas subsidiaries in Germany and other EU countries (see the 2013 E.ON Annual Report, page 32). Russia, Norway, the United Kingdom, Germany, and the Netherlands were our key supplier countries.

Expanding Our Gas Production in the North Sea

Our Exploration & Production (E&P) global unit is separate from our wholesale gas business and is responsible for our gas and oil E&P operations worldwide. It plays an important role in developing new sources of energy for the future. Its gas E&P operations focus on the U.K. and Norwegian North Sea, North Africa, and Russia. It also provides support to our business activities in Brazil. In recent years our E&P unit has further expanded its scope, both in terms of production licenses and as an operator of oil and gas fields.

Gas production at our North Sea fields rose from 615 million cubic meters in 2012 to 1,465 million cubic meters in 2013 owing to the start of production at Huntington (an oil and gas field in U.K. waters) and Skarv (a gas condensate and oil field in Norwegian waters). Our stake in Yuzhno Russkoye gas field in Russia represented our biggest source of gas production in 2013.

Sourcing Gas Globally: LNG

Over the past several years, the dynamic global LNG market has become another source of gas. We plan to continue expanding our LNG activities. We've booked E.ON regasification capacity at LNG terminals in the United Kingdom, the

Netherlands, and Spain. Ships unload sub-zero LNG at the terminals where it is heated to a gaseous state and piped into the gas transport system. LNG is traded globally and can be procured under long-term contracts or as spot cargos.

Offshore Livorno Toscana (OLT) terminal entered service in Italy in 2013. OLT is operated by E.ON and Italian company IREN. Both partners hold roughly 47-percent stakes. With our own regasification capacity and that which we've booked, we're able to use LNG to supply gas to many European markets, thereby helping to ensure Europe's supply security.

We seek to procure LNG mainly by means of long-term contracts and are engaged in ongoing negotiations with producers for this purpose. In 2013 we also purchased a number of spot cargos, some of which were used for the start of operations at OLT.

Nord Stream's High Environmental Standards

We're also active in gas infrastructure. We have a 15.5-percent stake in Nord Stream, a consortium that built and operates a pipeline to transport gas across the Baltic Sea from Russia to Germany. Nord Stream is a tandem pipeline, the first of which entered service in 2011, the second in 2012. Each of the two pipelines has an annual transport capacity of 27.5 billion cubic meters. The construction of the Nord Stream pipelines met stringent international environmental and safety standards. The transport of gas conforms with internationally recognized standards as well as those of the operator and its shareholders. Nord Stream commissioned the largest-ever environmental study of the Baltic Sea and has invested more than EUR 100 million to assess and minimize the project's environmental impact. Independent experts have continued to study Nord Stream's environmental impact since the first pipeline became operational. These studies have shown that the impact is significantly below the thresholds stipulated in the construction permit.

Strict Rules for Uranium Procurement

URL: <http://www.eon.com/en/sustainability/governance-and-integrity/sustainable-procurement/uranium.html>

The largest uranium reserves are in politically stable countries like Canada and Australia. Natural uranium can be easily and safely stored since, compared with coal, only relatively small amounts are required for power generation. In 2013 deliveries from Kazakhstan and Canada met 41 percent and 21 percent, respectively, of our needs for natural uranium. We also sourced uranium from Russia, Australia, the United States, and Namibia. The uranium was enriched in Europe and, to a much smaller degree, in Russia. We also have our own stock of natural uranium, one third of which was procured from Canada.

In 2013 we sourced a total of roughly 930 metric tons of natural uranium for our nuclear power plants (NPPs) in Germany and Sweden (2012: 1,450 metric tons).

Proactive Response to Procurement Challenges

Owing to the German federal government's decision to shut down all of the country's NPPs by 2022, our uranium requirements for our NPPs in Germany will decline steadily going forward. To refuel them during their remaining operating lives, we'll draw on our available stock of uranium. Any new supply contracts will only be concluded with suppliers that have already been audited or with new suppliers that meet the requirements of our Responsible Procurement Policy.

