E.ON Sustainability Report 2014

May, 4 2015

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 beginning of May 2015 is the Group's eleventh successive report. It covers the period from January 1st to December 31, 2014, and is available in German and English. The copy deadline for submitting established content relevant to the report was March 31, 2015. The next Sustainability Report will be published in the second quarter of 2016. The chapters "Strategy & Management", "Environment", "Social", "Governance and Integrity", "ESG facts & figures" as well as "Reporting profile" form the core of our 2014 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 audit company PricewaterhouseCoopers AG audit company (PwC) carried out a limited assurance engagement on substantial parts of the 2014 Sustainability Report using criteria as per the ISAE 3000 (International Standard on Assurance Engagements) of the International Federation of Accountants.

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Foreword to the 2014 E.ON Sustainability Report

Johannes Teyssen (Chairman of the E.ON Board of Management and Chief Executive Officer) and Jørgen Kildahl (member of the E.ON Board of Management and Chief Sustainability Officer).

Thank you for your interest in E.ON and our Sustainability Report. Those of you who have followed us in recent years know the challenges we face, the progress we've made, and the areas where we need to do better. Our efforts have benefited from our stakeholders' many valuable suggestions. We'd like to take this opportunity to express our gratitude. Open and honest dialog is very important to us.

Two companies promoting a sustainable energy supply

This year your most pressing question is probably what the new corporate strategy we announced in December 2014 means from a sustainability perspective. This strategy – "Empowering customers. Shaping markets." – represents our systematic response to the fundamentally altered energy landscape. Going forward, E.ON will focus on what we believe are the main building blocks of the new energy world: renewables, energy networks, and customer solutions. In 2016 we intend to combine our businesses in the conventional energy world – conventional power generation, global energy trading, and exploration and production – into a new, independent, publicly listed company. Uniper will play an important role in ensuring supply security during the transformation of the energy system. It will also strive to be a pacesetter in reshaping conventional energy markets and leading possible market consolidations.

Sustainability Work Program

Our unequivocal commitment to sustainability will live on at the future E.ON and Uniper. Both companies will continue to uphold the principles of the United Nations Global Compact. Our Work Program contains our sustainability targets and is being revised in light of our new strategy. The new program, which takes effect in 2016, will align our sustainability efforts with the changes in our organizational setup.

Intelligent innovations for renewables

Sustainability is an indispensable aspect of the future E.ON's corporate identity. This company will do everything it can – like accelerating renewables growth to enhance climate protection and making grids smarter – to promote the transformation of the energy system. Smart grids are a necessary foundation for a power supply based increasingly on renewables. Distributed energy solutions will enable our customers to do their part to move toward a low-carbon future.

Commitment to responsibility

Uniper will be the home for several of our businesses that are particularly sensitive from a sustainability perspective. Among them are the global sourcing of coal and coal-fired power generation.

The global sourcing of coal brings with it a responsibility for the working and living conditions of coal-mine employees and for the environment in surrounding areas. We continue to believe that the industry-wide Bettercoal initiative offers us the greatest influence over producers. The biggest challenge of coal-fired power generation is the resulting greenhouse-gas emissions. We see it as our obligation to systematically reduce these emissions. In October 2014 the European Council made a landmark decision by approving the target of reducing GHG emissions by 40 percent by 2030 relative to a 1990 baseline. We agree with the EU that this target can only be reached if the EU Emissions Trading Scheme is revitalized so that it can serve as the overarching mechanism of European climate policy. We therefore welcome the decision by the European Commission and the European Parliament to support the price of carbon by reducing the number of emission allowances in circulation.

Uniper will also be responsible for our nuclear generation fleet. It will manage the provisions for asset-retirement obligations and the final storage of radioactive waste and dismantle our nuclear power stations.

Opportunities for more sustainable business processes

The interest in E.ON's future is doubtless justified. Nevertheless, the main purpose of this report is to describe what we achieved in 2014 and where we still need to improve. The Sustainability Governance Council, which we founded in 2013, continued to embed sustainability in business processes across our company. Amrumbank West offshore wind farm and several other projects to expand our renewables capacity moved forward on schedule and achieved important milestones. We received a number of sustainability awards. For example, we were named Corporate Investor of the Year for our strategic co-investments in startups that develop and market technologies that are particularly friendly to the environment and the earth's climate. We regret, however, that we did not return to the Dow Jones Sustainability Indices Europe and World.

This foreword only touches some of the sustainability issues that are important to us. The report will provide you with more information about them and about other issues. We encourage you to read it carefully and critically. And to tell us what you like – or don't like – about our efforts. We look forward to hearing what you think.

Best wishes,
Johannes Teyssen & Jørgen Kildahl

Content page: Our approach
URL: http://www.eon.com/en/sustainability/strategy-and-management/our-approach.html

New answers to new challenges

The energy industry is going through a period of profound change. Stricter regulation, keener competition, and interventionist policies – such as those to promote the growth of renewables in Germany and Europe – are presenting most 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. Our new corporate strategy will help us get there.

This section of our report explains what role our sustainability value drivers, stakeholder management, and our Sustainability Work Program play in this process.

Content page: Our strategic focus
URL: http://www.eon.com/en/sustainability/strategy-and-management/our-approach/our-strategic-focus.html

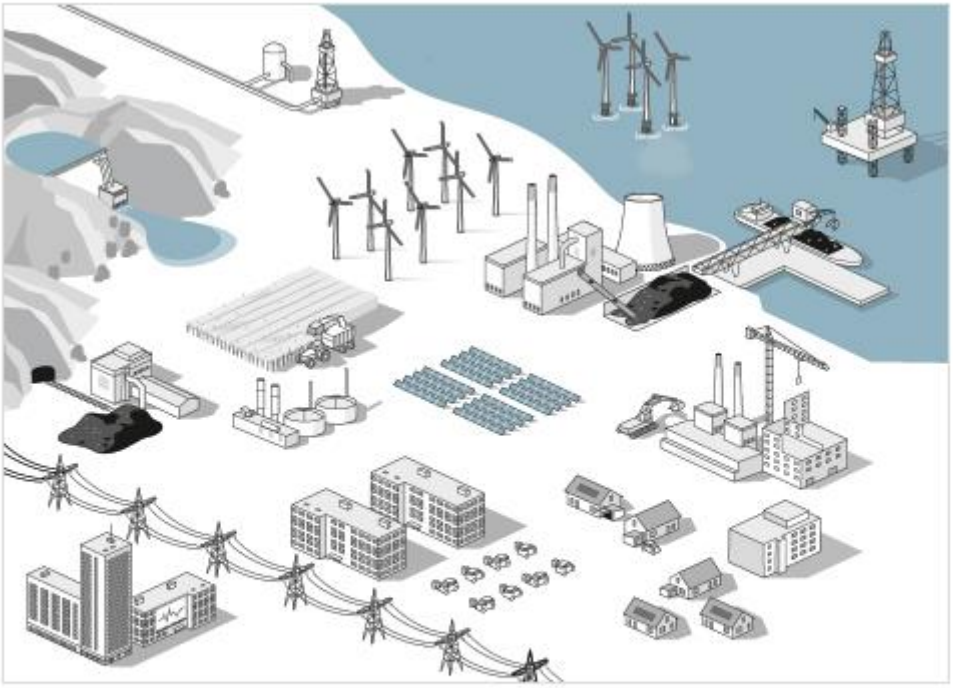
E.ON’s future: preserve and change

In 2013 we conducted a comprehensive dialog with our employees and external stakeholders to analyze the opportunities and risks created by the fundamental changes that are reshaping the energy landscape (see the downloadable document on megatrends in the right-hand column). Our corporate strategy at this time committed us to making energy “cleaner & better” in and outside Europe. Our new strategy – “Empowering customers. Shaping markets.” – will enable us to continue on this course, but in a more systematic and focused fashion. In 2016 we intend to spin off several of our businesses into separate company. We believe that our new setup in two companies will improve our ability to meet the challenges of two different energy worlds. The future E.ON will tap the growth potential created by the fundamental transformation of the energy industry. Alongside it we intend to create Uniper – a solid, independent company that will play a key role in ensuring supply security.

The future E.ON will focus on the new energy world in which we’ll offer individually tailored solutions for distributed energy and strive to become customers’ partner of choice for energy solutions. Expanding our power grids and making them smarter go hand in hand with this effort. We intend to combine several businesses – such as conventional power generation and global energy trading – into the separate company Uniper that will support the transformation process by helping to ensure the stability of the energy system for decades to come.

We’ll strive to deliver continual improvements in both energy worlds by promoting renewables and low-emission technologies, by offering our customers more options and greater comfort at affordable prices, and by helping them use energy more efficiently. In our new setup we’ll continue to promote an energy system that maintains a reasonable balance between the competing objectives of supply security, affordability, and climate protection.

Two energy worlds, one value chain[1]



For more information please click on the respective field.

[1]This is a simplified overview of our value chain in the context of our new corporate strategy.

Our Sustainability Work Program 2012–2015 already reflects many of these developments. We are in the process of updating the program and will use this opportunity to adjust it to the specific challenges faced by each company. The Sustainability Governance Council is also involved in the process of identifying relevant issues and designing the two companies' sustainability organizations. Our current sustainability action areas address issues facing the new and the future E.ON as well as the new company Uniper.

The next section explains how our sustainability activities fit with the issues in the two energy worlds envisioned by our new strategy – "Empowering customers. Shaping markets." – and how these activities help create value.

***Drop-Down*: Renewables**

Focus areas	Evidence for the sustainability of our activities in 2014
Onshore and offshore wind	• Invested EUR 1,222 million in our Renewables segment. • Added 274 MW of onshore capacity in Europe and North America; our installed renewables capacity totaled 9.8 GW at year-end 2014. • Sold an 80-percent stake in Magic Valley 1 and Wildcat 1 wind farms in the United States to Enbridge Inc. and swiftly reinvested the unlocked capital. The sale was part of our build-and-sell strategy: we aim to tie up as little capital as possible and instead to invest in new projects in which we function as developer, operator, and owner.

	• Continued to work toward reducing our investment and operating costs per MW of installed capacity by 25 percent for onshore wind and 40 percent for offshore wind by 2015 (relative to 2010) in order to accelerate the expansion of renewables.
Photovoltaics	• Commissioned an 18 MW solar farm at Fort Huachuca in North America. • Continued to work toward reducing our investment and operating costs for photovoltaic facilities by 35 percent by 2015 (relative to 2010).
Hydro	• Completed three hydroelectric stations with an aggregate capacity of 439 MW at our joint venture in Turkey.

Drop-Down: **Energy networks**

Focus areas	Evidence for the sustainability of our activities in 2014
Automatization and digitalization	• Continued to install voltage-regulated distribution transformers (VRDTs) in all our service territories in Germany. At year-end 2014 we had earmarked 233 VRDTs for our distribution networks in Germany. Most are already operational. • Established a virtual power plant platform to market the output of distributed generating units and continued to operate a control energy management system, which has been in place since the end of 2013.

Drop-Down: **Customer solutions**

Focus areas	Evidence for the sustainability of our activities in 2014
Distributed generation and energy efficiency	• Forged long-term strategic partnerships to provide distributed-energy and energy-efficiency solutions to business customers like German hypermarket chain METRO Cash & Carry and Italian beverage-maker Acqua Minerale San Benedetto. • Our regional units were pacesetters in expanding distributed generation: we installed 111 new cogeneration units in 2014 – up from 51 in 2013 – and invested EUR 37 million. • Made acquisitions in order to further improve E.ON Connecting Energies' market position: in 2014 the new ECT Potsdam began providing companies with comprehensive energy-management services; prior to that we acquired Matrix, the U.K. market leader in IT-based energy efficiency solutions.
Smart technologies	• Expanded our partnership with U.S.-based GreenWave Reality in order to improve our ability to offer customers highly secure, individually tailored solutions combining energy management and smart home infrastructure. The solutions encompass solar-array monitoring and control, home automation, and connected lighting. • Became an investor and partner in Leeo, a U.S.-based company that develops and provides smart home solutions consisting of simple and intelligent plug-and-play devices and related data services.

Heating applications and solutions for cities	• Entered into a strategic partnership with Thermondo, a Berlin-based startup that develops innovative heating solutions for the residential market. • Successfully completed a smart home pilot project in Sweden in the spring of 2015: a 54-unit building in Hyllie, a district of Malmö was equipped with smart home technology.

***Drop-Down*: Conventional generation**

Focus areas	Evidence for the sustainability of our activities in 2014
Environmental impact mitigation	• Achieved a slight reduction – from 0.45 to 0.43 metric tons of carbon dioxide per MWh of output – in our generation fleet's carbon intensity; in Europe it declined to 0.41 metric tons per MWh. • Decommissioned 2.8 GW of generating capacity: Datteln 1, 2, and 3; Scholven D, E, and F; Knepper C; and Lucy 3 and Emile Huchet 4 and 5. Under our renewal program, we intend to decommission a total of about 13 GW of capacity – primarily older, less-efficient fossil-fueled generating units – by the end of 2015. • Improved our safety performance: total reportable injury frequency for E.ON and contractor employees declined from 2.8 to 2.3 per million hours of work. • Applied the Hydropower Sustainability Assessment Protocols to assess the sustainability of Semla, a hydropower project in Sweden. • Approved the E.ON Water Management Corporate Policy to ensure that we conduct responsible water management. • Commissioned Blackburn Meadows, a 30 MW biomass-fired power plant in the United Kingdom, in July 2014. It burns local recycled waste wood to generate enough electricity to meet the needs of about 40,000 homes. We aim to further improve our climate performance by co-firing biomass and converting some generating units to burn biomass exclusively.

***Drop-Down*: Global trading, exploration, and production**

Focus areas	Evidence for the sustainability of our activities in 2014
Sustainable supply chain	• Continued to encourage improvements in working conditions and environmental performance along the coal supply chain by promoting transparency and development programs: 14 coal suppliers completed a self-assessment questionnaire based on the Bettercoal Code and one was audited. • Expanded our LNG activities in 2014 by concluding a flexible, medium-term procurement contract with RasGas Company Limited of Qatar, the world's second-largest LNG producer, and in 2015 by concluding a contract with MOL, a leading Japanese shipping company, for transport capacity of up to two LNG tanker ships annually.

Content page: Value drivers
URL: http://www.eon.com/en/sustainability/strategy-and-management/our-approach/value-drivers.html

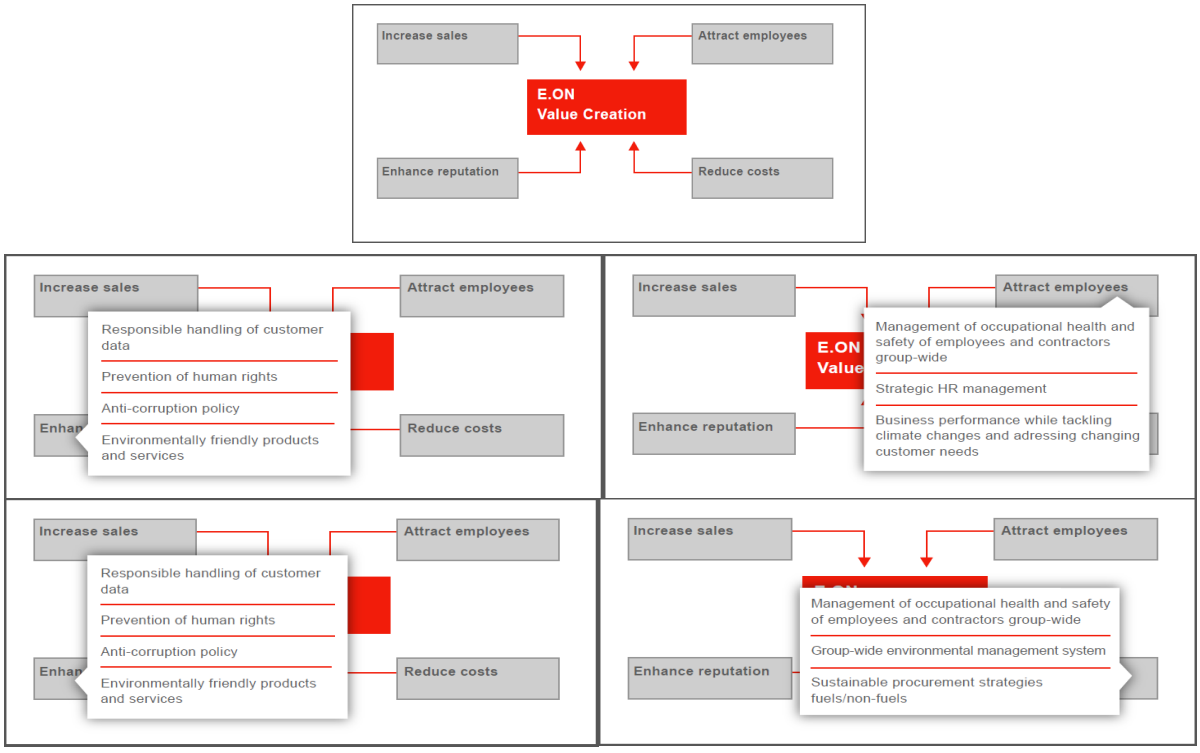
Sustainability as a source of value creation

Our primary considerations in designing our sustainability strategy are to identify which aspects influence shareholder value and ensure the long-term stability of our business. Key metrics are our profitability, our attractiveness as an employer, our reputation, and costs reductions. As our new corporate strategy demonstrates, all of these metrics are increasingly influenced by sustainability issues.

Our Sustainability Reports focuses on materials aspects: those that are highly relevant for E.ON and for our external and internal stakeholders. Material aspects have a significant direct or indirect impact – which can be positive or negative – on the key drivers of value creation at E.ON. For example, using big data irresponsibly could undermine customers' trust in our company and harm our reputation; an inability to market smart customer solutions effectively could reduce our profitability. By contrast, using big data effectively – and that of course is our objective – can add value for us and our customers.

Key drivers of value creation

How do aspects of sustainability affect E.ON's value creation?[1]



1) This is a simplified overview. Many material aspects affect several drivers of value creation.

By proactively managing these material aspects across all our action areas, we can reduce their negative impact and enhance their positive impact on the key drivers of value creation at our

company. We conduct this management by means of Group policies, management systems, and our Sustainability Work Program. Quarterly reports, on-sites audits of our suppliers, the surveys for our annual Sustainability Report, and feedback from our stakeholders help us measure our progress, identify setbacks, and recognize where we need to make adjustments.

The table below indicates which management mechanisms are relevant for each actions area. The mechanisms are described in greater detail in the chapters of this report devoted to the action areas.

Action area	Management mechanisms
Climate protection	• Corporate strategy • Lobbying • Stakeholder management • Power plant planning • Sustainability Work Program
Environmental protection	• Group policies • Water Management Corporate Policy • HSE/ICM management system • Sustainability Work Program • Environmental footprint • Monthly data gathering, incident and crisis management system
Technology development	• Corporate strategy • Research budget • Support for innovators and universities
Workforce challenge	• Group policies • Public pledges • Strategic HR, such as talent management • Sustainability Work Program • Data gathering
Health and safety	• Group policies • Public pledges • HSE management system • Inclusion in executives' annual performance targets • Sustainability Work Program • Monthly data gathering and "Prevent!" • Quarterly report to the Board of Management
Societal interaction	• Group policy • Stakeholder management • Regional activities • Community and employee involvement
Customer orientation	• Corporate strategy • Net promoter score (NPS) and NPS targets • Inclusion in executives' annual performance targets • Customer First
Good governance	• Code of Conduct

	• Group policies and guidelines • Public pledges • Corporate Governance System • Compliance organization • Reports to the Board of Management • Lobbying
Supply security	• Corporate strategy
Sustainable procurement	• Group policies, guidelines, minimum standards • Supplier management and audits • Industry-wide initiatives and strategic alliances • Sustainability Work Program

Content page: Risks in sight
URL: http://www.eon.com/en/sustainability/strategy-and-management/our-approach/risks-in-sight.html

Recognizing and limiting risks

Operating at a global level always entails risks. E.ON's risk management system is intended to identify these risks and to evaluate them in relation to their likelihood and damage potential.

Like other companies, we are affected by changes in markets as well as global developments such as resource scarcity, urbanization, and especially climate change. In an effort to avoid further increases in greenhouse gases, governments put in place numerous regulatory measures that impact on our business and investment. On the one hand, this means opportunities for E.ON: Government regulation and social objectives trigger waves of investment into technology aimed at the reduction of greenhouse gas emissions.

On the other, political regulation can also entail risks to our existing facilities. In addition, climate change has direct, physical effects: Rising temperatures mean higher electricity consumption through air-conditioning in buildings, for example; changes in the water supply can impact the availability of power plants; and it is not yet possible to calculate volume risks in using biomass as a viable fuel.

Therefore, developments caused by climate change impact on a number of our risk categories, as we will present in the following. Significant **categories** are:

***Drop-Down*: Market and price risks**
Increasing competition, economic upswings – and especially the downswings in many parts of the world: All these factors represent risks to our international trade in electricity, gas, and other energy sources. Unexpected changes in the prices of electricity, gas, coal, oil, and emission rights are especially critical. To counter such price changes we safeguard ourselves with long-term agreements on fuel material purchases and sales of our electricity, amongst other things. If market developments do not correspond to our forecasts, this can lead to financial losses for our business.

In addition, just like other global companies E.ON is exposed to risks through exchange rate, interest rate, and share price fluctuations. This gives rise to loss-making risks from short and long-term investments, which we use to cover longer-term pension and asset retirement obligations.

***Drop-Down*: Operational risks**
Complex information technology is used in many of E.ON's business areas, for example in energy trading as well as in the management of our own power plants and customers' facilities. This presents risks through unauthorized data access, misuse, and loss. Additional operational risks may arise when operational processes are either not clearly defined or not complied with, and when there is a lack of well-trained personnel.

***Drop-Down*: External risks**

Changes in the political, legal, and regulatory spheres pose a risk to E.ON as soon as they give rise to planning uncertainties. Examples include ongoing legal action and proceedings in connection with the German exit from nuclear power, the implementation of the European Energy Performance Directive and delays in approval processes for new facilities. Especially difficult are sudden changes in long-term framework conditions due to policy shifts, such as a planned reform of the energy feed-in tariff in the United Kingdom, the lack of clarity regarding the long-term legal outlook for conventional, but efficient gas power stations, or a nuclear waste-disposal site in Germany. Discussions on nuclear power, energy prices, the environment, and sustainability affect the reputation of many energy utilities. As a large, DAX-listed company E.ON is particularly exposed in Germany and is always mentioned in public debates on energy supply topics.

***Drop-Down*: Strategic risks**

Our strategy incorporates acquisitions and investment in the core business as well as disinvestments, giving rise to countless risks. Among other considerations, in new geographical areas and business fields we have to familiarize ourselves with unknown sales markets, competitors, and new regulatory requirements. This applies particularly to growth markets outside Europe.

***Drop-Down*: Technological risks**

The increase in decentralized feed-in, primarily from renewables, has led to a shift in load flows in the electricity networks. There is a risk of power failures or the unplanned shutdown of power plants, for instance as a consequence of unforeseen operational problems.
Damages to reservoir dams or events at nuclear plants can lead to outages in production facilities, which can have far-reaching financial and safety-relevant consequences. Environmental damage and problems in developing gas fields can have a considerable impact on our cost situation. Compared to these factors, the impacts of climate change are classifiable as longer-term risks.

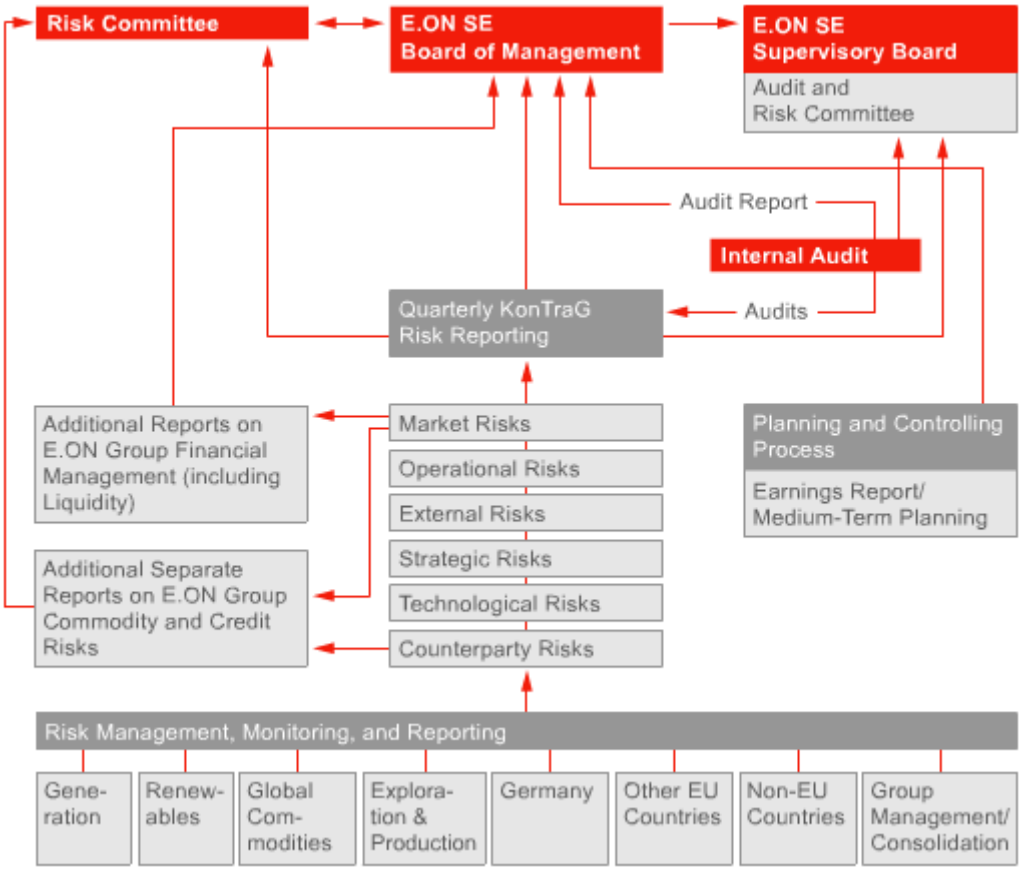
***Drop-Down*: Counterparty risks**

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 with extensive credit risk management, whereby we set credit assessment-based limits and continually review these.

Comprehensive risk management system

Our risk management system corresponds to Best Practices in the industry and is intended to enable company management to take appropriate measures in a timely fashion.

Our risk management system is embedded in E.ON's entire organizational and operational structure. There are a number of components in the risk management system; these are explained in detail in our Annual Report. The following diagram gives an initial overview:



Our risk management system encompasses all fully consolidated E.ON Group companies, and all companies and joint ventures accounted for at-equity whose book value exceeds EUR 50 million. This also includes our corporate shareholdings in Brazil and Turkey, as well as consortia in the areas of oil and gas exploration and production.

Multi-dimensional risk mitigation

E.ON implements numerous 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 and expansion, ensuring optimal utilization of our power plants. 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 explained in our 2014 Annual Report.

Measuring and mitigating ESG risks

Besides immediately quantifiable risks, we also apply our risk instruments to non-financial risks, which can be presented only indirectly, partially or even not at all in numerical values. These risks arise especially in connection with our business activities in the areas of Environment, Social, and Governance (ESG): As well as being indirect, ESG risks are often also long-term risks and are difficult to assess with established systems.

Nevertheless, we began developing a guideline for ESG risks in 2013 to take them into account

appropriately, although this effort has been deferred for the time being due to the upcoming realignment through our Group strategy, “Empowering customers. Shaping markets.”. In 2014, we managed to integrate significant aspects into our supplier relationship management in the area of non-fuels, i.e. goods and services. In order to further minimize risks in the supply chain we reworked our supplier audit processes, as well as the supplier questionnaires for prequalification and supplier audit, with regard to ESG aspects. As a next step, with focused training courses we will raise awareness among local buyers for the new processes.