At E.ON, we strive to minimize the adverse environmental and social impact of uranium mining. We take a foresightful approach to potential problems. We require that our suppliers along the uranium value chain (mining, conversion, enrichment) comply with our Responsible Procurement Policy. To minimize risks, we source uranium only from established suppliers that generally produce in politically stable countries. To our knowledge none of them violates applicable laws or regulations. If this was to change, we would no longer use the supplier in question.

Minimum standards for uranium mining are in the process of being approved by an international working group coordinated by the World Nuclear Association (WNA). The group includes uranium producers and consumers. Mine operators have spent several years developing protocols for evaluating issues such as health, safety, and environment (HSE) and management systems. The WNA working group put together a questionnaire that establishes metrics for uranium producers' HSE and social performance. The questionnaire has been reviewed by a number of European power producers. E.ON is observing this process and will take these standards into account in future mine audits.

Assessing Allegations against Suppliers

Media reports can result in greater scrutiny of supply processes or individual suppliers. If allegations are made against about one of our suppliers, we demand that the supplier respond to the allegations without delay. If the supplier confirms the allegations, we assess its plans for corrective action. If it has no such plans, we

demand that it develop them. If the situation remains unresolved, we would consider suspending our relationship with the supplier. However, this case has not yet arisen. We've held initial talks with the WNA and with other European power producers about possibly working together on sustainability audits.

We're currently reconfiguring our processes and roles for assessing uranium suppliers. Consequently, we did not conduct uranium mine or processing facility audits in 2013. However, we are exploring collaborative arrangements for assessing suppliers with other European power producers.

In addition, our NPP operators in Sweden (E.ON Sverige, OKG) and Germany (E.ON Kernkraft) are developing a Nuclear Fuel Policy. The policy will establish rules and procedures for selecting and assessing uranium supplies in line with our Responsible Procurement Policy.

Sustainability Criteria for Biomass

URL: <http://www.eon.com/en/sustainability/governance-and-integrity/sustainable-procurement/biomass.html>

Biomass is becoming an increasingly important renewable energy source. It plays a significant role in the EU's long-term energy strategy. Compared with intermittent renewables like wind and solar, biomass has the advantage of being available 24/7 to meet demand. The combustion or decomposition of biomass releases only the carbon that was stored during its growth phase. This carbon is then recaptured by new growth, resulting a largely climate-neutral lifecycle. It is crucial, however, that biomass production be sustainable. It must not, for example, crowd out food production or endanger biodiversity. Most of E.ON's biomass activities involve solid biomass like wood pellets and wood chips. It is important that their production in keeping with sustainable forest management.

E.ON procures biomass in conformance with a Group-wide Biomass Policy that has been in place since 2009. This policy serves as the basis for all contracts with biomass suppliers. Conformance with sustainability standards is at the core of all our biomass projects and is often a prerequisite to qualify for government subsidies.

E.ON is aware of the public debate about biomass issues and actively participates in it on a national and international level. In 2013 we helped sponsor the Savannah Sustainability Workshop to promote dialog on sustainability standards for the trans-Atlantic trade in wood for energy. Our participation in this dialog included giving a presentation at a panel discussion.

Developing Uniform Standards

The development and implementation of binding uniform standards for the use of solid biomass in energy production are important for garnering public support as well as for creating a functioning European wholesale biomass market. The European Commission has not defined binding standards for biomass, and the national standards that exist vary by country.

To help develop uniform sustainability standards for biomass procurement, we participate in the Sustainability Biomass Partnership (SBP, formerly known as the Initiative Wood Pellet Buyers), which brings together European energy producers, pellet producers, inspection organizations, and other stakeholders.

In 2013 the SBP focused on interpreting and combining existing legal requirements into a robust certification system. It also defined draft universal standards that pellet producers and suppliers must meet in order to obtain certification.

In first half of 2014 the draft standards will be reviewed by outside experts and trialed in pilot projects. The next step is to introduce the standards in the market, which will include audits and certification of producers and suppliers by independent organizations.