ESG aspects not only play a role in our risk assessments, they are today also an important component of the evaluations conducted by analysts and investors. A basis for these is provided by the United Nations Principles for Responsible Investment (UN PRI), an investor-led initiative in partnership with the UN’s Environmental Program (UNEP) and *Global Compact*. A further benchmark is provided by 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, more and more of our major business customers are developing their own requirements for transparency and sustainability along the supply chain. Governments around the world increasingly demand that companies measure and publish details of their environmental and social performance.

Content page: Knowing our stakeholders
URL: http://www.eon.com/en/sustainability/strategy-and-management/our-approach/knowing-our-stakeholders.html

Reviewed 2014

Understanding and involving our stakeholders

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.

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. This provides us with greater certainty for long-term investments and enables us to take swift and foresight action in key strategic areas.

The graphic below shows our main stakeholders and their respective significance for our company. Simply click simply on the segments of the graphic.

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 reliable 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. In return, investors expect transparent disclosures about how we're putting their capital to work. A company's environmental, social, and governance (ESG) performance is an important component of its valuation. Our publications and ESG performance indicators provide analysts and investors with the information they need to assess the E.ON Group's value and value potential. Our transparent disclosures foster investors' trust in E.ON.

Employees

- Apprentices and trainees
- Current and future employees
- Board members, 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 we can transform E.ON into a global provider of specialized energy solutions. Our employees expect us to provide them with a safe and interesting work environment, fair compensation, and equal opportunity. We meet these expectations in the regions where we operate by working with employee representatives, by conducting professional-development programs, and by establishing binding company policies such as our Code of Conduct.

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 suppliers and business partners expect us to grant them fair terms and be reliable and reasonable in our dealings with them. In the case of jointly operated assets and businesses, we work with our partners to define minimum standards and codes of conduct. 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 a certain volume of business annually or that surpass a certain threshold of risk potential to a prequalification process. We use the results of suppliers' self-assessments, audits by third parties, and supplier ratings to support our suppliers in their efforts to improve specific aspects of their sustainability performance.

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 enhance our efforts to be transparent, to involve communities, and to engage 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 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 the:
    - 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. Our sustainability report is a medium for promoting transparency. We also use stakeholder dialogs and lobbying at the national and international level to present our point of view and explain how we do business. In return, we need a stable policy and regulatory environment in order 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. Nongovernmental organizations provide us with valuable insights into public expectations, which we take very seriously.

End of graphic description

We assess the relevance of our stakeholders using a variety of predefined criteria. This assessment takes place on two levels: at the project level (conducted by, for example, the team doing the planning work for new-build projects) and at the Group level. Stakeholders with a significant ability to influence public opinion 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 in our company's long-term business success.

Expanding stakeholder dialog

Constructive, resolution-oriented dialog with our various stakeholders is integrated into our day-to-day business processes. 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. We perform these tasks in a difficult market environment characterized by interventionist regulations and rapid technological change. To promote sustainable development, we've made stakeholder management a core process of our corporate governance: in 2011 we set a dialog target at the Group level in our Sustainability Work Program. Our Group Policy on Stakeholder Management provides a standardized framework for our interactions with our employees and our external stakeholders (excluded investors).

Objective	Specific target
To do an even better job of factoring stakeholders' desires and expectations into our corporate strategy and business processes.	To hold three dialog events a year with key stakeholders starting in 2015. Our current dialog activities at the Group level are described in the societal interaction section of this report.

Framework for stakeholder management

Our Group Policy on Stakeholder Management 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 in cases where they are affected by key business processes, such as the operation of power plants, strategic decisions, and technological developments. 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. The global units may conduct stakeholder dialog in certain cases. 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 our external stakeholders.

Our interactions with stakeholders are guided by three principles:

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

Content page: Our targets
URL: http://www.eon.com/en/sustainability/strategy-and-management/our-approach/our-targets.html

Reviewed 2014

Sustainability Work Program 2012–2015

At regular intervals since 2005 we've laid out Sustainability Work Programs that are mandatory for our entire company. They provide a clear overview of our sustainability targets and the steps we intend to take to achieve them. Dialog with our employees and our other stakeholders provide us with helpful suggestions for improving our Work Programs.

We've improved our safety performance and achieved with this targets ahead of schedule. Nevertheless, some of our other targets no longer seem ambitious enough. In 2014 we therefore began to review our targets, update them where necessary, and present them to the Sustainability Governance Council for approval. We intend to use 2015 to align our Work Program with our new corporate strategy, "Empowering customers. Shaping markets.". We'll set ambitious but realistic targets for both future companies. As in the past, the targets will be guided by our stakeholders' expectations and ensure that the two companies embed sustainability into all of their business processes. The targets will be part of the discussions to fine-tune the two companies' positioning. As soon as the two companies' organizational setups and responsibilities have been established, their respective Sustainability Work Programs can be completed and approved.

Targets for reducing our specific carbon emissions will guide us as we continue to tap the growth potential of renewables and enhance the efficiency of our conventional generation fleet. Health and safety will remain a top priority at all the links of our current and future value chain. And targets for improving our net promoter score – our key performance indicator for customer loyalty and satisfaction – will spur us toward further enhancing our customer orientation.

Below are the eleven elements of our current Sustainability Work Program 2012–2015:

Drop-Down: **1. Decarbonization (Generation)**
Reduce our European generation fleet's carbon emissions and use the best technologies in the markets where we operate in order to spend less on carbon allowances and to make our fleet sustainable in an altered market environment.

Objective
Reduce our carbon emissions by improving our conventional generation portfolio and expanding our renewables capacity.

Halve our Europe generation fleet's carbon intensity by 2025 (relative to a1990 baseline) by improving our conventional generation portfolio and expanding our renewables capacity (due to Germany's phaseout of nuclear power, the target deadline is five years later than originally planned).

Measurement criteria and target

- Criterion: our European generation fleet's carbon intensity (in metric tons per MWh)
- Target: achieve a 50 percent reduction by 2025 (relative to a 1990 baseline)

Target				Status 2014
2012	2013	2014	2015	
–	–	–	0.39 t/MWh	Process/project ongoing: • Our carbon intensity in Europe declined again in 2014, this time to 0.41 metric tons per MWh. We expect planned portfolio changes to enable us to achieve our carbon-reduction target. • We intend for renewables to account for more than 20 percent of our owned generation by 2020. In 2014 our renewables assets (including large-scale hydro) generated 29.3 TWh of electricity (2013: 30.8 TWh, adjusted to exclude generation from waste incineration). This represented 13.6 percent of our total owned generation in 2014, an increase of one percentage point from 2013.

Drop-Down: 2. Carbon footprint

Shrink the carbon footprint attributable to our day-to-day business activities (not to power generation) in order to enhance efficiency and reduce costs.

Objective

Set minimum building energy-efficiency standards for new and existing E.ON facilities and offices, set a carbon-emissions target for our vehicle fleet, and reduce the carbon emissions resulting from business travel.

Measurement criteria and target

- Criterion: metric tons of CO2 (in absolute terms)
- Target: achieve a 20 percent reduction by 2020 (relative to a 2010 baseline)

Target				Status 2014
2012	2013	2014	2015	
0%	0%	approx. 10%	approx. 15%	Process/project ongoing: • Our scope 2 and 3 emissions declined from 152.2 million metric tons of CO_2 equivalent in 2013 to 132.6 million metric tons in 2014. • In 2014 we continued to take steps to reduce business travel. We also made greater use of a telepresence and video-conferencing system put in place in 2013. The system enables people located in different countries to work together in a highly realistic meeting atmosphere without the need to travel, thereby reducing travel-related carbon emissions. • A thorough data-gathering process has enabled us to present comparable figures for 2013 and 2014. Prior to this, we changed our calculation methods a number of times, which made it difficult to establish a reference figure and, consequently, to determine where our current status compared with our target. Our Carbon reporting provides more detailed information and commentary.

Drop-Down: **3. Water management**

Establish comprehensive water management throughout the E.ON Group to better identify and mitigate our current and future water risks relating to permits, costs, availability, discharge, and the supply chain.

Objective

Develop and implement, by 2015, a qualitative and sustainable Group-wide water management framework along the entire value chain of our business operations, including those parts of our supply chain for which significant risks exist (based on the CERES framework), and establish practices that will enable E.ON to become a signatory to the UN *CEO* Water Mandate.

Measurement criterion and target

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

Target				Status 2014
2012	2013	2014	2015	
–	–	–	100% compliance	Process/project ongoing: • In 2014 we used a gap analysis to determine where we stand in relation to the requirements of the UN CEO Water Mandate. • The results of the **analysis** make us confident that we will meet the requirements for membership of the UN CEO Water Mandate.

Drop-Down: **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 population pyramid, such as those in developing countries. A company with an inclusive business model seeks opportunities along its value chain to offer products and services tailored to the needs of low-consumption, low-income segments of the population.

Objective

Support sustainable energy projects in developing countries (primarily in rural areas), contribute to research and development, and raise awareness of the opportunities and risks of inclusive business.

Measurement criteria and target

- Criterion: number of inclusive-business projects supported (with expertise or funding)
- Target: support three projects by 2015

Target				Status 2014
2012	2013	2014	2015	
0	0	1	2	Process/project ongoing: • As part of our "agile" innovation initiative, in 2013 we launched E.ON Off Grid Solutions, an inclusive business aimed at giving people in Africa access to energy. In 2014 it conducted its first project, in Tanzania; others are in planning.

Drop-Down: 5. Stakeholders

Conduct proactive stakeholder engagement and dialog in order to anticipate trends and to ensure that we have the acceptance – and, ideally, the support – of local communities and the general public so that we can build new assets and operate our business.

Objective

Do more to involve stakeholders in our business processes and to factor their concerns into the design of our strategy.

Measurement criteria and target

- Criterion: number of multi-stakeholder dialogs
- Target: conduct three dialogs per year

Target				Status 2014
2012	2013	2014	2015	
0	1	2	3	Process/project ongoing: • We conducted two multi-stakeholder dialogs in 2014: a public forum at Datteln power station and a discussion between E.ON employees, experts, and local stakeholders at Selma hydroelectric station in Sweden as part of the Hydropower Sustainability Assessment Protocol. We also held 36 "E.ON in Dialog" events in Germany.

***Drop-Down:* 6. Occupational safety**

Improve our safety performance in order to enhance our employees' fitness for work and to reduce absences/lost time.

Objective

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

Measurement criteria and target

- Criterion 1: combined total recordable injury frequency (TRIF) for a) E.ON employees and contractor employees
- Criterion 2: lost time injury frequency (LTIF) for b) E.ON employees and c) contractor employees
- Targets: reduce a) combined TRIF to 3.0 and b) LTIF to1.0 and c) LTIF to 3.0 by 2015

Target				Status 2014[1, 2]
2012	2013	2014	2015	
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	Process/project partly achieved: In 2014 we achieved: • a combined TRIF of 2.3 (a), • an LTIF for E.ON employees of 1.7 (b), and • an LTIF for contractor employees of 1.9 (c). As we revise our Sustainability Work Program for 2016 in line with our new strategy – "Empowering customers. Shaping markets." – we will consider the fact that we achieved our targets for combined TRIF and LTIF for contractor employees ahead of schedule.

1) The targets and figures for combined TRIF and LTIF for contractor employees are not part of the audit performed by PwC.

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.

Drop-Down: **7. Health**

Improve our employees' mental and physical health in order to maintain their fitness for work, to reduce work-related illnesses and lost time, and to offset the effects of demographic change.

Objective

Improve our employees' mental and physical health in order to maintain their fitness for work, to reduce work-related illnesses and lost time, and to offset the effects of demographic change.

Measurement criteria and target

- Criterion: employees' participation in health-management measures
- Target: achieve a participation rate of at least 50 percent for the risk group in question

Target				Status 2014
2012	2013	2014	2015	
13%	25%	38%	50%	Process/project delayed: • At the start of 2014 we surveyed all of our global and regional units to determine the status of their health management as well as our Group-wide and country-specific focus areas. Later in the year, we used this information to begin taking the first steps toward achieving our target. • In 2014 many employees and managers took part in locally initiated activities designed to promote healthy behaviors and raise awareness of certain physical ailments. • With work-related travel, travel health is becoming a more important issue, which we address through targeted measures. We place a particular emphasis on finding solutions for employees who begin a work trip already suffering from an ailment (such as diabetes) or become ill while traveling. • Our regional units continued to address a range of issues, such as restrictions of the musculoskeletal system and stress resulting from shift work. • Absences due to mental health issues are becoming more frequent across our entire workforce, which is why addressing these issues is an important part of our health management. It remains our goal to improve our employees' mental and physical health. However, the definitions of risk groups and work-related illnesses differ by country. This will prevent us from determining the risk groups' participation rate in health-management measures by the end of our current Work Program period.

Drop-Down: **8. Gender diversity**

Make greater use of the different skills of our workforce. Knowing that diverse teams perform better, we aim to take this fact into consideration when we look at the gender composition of our teams.

Objective

Increase equal opportunity for both genders when we fill senior management positions. Diversity and equal opportunity have a lasting, positive impact on our company's success.

Measurement criteria and target

- Criterion: percentage of women in senior management
- Target: increase the percentage of women in senior management at our operations in Germany to 14 percent by 2016

Target				Status 2014
2012	2013	2014	2015	
10,6%	11,75%	12,9%	13,6%	Process/project delayed slightly: • Women accounted for 12.6 percent of our senior managers in Germany in 2014. • We've put in place a variety a measures – mentoring programs, modified placement policies, a network for women in engineering and technical jobs (IngE), and a network for women executives and next-generation managers (FinE) – to support the development of women employees and managers. These measures support our efforts to achieve our target by 2016. • For the E.ON Group as a whole, women accounted for 15.8 percent of our senior managers in 2014.[1]

1) Pursuant to IFRS, figures exclude discontinued operations (Spain and Italy regional units).

Drop-Down: **9. Non-fuel procurement**

Factor in sustainability criteria when selecting suppliers and introduce review processes in procurement to identify and mitigate non-financial risks. This will enable us to manage non-financial risks and to make our purchasing decisions not solely on the basis of price but also in a way that meets the increasing expectations and demands of our stakeholders, such as investors, industrial and other customers, and NGOs.

Objective

To conduct supplier qualification that enables us to have evaluated almost 100 percent of our critical non-fuel suppliers (as measured by spending volume) by 2015.

Additional objective (since 2013)

Put in place a supplier management system so that by 2013 we can manage the strategic partnerships with our key suppliers across the Group, increase transparency, and conduct global procurement to give us access to new and favorable procurement markets.

Measurement criteria and target

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

Target				Status 2014
2012	2013	2014	2015	
60%	70%	80%	100%	Process/project delayed: • It became apparent in 2014 that in view of our cost-reduction targets we would not be able to achieve our sustainability targets for procurement. To enable us to gradually make progress in this area, in the second half of the year Procurement worked with Health, Safety & Environment and Corporate Responsibility to optimize and standardize our supplier qualification process. We have already tested this process with several new suppliers and confirmed that it is both practicable and effective. In the first quarter of 2015 we began training the employees who will implement the process, which became mandatory for all units at the E.ON Group effective April 2015. This will significantly enhance the standardization of our procurement practices. Going forward, the percentage of our suppliers for which we have conducted HSE risk assessments will increase steadily. However, it will take some time for us to conduct assessments for all of our critical suppliers. Our next Sustainability Work Program will contain a realistic supplier-qualification target. • Looking ahead, we do not expect to meet our supplier-qualification target for 2015. Considerable staffing resources in our procurement organization are being directed toward achieving our cost-reduction targets and implementing our new strategy, which will require the separation of procurement processes, systems, and contracts in preparation for the planned spinoff of a new company.

Drop-Down: **10. Fuel procurement**

Factor in sustainability criteria when selecting suppliers and making purchasing decisions in order to identify and mitigate non-financial risks. This will enable us to manage non-financial risks and to meet the increasing expectations and demands of our stakeholders, such as investors, customers, business partners, and NGOs.

Objective

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

Measurement criteria and target

- Criterion: number of coal-mine audits
- Target: conduct four audits by 2015

Target				Status 2014
2012	2013	2014	2015	
0	1	1	2	Process/project delayed: • Although no audits were conducted in 2013 for organizational reasons, a suitable auditing firm was found. The first audit, initiated by the Bettercoal Secretariat, was conducted in Colombia in 2014. Since 2014, 14 coal suppliers have completed a self-assessment questionnaire based on the Bettercoal Code. • Bettercoal expects to audit four coal mines and receive 20 self-assessment questionnaires by 2016.

Drop-Down: **11. Investment/divestment**

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 into the policies, directives, and processes that guide investment/disinvestment decisions.

Measurement criteria and target

- Criterion: degree of integration
- Target: achieve 100 percent by 2015

Target				Status 2014
2012	2013	2014	2015	
25%	50%	75%	100%	Process/project delayed: • In 2014 we embedded key sustainability standards into our relationship management for non-fuel suppliers (that is, those that supply good and services). To further minimize supply-chain risks, we revised the our supplier audit processes and the questionnaires for prequalification and the supplier audit to include HSE aspects. In the first quarter of 2015 we began training the procurement employees who will implement the revised process. • We temporarily postponed the development of a new policy document for HSE risks owing to upcoming restructuring measures under our new strategy, "Empowering customers. Shaping markets."

Content page: Determining materiality
URL: http://www.eon.com/en/sustainability/reporting-profile/determining-materiality.html

Reviewed 2014

Focusing on what matters most

Which issues are material for E.ON? In other words, which issues have a profound impact on society and our business? Which expectations and concerns of our stakeholders do we need to address? These are the questions that guide us as we select the topics for our sustainability reporting. Since 2006 we've conducted an annual materiality analysis to assess the relevance of various sustainability issues for our company and for our stakeholders. In 2014 this analysis took on greater significance when we began applying the materiality principle of the Global Reporting Initiative's (GRI) G4 guidelines. It requires the E.ON Group to focus on those aspects that

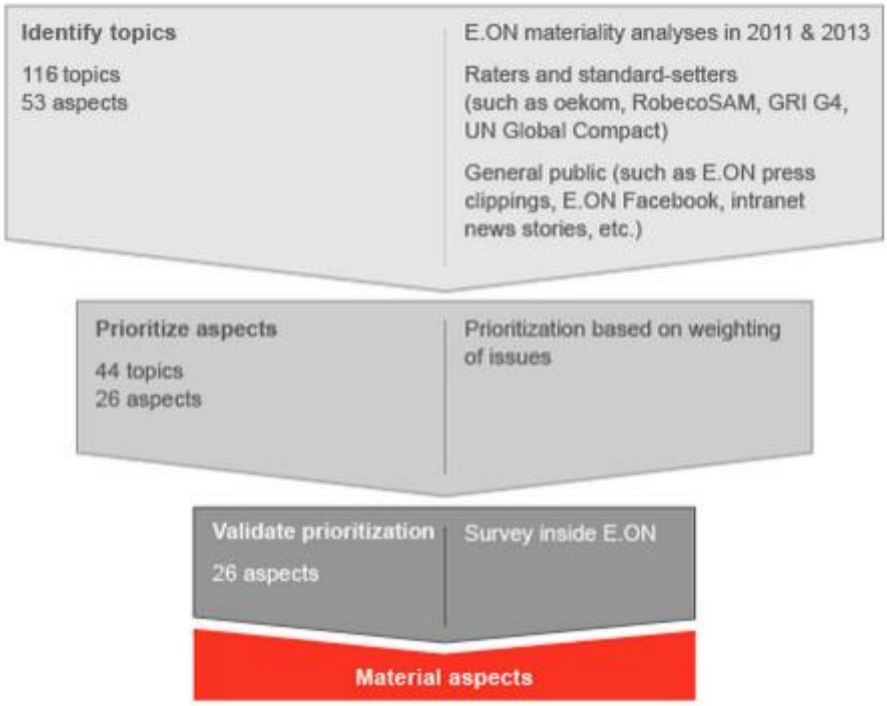
> *"reflect the organization's significant economic, environmental and social impacts or substantively influence the assessments and decisions of stakeholders."*

(G4 Sustainability Reporting Guidelines, page 11)

In our action areas for 2014, we report on those aspects that are relevant to E.ON and our stakeholders and explain how we manage these aspects by means of our business processes. To a lesser degree, we also provide information about some other issues.

Assessing materiality

We identified the material aspects for this report on the basis of an extensive document analysis followed by discussions with experts at our company. We applied the 53 sustainability aspects defined in GRI's G4 guidelines and used a three-step process to assess their significance for E.ON:



1. Identify and assign

The first step was to identify topics that are relevant to E.ON and our stakeholders. Alongside the materiality analyses we conducted in 2011 and 2013, we analyzed the expectations of rating and standard-setting organizations as well as issues currently under discussion in the media and in social media. The breadth of these sources ensures that we adequately consider our stakeholders' expectations and interests as we decide on what to include in our report. This procedure differs from the one we used in previous years (see the "Results of our materiality analyses in 2011 and 2013" in the right-hand column). Our earlier procedure was to focus our survey on selected sustainability topics. Although the change in procedure means that the new results are of limited comparability with those of previous years, it does ensure that we consider a broad range of topics. In 2014 we identified 116 relevant topics, which we then assigned to the corresponding GRI G4 aspects.

2. Prioritize

The second step is to weight the topics according to their degree of relevance in the various channels. To be material, a topic must be highly relevant for E.ON and for our stakeholders. The weighting of the topics yielded a prioritization of the corresponding GRI aspects. As a result of this process, we classified 26 of the 53 GRI G4 aspects as material.

3. Validate

The third step was to review the results and to survey representatives of a number of Group Management departments (Procurement, HR, Legal & Compliance, Risk Controlling, Political Affairs & Communications, Regional Coordination, T&I, and Sustainability). They primarily considered the aspects from our company's viewpoint but also the viewpoints of certain stakeholder groups. In addition, we used the survey to assess at which stages of our value chain the aspects are relevant and how big our impact is.

The materiality process was presented to the Sustainability Governance Council (SGC), which

endorsed it. Furthermore, the international CR managers were briefed on the process in one of the regular meetings.

Material aspects and their significance along the value chain

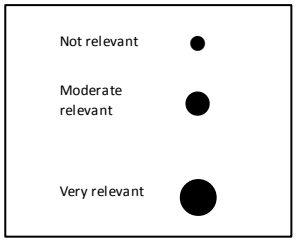
The impact of the 26 material aspects varies along our value chain. Some are relevant at more than one stage of the value chain and are therefore relevant for more than one of our action areas.

We consider this broader relevance as we manage the aspects, which is described in the opening section of each action area and indicated by the symbol ⊕ on the right.

As a result of our materiality analysis, the action areas no longer present some topics in detail. However, these topics continue to be included in the Q&A section of the Facts and Figures chapter.

Drop-Down: **Material aspects relevant for E.ON**

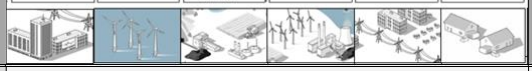
The table indicates the relevance of the 26 material aspects at the six stages of our value chain.



The right-hand column of the graphic indicates through which action area we address each aspect.

Relevance along E.ON's value chain[1] [2]

Material aspects	Importance along E.ON's value chain: Strategic Planning	Technology & Innovation	Exploration, Procurement & Trading	Generation	Distribution	Sales & End-use	Action areas
Business performance while tackling climate changes and adressing changing customer needs	●	●	●	●	•	●	climate protection
Energy consumption and intensity	●	•	●	●	•	●	climate protection technologydevelopment customer orientation
Environmental impacts caused by greenhouse-gas and air emissions	●	•	●	●	•	●	climate protection technology development environmental protection
Power-plant planning to maximize asset efficiency	•	●	●	●	•	•	climate protection technology development
Development of innovative products and technologies	●	●	•	●	●	●	technology development
Group-wide environmental management systems	•	•	•	•	•	•	environmental protection

Material aspects	Importance along E.ON's value chain						Action areas
	Strategic Planning	Technology & Innovation	Exploration, Procurement & Trading	Generation	Distribution	Sales & End-use	
							
Strategic HR management	●	●	●	●	●	●	workforce challenge
Management of occupational health and safety of employees and contractors group-wide	•	●	●	●	●	●	Health and Safety
Social and economic consequences of plant decomissioning	●	●	•	●	•	•	climate protection societal impacts
Environmentally friendly products and services	●	●	●	●	●	●	technology development customer orientation
Customer satisfaction, including pricing and labeling	●	●	●	●	●	●	customer orientation
Responsible handling of customer data	•	●	•	•	●	●	customer orientation
Demand-and supply-side management by means of intelligent customer solutions and smart grid technology	●	●	●	●	●	●	technology development customer orientation
Ensuring supply security by deploying smart grids and storage technologies and by effectively integrating renewables	•	●	•	●	●	●	climate protection technology development
Anti-corruption policy	●	●	●	●	●	●	good governance
Compliance	●	●	●	●	●	●	good governance
Non-discrimination	●	●	●	●	●	●	sustainable procurement good governance
Child labor	●	•	●	●	•	•	sustainable procurement good governance
Forced or compulsory labor	●	•	●	●	•	•	sustainable procurement good governance
Freedom of association and collective bargaining	●	●	●	●	●	●	sustainable procurement good governance
Role in public policymaking	●	●	●	●	●	●	climate protection good governance
Sustainable procurement strategies fuels/non-fuels	●	•	●	●	•	●	sustainable procurement
Supplier environmental assessment	●	•	●	●	•	•	sustainable procurement

1) This is a simplified graphic representation of the material aspects we identified in our materiality analysis and their impact along our value chain.
2) The information on human rights issues is preliminary. Our forthcoming analysis of human rights risks in our own business operations and along our value chain will enable us to make a final statement (see the targets for this action area).

Group Management deems the above material aspects to be relevant for the entire E.ON Group. Although regional variations in materiality are not discussed here, they are discussed in the regional activities section of the report.

Content page: Management
URL: http://www.eon.com/en/sustainability/strategy-and-management/management.html

On course for sustainability

We have operations around the world and therefore face complex societal and environmental challenges. We're committed to addressing them responsibly. In 2006 the E.ON Board of Management issued a statement underscoring this commitment. To ensure that we live up to it, we've defined roles and responsibilities and put in place a sustainability organization that extends to the Board of Management. Binding policies ensure that implementation is consistent throughout our company. We're on course for sustainability and responsibility. Both companies that will emerge in 2016 under our new strategy will continue on this course.

Content page: Self-commitment by the E.ON Group
URL: http://www.eon.com/en/sustainability/strategy-and-management/management/self-commitment-by-the-eon-group.html

Self-Commitment by the E.ON Group

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

Content page: Guidelines
URL: http://www.eon.com/en/sustainability/strategy-and-management/management/guidelines.html

Reviewed 2014

Binding policies, clear guidance

Clear policies provide our employees with guidance and ensure that social and environmental standards are embedded in our business processes. Our polices are binding throughout our company. Some of them also apply to our supply chain, even though this is beyond our direct control.