Using Biomass to Reduce Carbon Intensity

Our use of biomass primarily involves certain operations in Sweden and the co-firing of biomass at a number of our coal-fired power stations across Europe. We also operate Steven's Croft, the largest dedicated biomass-fired power station in Scotland. It produces enough electricity to supply about 70,000 households. Compared with a similarly sized fossil-fueled facility, Steven's Croft displaces up to 140,000 metric tons of carbon dioxide annually. Another dedicated biomass-fired power station, Blackburn Meadows near Sheffield, is under construction.

Replacing Coal with Biomass

In view of the comparatively poor climate performance of coal-fired power stations, we've begun conducting trials to convert some of ours to burn biomass only. Among them is Ironbridge power station in the United Kingdom, which was converted to biomass in 2013 and will operate as a test bed until the end of its operating life in 2015. We also plan to convert Provence 4 in France to biomass.

In conjunction with the conversion at Ironbridge, we have held informal discussions with non-governmental organizations in the United Kingdom that have concerns about the project. These discussions enabled us to gain valuable insights into the constructive involvement of outside stakeholders and the importance of open dialog. We will draw on these insights in other conversion projects so that we can further improve our stakeholder dialog.

Transparent Supplier Selection Processes

URL: <http://www.eon.com/en/sustainability/governance-and-integrity/sustainable-procurement/non-fuels.html>

Building on our general procurement terms and the Responsible Procurement Policy, which has been binding across our company since 2007, in 2013 we put in place the Business Governance Procurement Policy, which defines the operating principles as well as the processes and roles that govern non-fuel procurement for our entire organization in accordance with sustainability criteria. This include health, safety, and environment (HSE) criteria. If necessary, we consult E.ON's HSE experts. The appendix to the policy defines the minimum requirements for identifying and assessing HSE and other sustainability risks associated with the procurement of goods and services.

We strive for our relationships with suppliers to be partnerships. Supplier relationship management has four main components:

- Prequalification
- Risk assessment
- Supplier evaluation
- Supplier development.

New suppliers with whom we contract to do at least EUR 100,000 of business or who perform services of at least this value at our premises are subject to prequalification. Its purpose is to determine, among other things, whether they meet our sustainability requirements. We use prequalification action plans consisting of targets and initiatives for our suppliers' environmental and social performance. If appropriate, we, or third parties we contract, conduct on-site audits of suppliers' production or manufacturing facilities. Prequalified suppliers who move all or much of their production to new facilities are subject reauditing.

For prequalified suppliers with whom we do more than EUR 5 million of business annually we conduct a risk assessment focusing on four areas: finance, market, performance, and corporate responsibility/compliance. The assessment, which we repeat every two years, gives us a comprehensive overview of each supplier's performance in these areas.

By concluding a contract with E.ON, all non-fuel suppliers obligate themselves to comply with our Responsible Procurement Policy, which is binding for our entire company. It's based on the principles of the United Nations Global Compact and are part of our standard terms and conditions of purchase. It requires our suppliers to fulfill sustainability criteria such as ensuring appropriate working conditions, conforming with ethical business practices, protecting the environment, and respecting human rights.

We conduct a post-delivery performance evaluation of suppliers for all contracts above EUR 0.5 million. In consultation with other departments, we may conduct such

evaluations on other contracts as well. Evaluating suppliers after they've performing their services helps us accurately assess the quality of the procurement processes and improve them where necessary.

We support our suppliers in their efforts to improve and develop their processes. Based on our evaluations and the audit results, we work with our suppliers to identify areas for improvement and agree on corrective measures and a timeline for their implementation. If suppliers are uncooperative, we may decide to end our business relationship with them.

One purpose of supplier relation management is to identify procurement risks early and to design countermeasures. In 2013 we did not identify any risks that would necessitate us severing our business relationship with a supplier. This demonstrates that we promote a long-term, sustainable relationship with our suppliers and work closely with them to improve the quality of their products and services.



Our Contact Persons

URL: <http://www.eon.com/en/sustainability/contact.html>

Your contacts responsible for sustainability at Group level are detailed below. They will be happy to answer any questions you may have about sustainability at E.ON.



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