Based on recognized principles

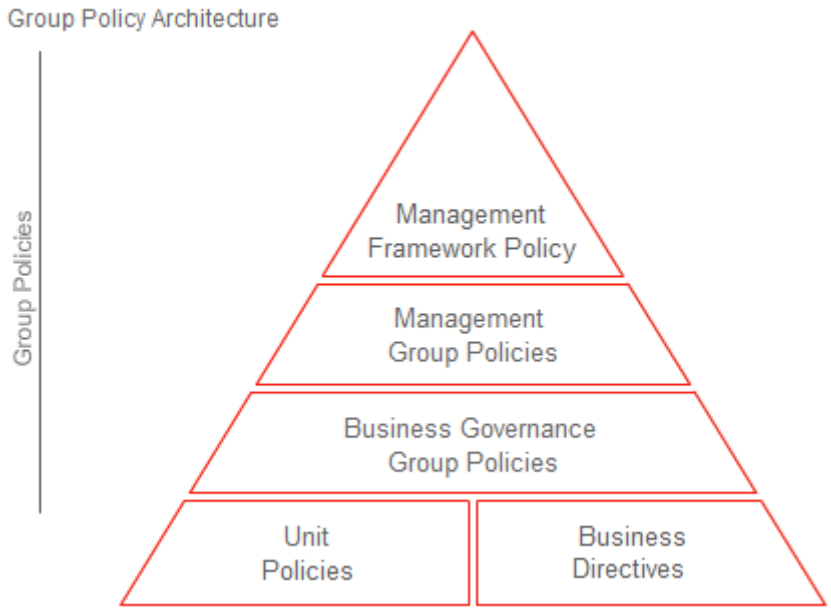
We want our standards to meet internationally recognized ethical, social, and environmental principles for corporate governance. We therefore base our definitions on those contained in international codes and adapt them to our business processes.

International codes and E.ON commitments

Self-Commitment by the E.ON Board of Management (2006)	Affirms our commitment to socially responsible corporate governance.
Commitment to the Ten Principles of the UN Global Compact (since 2005)	Commits us to uphold human rights, labor, and environmental protection standards and combat corruption.
Luxembourg Declaration (PDF, 148.09 KB) (2009)	Commits us to comply with European standards for promoting occupational health.
Seoul Declaration (2009)	Commits us to foster a culture of prevention with regard to health and safety.
Code of Responsible Conduct for Business (PDF, 1.3 MB) (2010)	Commits us and a number of other German companies with global operations to conduct value-oriented corporate governance and to uphold the principles of a social market economy, such as fair competition, social partnerships, the performance principle, and sustainability.
Declaration of Compliance with the German Corporate Governance Code (since 2002)	Annual declaration by the Board of Management and Supervisory Board that E.ON has complied with the German Corporate Governance Code pursuant to Section161 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 according to the criteria of the German Council for Sustainable Development.

Company policies for promoting and maintaining sustainability

Our policies are binding directives that define the operational framework and minimum standards for our business processes. We review these policies regularly to respond so that we can respond to our stakeholders' changing expectations.



Defin
organ
units,

These policies are binding across our company: at all companies in which we hold a majority stake and in all projects and partnerships for which we bear operational responsibility. We also require our contractors and suppliers to meet our minimum standards. Although these policies don't automatically apply when we enter into joint ventures with equal partners, we work with our partners to establish similar policies adapted to suit local circumstances.

The following principal policy documents provide guidance for our sustainability activities:

Policy Documents

E.ON Code of Conduct (updated 2013)	Sets company policies for dealing with business partners, third parties, and government entities; provides guidance for avoiding conflicts of interest; defines rules for handling company information, property, and resources; addresses issues relating to the environment, health, and safety. It includes three annexes: • Annex 1: Compliance checklist (PDF, 12.09 KB) (updated 2013): list of questions that can be used to determine whether proposed activities are in keeping with E.ON's principles of integrity • Annex 2: Antitrust law guidelines (PDF, 38.02 KB) (updated 2013): obligation to comply with all antitrust laws and procedures in the event of violations • Annex 3: Gifts and benefits guidelines (PDF, 47.98 KB) (updated 2013): rules for accepting and granting gifts and benefits in dealings with business partners, competitors, and government entities.
E.ON Commitment to Human Rights (2008)	Commits employees and business partners to maintain appropriate working conditions, to engage in ethical business practices, and to respect human rights.

Equal Opportunity and Diversity Framework (2006)	Establishes the framework for ensuring non-discriminatory practices and promoting diversity in the workplace.
Management Group Policy Legal/Compliance (2013)	Defines our compliance structures, their uniform application, and the mechanisms for demonstrating that they have been implemented.
Business Governance Group Policies to Prevent Insider Trading and Intermediary Agreements (updated 2013)	Two policy documents aimed at: • raising employees' awareness about laws forbidding insider trading and guidance for ensuring compliance • preventing violation of corruption laws in conjunction with the use of intermediaries.
Management Group Policy Stakeholder Management (2013)	Defines key stakeholder groups (excluding capital market participants), provides guidance for interacting with them, and delineates roles and tasks for internal and external communications and sustainability management.
Business Governance Group Policy Stakeholder Management (updated 2014, effective from April 1, 2015)	Defines responsibilities, processes, mechanisms, and standards for providing information to stakeholders; lays down rules for participating in public policymaking processes and for open and consistent communications with our stakeholders.
Business Governance Group Policy Procurement (updated 2014)	Defines operational principles, processes, and responsibilities for non-fuel procurement.
Responsible Procurement Policy (2007)	Obligates our non-fuel, uranium, and biomass suppliers to comply with sustainability criteria such as providing adequate working conditions, engaging in ethical business practices, respecting human rights, and meeting environmental standards; this policy is based on the principles of the United Nations Global Compact and is part of our company's Standard Terms and Conditions of Purchase.
Biomass Purchasing Amendment to E.ON Responsible Procurement Policy (2010)	Defines our sustainability standards for biomass procurement, our risk-analysis and supplier-auditing procedures, and guidelines for our joint ventures.
Nuclear Fuel Policy and Nuclear Fuel Purchasing Amendment (2014)	Defines our sustainability standards for uranium procurement along the entire value chain.
Management Group Policy HSE (2013)	Defines our HSE organization, processes, roles and responsibilities, management approach, and reporting pathways. Establishes binding policies and procedures on specific issues to support the objectives of this policy (business directives). These include: • Environmental Footprint Standard (2012): defines the requirements for determining and calculating the environmental footprint of fuels, processes, and products • Process and plant safety management instructions (2011): defines uniform, stringent Group-wide standards for

supporting processes.

Group Policy HSE Management (2013)	Defines HSE management requirements and mechanisms, such as audits and environmental and health and safety management systems (EMAS, ISO 14001 and OHSAS 18001); combines two earlier policy documents (Group Health and Safety Management and Environmental Management) in order to establish uniform processes and subject matter to embed HSE more deeply into our business.
E.ON Health, Safety and Environment Policy Statement (2013)	Defines E.ON's HSE strategy and objectives for promoting continual improvement in its HSE performance; signed by the E.ON SE Board of Management and Group Works Council.
Code of Conduct (2013) of SGC and HSE GC	Defines the aims, structure, and governance principles for the SGC and the HSE GC.
Water Management Corporate Policy (2014)	Integrates fundamental principles of responsible water management into our HSE management systems; adopted by the HSE GC in December 2014.
Business Governance Group Policy Incident & Crisis Management (updated 2013)	Defines the structures and processes for incident and crisis management, including maintaining an incident-and-crisis management system and responding to incidents and crises; its main aims are to: • protect people and the environment • protect our customers, our employees, business partners, and our assets.
Group Policy on Information Security (updated 2014)	Defines our information-security organization for managing and monitoring risks relating to the confidentiality, availability, and integrity of information. Eight new business directives took effect on December 1, 2014. They ensure that we take a holistic approach to preventing cyber attacks and establish rules for employee conduct in this area.

Content page: Organizational sustainability structure
URL: http://www.eon.com/en/sustainability/strategy-and-management/management/organizational-sustainability-structure.html

Reviewed 2014

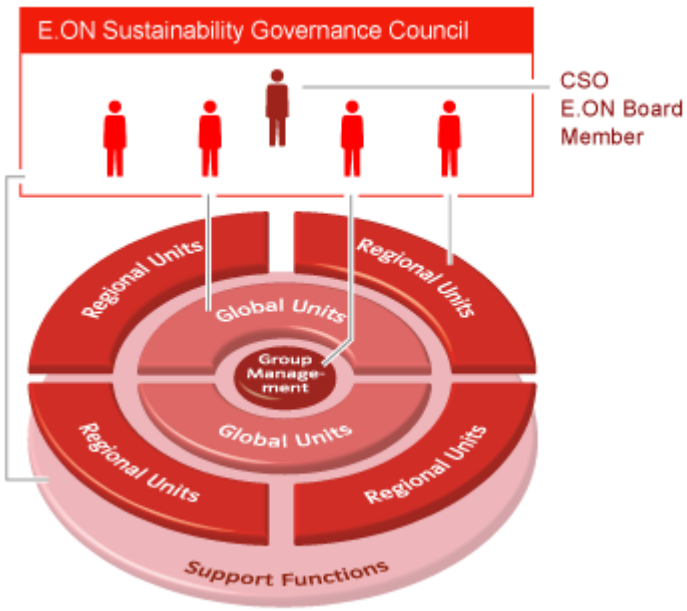
Working together to promote sustainability

The Chief Sustainability Officer (CSO) oversees the sustainability activities across our company. The CSO is supported and advised by our proven sustainability organization: the Sustainability Governance Council (SGC) and the Health, Safety, and Environment (HSE) Governance Council (which consists of senior managers in each area) and the Corporate Responsibility and HSE departments at Group Management. Our current CSO, who chairs both councils, is Jørgen Kildahl, a member of the E.ON SE Board of Management with responsibility for international growth, exploration & production, procurement, and sustainability.

Sustainability Governance Council

The SGC, which was established in 2013, is our central forum for managing and monitoring sustainability. It has the authority to set company policy on sustainability issues. It decides on any modifications to our sustainability activities, monitors these activities, and spurs them on. The SGC Code of Conduct defines the SGC's purpose, roles, and responsibilities. The SGC meets and reports to the Board of Management twice a year, with unscheduled meetings called as the need arises. It met three times in 2014. At these meetings it thoroughly discussed ways to further enhance our sustainability strategy as well as the implementation of this strategy using our Sustainability Work Program. As a result of these discussions, it decided on the development steps and contents of the next Work Program, for the years 2016–2019; this Work Program still must be adjusted to fit with our new strategy, "Empowering customers. Shaping markets." Other topics of discussion in 2014 included the Bettercoal initiative, sustainable procurement, and the permanent topic: updating of our numerous company policy documents on sustainability issues.

Group Management, the global units, the regional units, and our support functions each send one representative to the SGC. This ensures that the SGC encompasses the entire E.ON value chain. Members report on the progress of implementing sustainability measures at their unit, share best practices, and raise issues they feel are important. They also serve as sustainability ambassadors throughout our company.



Putting sustainability into action

The E.ON Board of Management has publicly stated its strong commitment to sustainability. We take a functional approach to putting this commitment into action. Our various entities – Group Management, global units, and regional units – have clearly defined roles and responsibilities. Line functions are responsible for implementing our sustainability activities.

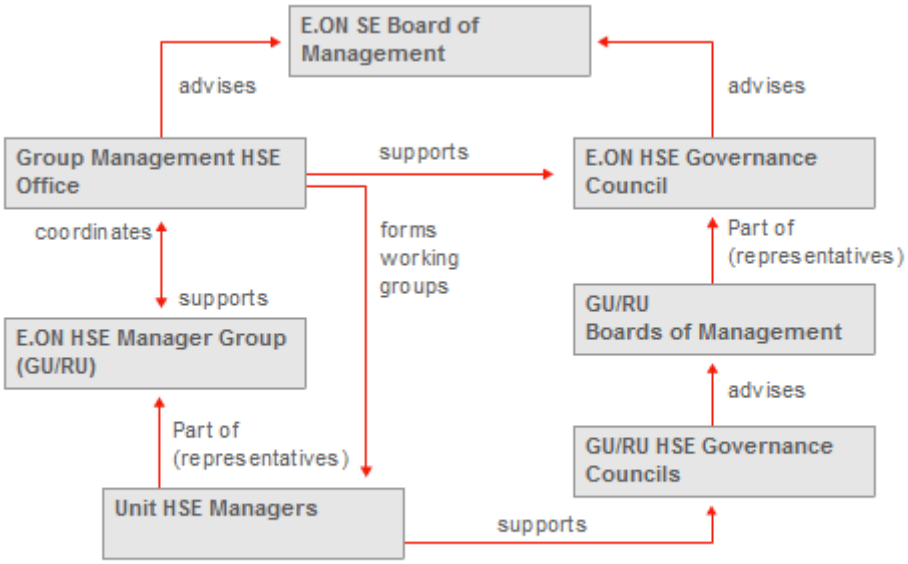
The Sustainability Office at Group Management oversees our sustainability activities, advises the E.ON Board of Management, and does the preparatory work for the meetings of the SGC. Our Sustainability Work Program, which is mandatory for our entire company, ensures that our CR and HSE departments at Group Management and our operational line functions work together closely.

Maintaining honest and transparent dialog with our employees and external stakeholders is also essential for the success of our sustainability management.

Excursus: Our HSE organizational structure

Our HSE organizational structure, which has been put in place over the course of many years, is defined in our Group HSE policies. All parts of our company must abide by uniform HSE policies and procedures, which were developed in consultation with the HSE committees and experts at our units. These committees and experts are also responsible for ensuring that our policies and procedures are implemented properly. The SGC and the HSE Governance Council advise, and report directly to, the E.ON Board of Management.

The following interactive graphic shows how our HSE functions and committees interact:



GU = Globale Einheiten (Global Units), RU = Regionale Einheiten (Regional Units)

E.ON SE Board of Management:
The Board of Management directs, monitors, and adjusts our HSE activities. It is advised by the HSE Governance Council and the Group Management HSE Office.

Group Management HSE Office:
The Group Management HSE Office supports and advises the Board of Management, the E.ON HSE Governance Council, and our units by devising, in consultation with HSE managers, our company policies on HSE issues.

E.ON HSE Governance Council:
HSE Governance Council is our highest-ranking forum for HSE issues. It sets our overall HSE strategy and targets and supports and monitors implementation at the unit level. It is chaired by the CSO and meets twice a year. Its 14 members represent all of our activities along the value chain. Two representatives of the Group Works Council are regularly invited to attend the meetings.

GU/RU Boards of Management:
The Board of Management at each of our global units (GUs) has authority over all the E.ON entities around the world that comprise its GU. The Board of Management at each of our regional units (RUs) has such authority in its respective region. The GU and RU Boards of Management ensure that the entities under their authority meet their HSE responsibilities.

GU/RU HSE Governance Councils:
Each global and regional unit has an HSE Governance Council which acts on behalf of its Board of Management to promote HSE activities at its unit. The councils are supported by working groups consisting of HSE managers and staff from the business unit level.

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 issues. These include implementing Group-wide HSE standards and programs, monitoring progress toward HSE targets, reporting their unit's HSE performance, and monitoring their contractors' HSE performance.

Unit HSE Managers:
The role of the HSE managers at our units is to foster a culture in which HSE criteria are factored into all decisions, processes, and activities. They advise the senior managers of their respective unit and ensure that they understand and implement all statutory requirements and E.ON rules regarding HSE. The units draft policy documents to ensure that they comply with all minimum statutory requirements and E.ON rules.

In countries where we do not have a regional unit, our global units – Generation, Renewables, and so forth – with operations there ensure that HSE resources are available. They support HSE activities in these countries and ensure that all relevant local laws and requirements as well as E.ON rules are understood and that a clear HSE management structure is in place.

Content page: Climate protection
URL: http://www.eon.com/en/sustainability/environment/climate-protection.html

Reviewed 2014

Promoting a climate-friendly future

There's broad consensus among scientists that global warming must be limited to 2 degrees Centigrade to limit the risks created by changes to the earth's climate. We know that being an energy company gives us a special responsibility – indeed, an obligation – to help achieve this objective. That's because our business – which involves the procurement, generation, transport, and consumption of energy – results in significant emissions of greenhouse gases, primarily carbon dioxide.

Impact on our business, expectations for our industry

Our main challenge in this action area is the climate change, which affects the environment and all living things around the world. Climate change is expected to increase the prevalence of extreme weather phenomena and lead to a shift in vegetation zones. Some regions could experience significantly heavier rainfall, others longer droughts. These changes could affect our business. Flooding or a shortage of cooling water could disrupt the operation of our power stations and possibly force them to shut down, and severe storms could make our energy supply infrastructure less reliable (links of the value chain affected: Generation, Distribution, Sales, and End-use).

The energy industry plays a key role in tackling climate change. And therefore faces heightened expectations. Failing to take action to help protect the climate – or taking inappropriate action – poses a substantial risk for our reputation and could lead to more regulatory intervention. The latter can have far-reaching consequences, as demonstrated by Germany's decision to accelerate the phaseout of nuclear energy or the EU's emissions trading directive.

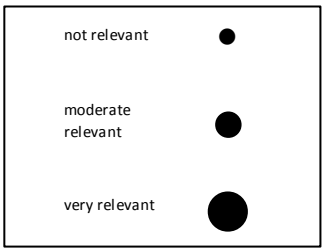
Achieving an efficiency advantage through climate protection

In public policy debates, our experience as an energy producer enables us to make an important contribution to shaping energy policies that achieve a reasonable balance between climate protection, supply security, and affordability. In our sales business, our energy-efficient products and services help customers shrink their carbon footprint. They also improve our ability to become our customers' partner of choice for energy management, which will be an important market for us going forward. In our power generation business, technological advances and optimized maintenance management enable us to consume less fuel and thus emit less carbon. This helps us reduce our costs for fuel and carbon allowances and takes us closer to our climate-protection targets.

Relevance along E.ON's value chain[1]

Climate protection affects quite a number of material aspects, which have varying degrees of relevance along our value chain. For example, climate protection is central consideration of our strategic planning for issues like our decarbonization targets, power-plant dispatch, and our efforts to shape climate policies.

Material Aspects within the Fields of Acion	Importance in the Value-added Chain
	Strategische Planung · Technologie & Innovation · Förderung, Beschaffung, Entwicklung · Erzeugung · Verteilung · Vertrieb & Nutzung
Business performance while tackling climate changes and adressing changing customer needs	
Energy consumption and intensity	
Environmental impacts caused by greenhouse-gas and air emissions	
Power-plant planning to maximize asset efficiency	
Social and economic consequences of plant decomissioning	
Reliable power supply through the use of smart and automated grids, energy storage technologies, and the efficient integration of renewables	
Role in public policymaking	



1) This is a simplified graphic representation of the material aspects we identified in our materiality analysis and their impact along our value chain.

Drop-Down: **Our decarbonization targets**

Back in 2007 we set the goal of reducing our specific carbon emissions. In 2009 we reinforced this commitment by joining other companies in our industry in a pledge that 95 percent of the electricity we supply will be zero carbon by 2050. The following targets are part of our 2012–2015 Sustainability Work Program:

- Halve, by 2025, the carbon intensity of our power generation in Europe from a 1990 baseline of 0.63 to 0.32 metric tons of carbon dioxide per MWh; increase renewables' share of our owned generation to more than 20 percent by 2020.
- Reduce, by 2020, our indirect carbon emissions (those not resulting from power generation) by 20 percent from a 2010 baseline; these include the emissions caused by business travel, E.ON company vehicles, and fuel transport.

Our businesses are taking action to help us reach our targets. For example, our renewables business intends to achieve significant reductions in capital expenditures per MW of new capacity by 2015 (relative to 2010): 25 percent for onshore wind, 40 percent for offshore wind, and 35 for photovoltaic. These improvements will promote the further expansion of renewables.

The subpage provides information about where E.ON currently stands relative to these targets and what progress was made in 2014.

Drop-Down: **How we're meeting the challenges of climate protection**

We monitor and manage our climate performance by measuring our progress toward the decarbonization targets already mentioned. Our former strategy committed us to providing cleaner and better energy solutions in and outside Europe. Our new strategy – Empowering customers. Shaping markets. – takes this commitment a step further.

Lobbying for a stable regulatory environment

Investment security is extremely important for us to achieve our decarbonization targets. Many of the necessary investments are in capital-intensive assets with operating lives of several decades. To have the confidence to build such assets, we 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. E.ON faces the challenge of operating in an increasingly disparate national, European, and international policy and regulatory environment. We therefore engage in intensive dialog with policymakers at the national and European level, particularly on the topic climate policy.

Strategic management in both energy worlds

Our conventional generation and renewables businesses have the main responsibility for managing the steps we take to make our power generation climate-friendlier. They receive support from a number of entities, including the Corporate Responsibility team at *Group Management* and the E.ON Competence Center for CO_2, which collects and manages data relating to carbon emissions and allowances for our whole company. Under our new strategy, our conventional generation and renewables businesses, although part of two separate companies starting in 2016, will continue to do their part to support the transformation of the energy system.

Power-plant dispatch and risk management: carbon as a factor of production

We factor climate protection into our long-term planning, investment decisions, and risk management. In conducting dispatch planning and operating our power plants, 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. In doing so, we carefully weigh considerations like profitability, supply security, and climate-protections requirements against each other.

Stakeholder management and dialog

Our stakeholders are very interested in our climate performance. This makes it all the more important for us to earn the trust of policymakers, the general public, the people who live near our facilities, and our employees. Stakeholder dialog is therefore an essential aspect of our proactive stakeholder management.

Drop-Down: **Key figures**

The table below shows how the steps we've taken in recent years – such as enhancing the efficiency of our assets and increasing our renewables capacity – have changed our energy mix. Our key indicator for assessing our decarbonization efforts is carbon intensity. As of year-end 2014, we've already reduced the carbon intensity of our power generation in Europe by 35 percent from a 1990 baseline.

The Carbon Reporting subpage presents other key figures relating to our climate performance.

Energy mix of our owned generation[1]

Percentages	2014	2013	2012
Lignite	5	6	6
Hard coal	22	26	26
Nuclear	26	23	22
Natural gas/oil	33	33	34
Hydro	6	6	7
Wind	6	5	4
Other (includes biomass and solar)	1	1	1
Total	**100**	**100**	**100**

1) Percentages are rounded, which can result in their sum deviating slightly from 100.

Owned generation by energy source

Billion kWh	2014	2013	2012
Renewables (including wind, large-scale hydro, biomass, and solar)	29.3	30.8	30.2
Total	215.2	245.2	263.1

E.ON Group carbon intensity[1]

Metric tons of CO per MWh	2014	2013	2012	1990
Germany	0.38	0.40	0.38	
United Kingdom	0.53	0.58	0.68	
Spain	0.62	0.57	0.64	
France	0.71	0.83	0.82	
Italy	0.47	0.45	0.48	
Other EU countries	0.28	0.29	0.27	
E.ON Group (Europe only)[2]	**0.41**	**0.44**	**0.44**	**0.63**
Russia	0.55	0.55	0.56	0.62
E.ON Group[3]	**0.43**	**0.45**	**0.46**	**0.63[4]**

1) Specific carbon emissions are defined as the amount of CO_2 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).

4) The value was shown incorrectly in the past years. In 2014 we corrected the value.

We calculate our carbon emissions on the basis of our organization's energy consumption. This directly influences our direct and indirect emissions as well as our fuel costs. Our energy consumption in 2014 totaled 769 million giga-joules. This figure encompasses the:

- consumption of renewable and non-renewable energy sources, including transmission losses and station use
- consumption of the power, heat, cooling, and steam that we procured
- the conversion losses of the power, heat, cooling, and steam that we generated.

Content page: Climate policies and emissions trading
URL: http://www.eon.com/en/sustainability/environment/climate-protection/climate-policies-and-emissions-trading.html

Investment security for climate protection

Making climate protection advancements demands extensive investment in energy-efficient technologies. This requires a pan-European approach and the right frameworks to offer investors security.

Framework initiatives – in Europe and globally

E.ON supports global efforts to create a policy framework to establish a climate friendly world of energy. Together with national and European industry associations we are calling for governments to develop a consensual solution despite differing national interests. Among other activities, in the run-up to the Lima Climate Change Conference in December 2014 we were involved at association level in discussions on a global climate change framework.

The approval in October 2014 of the EU Climate Change and Energy Package for 2030 by the European Council, which consists of state and governmental heads of EU countries, was a key initiator for an internationally binding climate protection program. The package of measures aims to achieve a 40 percent reduction in EU greenhouse gas emissions by 2030 compared with a 1990 baseline. In addition, by 2030 the share of renewables in energy consumption is to increase to at least 27 percent compared to 2005. This is coupled with a simultaneous reduction in energy consumption of 27 percent through energy-efficiency improvements.

E.ON welcomes this decision, even though we pleaded at the outset to raise the climate protection target to around 45 to 50 percent. We were actively involved in promoting this position at a national and European level through numerous rounds of discussions with political, administration, industry, and NGO representatives. More ambitious climate targets for 2030 could lead to faster recovery and stabilization of emission certificate prices. This way the European Emissions Trading System (EU ETS) would quickly regain its regulatory function in terms of restructuring European energy systems. In turn, this would provide the necessary impulse to invest in lower-emissions technologies.

Breathing life back into the EU Emissions Trading System

Since 2005 E.ON has been actively involved in CO_2 emissions trading under European climate change legislation. The key advantage of this climate policy tool is that it offers a structure that encompasses all countries and economies. At this time, however, the EU ETS isn't performing its intended function as it does not provide incentives for investment. When the EU ETS was introduced, the European Commission estimated the price of a metric ton of CO_2 would stabilize at around EUR 30. However, it currently costs less than EUR 7 (as at March 2015). This is because there are too many certificates in circulation at present.

To counter this, with its climate and energy policy initiative among other measures, on January 22, 2014 the European Commission proposed launching a Market Stability Reserve. This was intended lead to surplus emissions rights being removed from the market at the end of the year. In times of

emissions rights shortages, these rights can then be redistributed under set rules. E.ON supports this measure in principle. Together with a further 56 companies and associations we are calling for earlier roll out of the Market Stability Reserve as early as 2017. This would breathe life back into the emissions trading system as quickly as possible.

E.ON hit by national regulations

In our markets beyond the EU, regulators are aiming to improve climate protection frameworks. Here, national climate protection initiatives play a key, but not always unproblematic, role:

Drop-Down: **Common market, not specific national regulations**

Nation states going it alone in terms of their climate and industrial policies often hinder efforts to strengthen EU emissions trading. In the free European emissions rights market that is being strived for, these acts simply lead to emissions being relocated to other countries. An increase in the CO_2 price in one country only leads to greater demand for energy from a different EU country where CO_2 avoidance costs are lower. This is why we are demanding the abolishment of national measures combined with the necessary restoration of the EU-wide Emissions Trading Scheme.

Drop-Down: **CO_2 regulations in Turkey**

CO2 emissions monitoring, reporting, and verification regulations based on EU guidelines have been agreed in Turkey. 2015 is the first year monitoring will take place. The results will need to be reported for the first time in 2016. Group Management is supporting E.ON International Markets in ensuring regulations and methods are implemented correctly in Turkey.

Drop-Down: **Legal consequences of the exit from nuclear energy**

National regulations have changed the energy market, especially in Germany. The German government's decision taken in 2011 to accelerate the exit from nuclear energy played a key role in this regard. This decision has given rise to a number of lawsuits, among other things. These are, however, not related to our climate protection endeavors. Rather, they serve the financial interests and rights of our investors which we are obliged to uphold, under the German Stock Corporation Act, for instance. We do not intend to reverse the planned exit from nuclear energy by the end of 2022. The same applies to lawsuits against the German Nuclear Fuel Tax Act and constitutional complaints against the exit from nuclear energy.

End of Drop-Down

Facts: Certificate buying and trading

Since 2013, energy suppliers are no longer allocated CO_2 emissions allowances free of charge to cover their generation operations. Instead, we need to purchase all our emissions certificates from auction platforms or buy them on the open market. We are only allocated allowances at no cost for a portion of the heat we cogenerate. In 2014 E.ON had to buy certificates to cover around 63 million metric tons of CO_2 emitted in the EU. This was equivalent to a market value of around EUR 360 million (2013: 76 million metric tons of certificates for CO_2/EUR 265 million).

Our E.ON Competence Service Center CO_2 is the central entity for gathering data on our CO_2 emissions and certificates. This improves the quality of our planning and makes our participation in the

EU ETS more efficient. The Service Center also supports our regional units on issues such as carbon monitoring and verification.

Once again, E.ON Climate & Renewables (EC&R) traded Renewables Energy Certificates (RECs) in the United States in 2014. In contrast to Europe, different rules apply there. In Europe, RECs certification will be replaced by an alternative procedure in 2016.

Participation allows us to better understand developments in the United States, minimize risks there, and take advantage of new trading opportunities.

Content page: Portfolio development
URL: http://www.eon.com/en/sustainability/environment/climate-protection/portfolio-development.html

Reliable eco-friendly energy supply

Before we invest in our generation portfolio, we consider their viability, their impact on the reliability of supply, and climate protection. This applies both to the amount of power we generate as well as its distribution via assorted generating technologies. When deciding on the make-up of our future generating fleet we also need to factor in economic and policy frameworks.

Current supply situation

For the time being, generating capacity in Germany and Europe are sufficient to cover today's low level of demand for electricity. This is achieved through the use of state-backed renewables and the existing conventional generating fleet. Low-carbon electricity generation using wind and solar power is, however, leading to power grid fluctuations. These need to be balanced out to ensure a reliable power supply.

Our approach

Besides renewables, we also utilize conventional power plants combined with energy storage technologies. Through this we intend to transform energy generation as efficiently and cost-effectively as possible. Flexible power plants, such as modern gas-fired power plants, play a special role in this regard. These can increase and decrease their power output quickly to meet demand.

Drop-Down: **Viability through portfolio reorganization**

Even the latest environmentally friendly combined-cycle gas turbine (CCGT) power plants are not economically viable to operate. This is due to the low wholesale price for electricity, over-capacity leading to under-utilization, and the persistently low price of carbon certificates. To improve the competitiveness of our generating fleet we are continuing to reorganize our conventional generation portfolio. Besides efficiency improvements, by the end of 2015 we will take several generating units, with a combined generating capacity of around 13 GW, out of service under our power-plant renewal program. By the start of 2015 we had already achieved over 10 GW of this target. In 2014 we closed the coal-fired power plant units 1 to 3 in Datteln, Germany, Lucy 3, and Emile Huchet 4 and 5, France. This was followed on January 1, 2015, by units D, E, and F in Schloven and C in Knepper, Germany. These represent a combined 2.8 GW. In 2013 they were still generating 8.6 TWh of electricity and emitting 9.8 million metric tons of CO_2.

By the end of 2014 the average age of our coal-fired power plants fell from 36 to 33 thanks to our portfolio rejuvenation program. By contrast, the average age of our CCGT power plants, all of which are still in operation, rose from 21 to 22 years.

Drop-Down: **Growth beyond Europe**

Compared to Europe, many areas of the world have a greater need for additional power generation capacity. This is why we are developing growth markets outside of Europe for conventional and renewable energy generation. To do this we are offering solutions which make

the supply of energy more eco-friendly, efficient, and reliable. In North America we are one of the leading wind-farm operators. Besides conventional power generating capacity, through our investments we are also developing renewable generating capacity in Turkey as part of our Turkish joint venture Enerjisa. In 2014 we developed 439 MW of capacity with three hydropower plants. In recent years we improved our portfolio in Russia mainly by commissioning new CCGT power plants. In Brazil, in 2014 we continued to work with ENEVA, in which we have a minority share, on achieving planned generating capacity despite the challenging economic situation. Through this, in the reporting year we increased generating capacity at the site of Parnaíba in north east Brazil by 517 MW thanks to the commissioning of an additional CCGT plant unit. These relatively low-carbon generation plants are used owing to the country's rapidly increasing demand for power. These plants ensure reliability of supply, particularly in dry seasons when electricity from hydropower plants is in short supply.

Drop-Down: **Expanding renewables**

Renewables are a key focus for our growth in Europe as well as internationally. We intend for renewables to account for more than 20 percent of our owned generation by 2020. To achieve this target, we are focusing primarily on reducing certain investment and operating costs, and optimizing renewable-energy plant availability. Our global unit for renewables, E.ON Climate & Renewables (EC&R), is responsible for this expansion.

Facts and figures

In 2014 our renewables assets (including large-scale hydro) generated 29.3 TWh of electricity (2013: 30.8 TWh, adjusted to exclude generation from waste incineration). This represented 13.6 percent of our total owned generation in 2014, an increase of one percentage point from 2013. Accordingly, at EUR 1.5 billion, renewables made a considerable contribution to our EBITDA of EUR 8.3 billion. Compared to the year before, this represents a two percent increase in the share of sales. As at the end of 2014 over 1,720 employees were directly employed in our renewables segment.

New capacity investments

Since 2007 we have invested over EUR 10 billion in onshore and offshore wind power, hydro and solar power, as well as biomass and other renewables. This segment remains a growth and investment focus for us. As such, we are planning to invest EUR 1.2 billion again in 2015 (2014: EUR 1.2 billion). Despite corresponding investment in new plants, in 2014 our attributable generating capacity (Accounting View) fell from 5.3 to 5.0 GW, excluding major hydropower plants. This is because we disposed of our majority holdings in several wind farms. This also affected our overall generating capacity from renewables which fell from 10.4 to 9.8 GW.

Drop-Down: **Offshore wind power growth**

E.ON is the world's third largest operator of offshore wind farms. We have also built, in some cases with partner involvement, eight wind farms in the North Sea, Baltic Sea, and Irish Sea. We see a great deal of potential in this technology and this is why we will invest considerably more in offshore wind farms rather than onshore wind farms. At the end of 2014 our offshore generating capacity stood at 481 MW (Accounting View). Compared to the year before (688 MW) we were unable to increase our offshore capacity in 2014. This is because several major

projects will only see completion in 2015. Furthermore, we sold an 80 percent stake in the Rødsand offshore wind farm at the start of 2014.

Cost-efficient advanced technology on the high seas

In April 2014 we built the central transformer station for the **Amrumbank West** wind farm. It is located around 50 km northwest of the German offshore island of Helgoland in the German Bight. Built on-time and on-budget, we reached an important milestone with this billion-euro-plus wind farm project of which E.ON is the sole operator. The transformer station is the largest single technical component, weighing approximately 3,000 metric tons. We also built a dedicated service station on Helgoland for the construction and later maintenance of the wind farm.

To withstand the extreme weather conditions on the high seas, the station needs to meet rigorous design and operational reliability standards. Thanks to experiences gained on previous offshore projects, we were able to employ cost-effective solutions and further develop the technology overall. We are currently also working on solutions to find an eco-friendly way of anchoring the foundation through the use of vibration pile-driving.

On February 10, 2015, the first of 80 turbines was installed successfully. By autumn 2015 the wind farm, with a total installed capacity of 288 MW, is to be connected to the continental grid via the transformer station by a cable approximately 100 km in length. It will be able to power up to 300,000 homes with largely carbon-neutral electricity. Compared to conventional electricity generation means, this will result in annual savings of over 740,000 metric tons of CO_2.

The construction of the **Humber Gateway** off the east coast of the United Kingdom in Yorkshire is also on schedule. In 2014 the operations and maintenance facilities were officially opened. In addition, the first four of the 73 planned turbines were installed. With a total generating power of 219 MW, the gateway is scheduled to supply up to 170,000 British homes with electricity by the end of 2015.

Additional offshore wind projects are in the approval phase. Among them, the British government gave us the go-ahead in July 2014 to build the Rampion wind farm off the south coast of the United Kingdom. It will consist of between 100 to 175 turbines installed around 13 to 20 km off the Sussex coast.

Drop-Down: Additional onshore wind power plants

In less than five years we have become one of the world's top 10 wind-power operators. In 2014 we commissioned two new plants (63 MW) in Poland within our target market of northern Europe. Furthermore, we are active in numerous ways in the US wind power market. As part of a joint venture with General Electric Energy Financial Services we are building one of the country's largest wind farms in Grandview, east of Amarillo, Texas. In 2014 we commissioned the first expansion phase with 118 turbines and an installed generating capacity of 211 MW. Compared to conventional means of generation, this will result in a reduction in annual CO2 emissions of 482,000 metric tons. In 2014 we increased our existing onshore portfolio by a net output of 274 MW as a result of this investment. At the same time, our onshore generating capacity fell from 3,694 to 3,342 MW (Accounting View) owing to the sale of shareholdings.

Build and Sell brings maximum added value

We sold shares in two wind farms in Indiana and Texas. They have both been in operation since 2012 and have a generating capacity of slightly over 200 MW each. We will, however, retain a 20 percent shareholding. The shares were sold under our Build and Sell strategy: Through this we aim to achieve a high level of added value in our area of core expertise – and in doing so tie up as little capital as possible. We use the money that is freed-up for new projects and press ahead with these until they are ready for approval. Following that, we also sell these projects to new owners, without necessarily giving up the operator role in the process.

Drop-Down: Generating solar power

There are currently two ways of generating electricity from solar power. On the one hand there is photovoltaic (PV) which converts the sunlight directly into electricity. On the other hand Concentrated Solar Power (CSP) generates steam in a concentrated solar thermal power plant which drives a generator via a turbine.

Expanding PV plants is a growth market for us. This is why we are systematically researching the potential of this technology. For instance, in 2014 we started comparison tests using assorted PV technologies together with a specialist in solar robotics.

At the same time we are more than doubling our portfolio of CSP and PV plants. Their total generating capacity in Europe and the United States reached 130 MW at the end of 2014, compared to 62 MW the year before. We also completed a large solar power plant on the US military base of Fort Huachuca in southern Arizona. The plant, constructed and operated jointly with Tucson Electric Power (TEP) and the U.S. Army Energy Initiatives Task Force (EITF), was connected to the grid on-time and on-budget in 2014. Providing an installed generating capacity of 18 MW, it is the largest ever solar project built on a US military base. We focus specifically on partnerships like this when expanding our global solar fleet in the highly diverse power markets across the world.

Drop-Down: More natural biogas for reliability of supply

Biogas is an exception among renewables. It can be stored and transported to wherever it is needed using the existing natural gas pipeline network. In addition, it can be used in combined heat and power (CHP) plants to generate electricity to meet demand. Moreover, it can be used as a fuel, and even utilized as an eco-friendly energy source in the latest condensing boilers. When stored in natural gas network storage tanks, it can also be used to generate electricity at short notice to cover demand. Through its use as a balancing energy it can smooth out fluctuations in the generation of electricity from wind and solar power.

We are actively involved in further developing this market segment, particularly in Germany and Sweden. However, virtually no economic incentives currently exist in Germany to further expand biogas plants. With the entering into force in August 2014 of the amended German Renewable Energy Act, the amount of financial backing for biogas was reduced considerably. In addition, annual expansion will be capped to only a very small total volume of 100 MW of installed capacity.

Content page: Improved efficiency
URL: http://www.eon.com/en/sustainability/environment/climate-protection/improved-efficiency.html

Reducing carbon and costs

Besides energy-efficient products and services for businesses and consumers as well as renewables, conventional energy generation has its place in tomorrow's world of energy. This is, however, dependent on us increasing its economic viability and reducing its carbon emissions. This is why our global Generation business unit works ceaselessly with the support of our Technology & Innovation area on improving its efficiency.

In terms of solar as well as offshore and onshore wind power, we have also set ourselves specific targets to reduce investment and operating costs per MW. To achieve this we are focusing mainly on generating cost advantages through the application of technology on an industrial scale. We are currently on-plan in all areas. This has been helped by substantial reductions in the global market price for photovoltaic panels as well as standardization steps in the area of offshore technology which we took together with our suppliers. For example, through the use of specially designed ships we reduced the cost of constructing offshore farms. Although it has now almost reached maturity, onshore wind technology also offers cost reduction potential. We are utilizing these depending on the market situation.

Drop-Down: **Efficiency among renewables offers competitive advantages**
We employ the highest quality standards to remain competitive. In 2014 we achieved an energy availability figure of 96.3 percent with our wind portfolio and 98.7 percent with solar. Energy availability describes plant availability at times when it is possible to generate electricity and feed it into the grid, owing to favorable weather and network conditions.

In 2014 we once again managed to complete all European and US-American onshore projects on-time and on-budget. We also entered into numerous forms of partnership and collaboration, which helped us reduce operating and maintenance costs. We are still partnering with General Electrics (GE) on the exchange of turbines in the United States. Through the agreement concluded in 2013 concerning the upgrading of 469 turbines, we expect to increase electricity generation by five percent – equivalent to 19 additional turbines.

Drop-Down: **Conventional generating plants – increased flexibility and new builds**
Last year we invested EUR 862 million in improving existing power plants. This included implementing environmental protection measures at our Ratcliffe power plant in the United Kingdom, and converting plants to biomass in France. Through many smaller initiatives, in 2014 we achieved efficiency gains of over 50 GWh at our plants.

A further EUR 18 million was invested in research and development in the area of conventional generation. This included the use of newer and more efficient technologies. This is intended to make the plants more flexible and enable them to retain capacity reserves. Both serve to ensure reliability of supply. Within Europe, the average efficiency of our coal-fired and combined-cycle gas turbine (CCGT) power plants when generating electricity is currently 38 percent and 54

percent respectively – well above the global average of 33 percent for coal-fired and 45 percent for CCGT power plants. The average efficiency of our plants measured from 2008 through 2014 has improved by 2 percent compared to the year before. This was achieved particularly through the decommissioning of older plants.

Our hard coal-fired power plant Datteln 4 in Germany will also – following the conclusion of the long-winded approval process and commissioning – noticeably improve its environmental footprint. With an electrical efficiency of around 45 percent, Datteln 4 is achieving CO_2 reductions of 20 percent for each kWh generated compared to old power plants, equivalent to 100,000 metric tons every month. As it can be ramped up and down more quickly, Datteln 4 can also balance out network fluctuations. This means the plant can jump into action on still, cloudy days. Overall, it will also supply district heating to around 100,000 homes.

***Drop-Down*: Using sustainably produced biomass**

Biomass, such as the type we use from wood pellets and wood chips, is a renewable source of energy – just like the wind and sun. As such, its use is carbon-neutral. It also offers the advantage in that it can be used flexibly to meet demand. That said it is crucial that biomass is produced sustainably. It must not crowd out food production or endanger biodiversity. This is why our purchasing of biomass has been controlled since November 2009 by our Group-wide Biomass Policy which is the basis for all contracts.

Using biomass to achieve carbon reductions

Coal-fired power plants can be converted to co-fire biomass with a few changes to the firing process, fuel transportation, and storage. To improve our carbon footprint, we are now using this option at many locations.

Complete conversion to biomass

Our lifecycle analyses show that carbon emissions can be reduced by around 80 percent through conversion to biomass firing. This is why we are equipping several of our coal-fired power plants with the necessary technology for pure biomass operation. Among them is our Ironbridge power plant in the UK: It was converted in 2013 and we will operate it as a test bed until the end of its operating life in 2015. In addition, with the support of the French government we have begun converting unit 4 of our Provence coal-fired power plant to biomass firing. The wood chips used are sourced from forestry and waste wood. The project includes new facilities for fuel transport and storage, modification of the firing process, upgrading of the steam turbines, the integration of a new, air-cooled generator, and measures to extend the operating life of the power plant unit by 20 years. The 170 MW plant is scheduled to re-enter operation in Q3 2015. It will also provide us with valuable technical experience in the large-scale use of biomass as a fuel.

Pure biomass power plants

E.ON also operates Steven's Croft, Scotland's biggest power plant specially constructed for biomass firing. The plant generates enough electricity to power around 70,000 homes. Compared to conventional power plants, it displaces up to 140,000 metric tons of CO_2 annually. In July 2014 we brought another biomass power plant online in Blackburn Meadows near

Sheffield in the United Kingdom. It uses recycled local wood and generates 30 MW of electricity to power around 40,000 homes.

Drop-Down: **Testing carbon capture and storage**

As another means of achieving our climate protection targets we have been investigating various processes to equip coal-fired power plants with carbon capture and storage (CCS) technology. For this purpose we are operating several pilot plants in Europe, one of which is our Wilhelmshaven coal-fired power plant in Germany.

Content page: Carbon reporting
URL: http://www.eon.com/en/sustainability/environment/climate-protection/carbon-reporting.html

Transparency for systematic climate protection

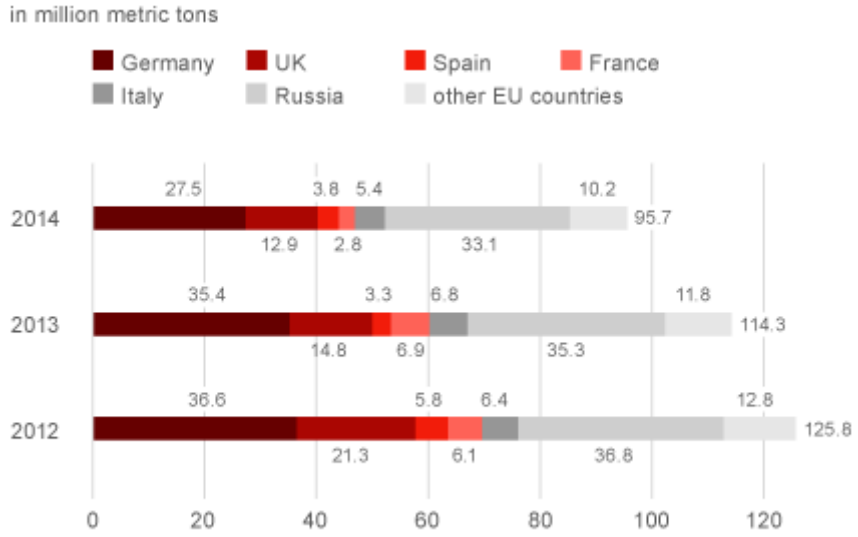
Transparent reporting is an essential part on our path to tomorrow's energy world. We have participated in the independent CDP since 2004 by publishing our annual carbon emissions from power generation. Our completed CDP questionnaire is published for all to view in the CDP database. We have also reported our carbon intensity, a key metric for our decarbonization target, since 2005. In addition, this is now the fourth year we have reported our total carbon footprint.

Carbon emissions from power and heat generation

Carbon emissions are by far the most important greenhouse gas (GHG) emissions in power generation. Other GHGs such as sulfur hexafluoride (SF_6) and methane (CH_4) play a less significant role, as do indirect carbon emissions.

Reviewed 2014

Carbon emissions from power and heat generation



E.ON emitted 96 million metric tons of carbon from power and heat generation in 2014, of which 63 million metric tons were emitted in Europe. This represents a significant decline – around 16 percent – relative to 2013. It results from the fact that in 2014 we produced less power and, thanks to a slightly higher proportion of renewables and nuclear power coupled with a reduction in power generation using coal, had a lower-carbon generation mix than in 2013.

E.ON Group carbon intensity

Our carbon intensity is a key indicator showing us how close we are to achieving our target of halving our specific carbon emissions per MWh of our power generation business in Europe by 2025 compared with the 1990 baseline.

Reviewed 2014

E.ON Group carbon intensity[1]

Metric tons of CO_2 per MWh	2014	2013	2012	1990
Germany	0.38	0.40	0.38	
United Kingdom	0.53	0.58	0.68	
Spain	0.62	0.57	0.64	
France	0.71	0.83	0.82	
Italy	0.47	0.45	0.48	
Other EU countries	0.28	0.29	0.27	
E.ON Group (Europe only)[2]	**0.41**	**0.44**	**0.44**	**0.63**
Russia	0.55	0.55	0.56	0.62
E.ON Group[3]	**0.43**	**0.45**	**0.46**	**0.63[4]**

1) Specific carbon emissions are defined as the amount of CO2 in metric tons 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).

4) The value was shown incorrectly in the past years. In 2014 we corrected the value.

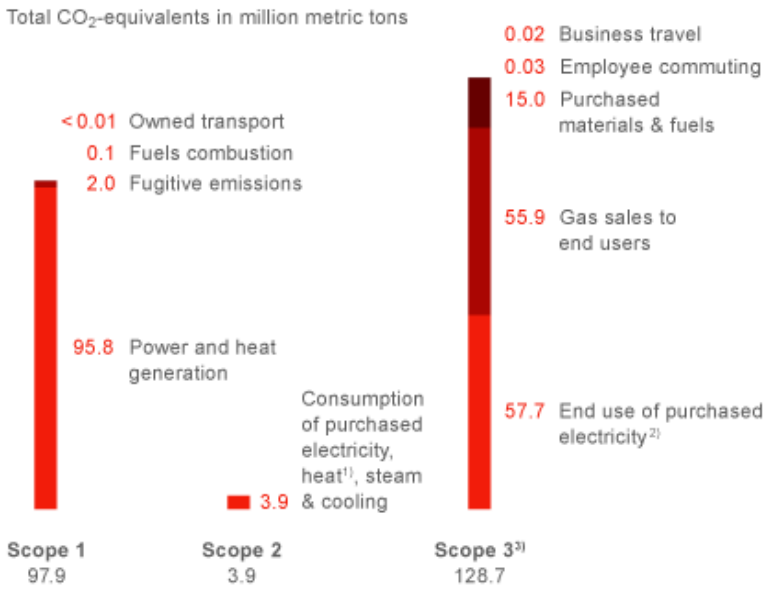
We have already reduced the carbon intensity of our generating business in Europe by 35 percent versus the 1990 baseline. It is now 0.41 metric tons of CO_2 per MWh. This development is thanks to the factors described under "Carbon emissions from power and heat generation".

Carbon footprint

Besides carbon emissions from power and heat generation, we also measure the total carbon footprint of our everyday business activities not directly related to power and heat generation. We include the complete value chain, from our suppliers to our end-consumers. We set ourselves the target of achieving a 20 percent reduction by 2020 compared to 2010. To make these complex calculations, we use the internationally recognized WRI/WBCSD Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

Reviewed 2014

Carbon footprint 2014



1) For reasons of materiality, our own consumption of district heating 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) Indicator calculation as per Consolidated Financial Statement, excluding discontinued activities (regional units in Spain and Italy).

Drop-Down: **Scope 1, 2, and 3 carbon emissions**

Scope 1

Total CO_2 equivalents in million metric tons	2014	2013	2012
Power and heat generation	95.8	114.6	125.8
Fugitive emissions	2.0	2.5	3.9
Fuels combustion	0.1	0.1	0.3
Owned transport	<0.01	<0.01	0.06
Scope 1	**97.9**	**117.2**	**129.9**

Scope 2

Total CO_2 equivalents in million metric tons	2014	2013	2012
Consumption of purchased electricity, heat[1], steam, and cooling	3.9	3.5	4.4
Scope 2	**3.9**	**3.5**	**4.4**

Scope 3

Total CO_2 equivalents in million metric tons	2014[3]	2013[3]	2012
End use of purchased electricity[2]	57.7	69.3	77.9
Gas sales to end users	55.9	59.6	63.5
Purchased materials & fuels	15.0	19.6	8.1[4]
Employee commuting	0.03	0.04	0.1[4]
Business travel	0.02	0.02	0.07[4]
Scope 3	**128.7**	**148.6**	**149.6**

1) For reasons of materiality, our own consumption of district heating 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) Indicator calculation as per the Consolidated Financial Statement, excluding discontinued activities (regional units in Spain and Italy).
4) Data-gathering was improved and expanded in the 2013 reporting year. This results in significant deviations versus the previous year's values. Consequently, the changes to the values do not reflect the actual changes in emissions.

Scope 1 consists of emissions from our own facilities and plants including the carbon emissions from methane and nitrous oxide (laughing gas) (see also GRI Content Index G4 EN15). 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 2014 our carbon emissions from power and heat generation declined to 97.9 million metric tons (2013: 117.2 million metric tons). This was as a result of a decline in electricity production. This production also comprised a lower-carbon energy mix with a slightly higher proportion of renewables and nuclear power coupled with a reduction in power generation using coal.

Scope 2 consists of emissions that we can influence indirectly. These include 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. Our Scope 2 carbon emissions in 2014 remain roughly the same as those in 2013 at 3.9 million metric tons (2013: 3.5 million metric tons).

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 2014 our Scope 3 carbon emissions amounted to 128.7 million metric tons (2013: 148.6 million metric tons). The values for 2013 and 2014 were adjusted for our activities in the Italian and Spanish markets. The improvement versus the year before is due mainly to the drop in electricity and gas sales to private and smaller business customers in Germany and other regions. There are assorted reasons for this, including the comparatively mild weather.

Content page: Technology development
URL: http://www.eon.com/en/sustainability/environment/technology-development.html

Innovative technologies for a new energy system

Reviewed 2014

We strive to develop innovative technologies and services so that we can provide our customers with new, digital solutions and realize the efficiency potential of our existing assets and systems. Continual innovation is the only way for the transformation of the energy system to result in an environmentally friendly and secure energy supply that's viable for the future and whose costs are shared fairly across society.

Challenges for our product portfolio

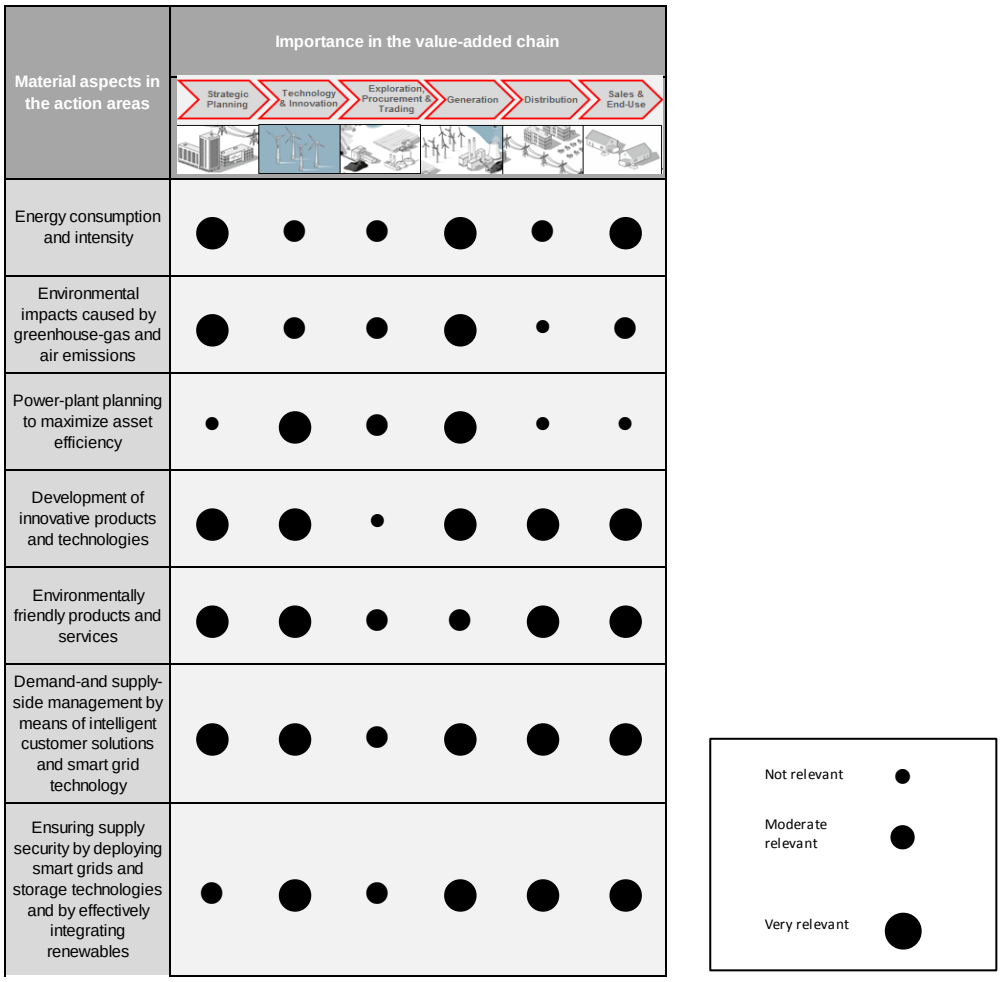
The growth in renewables and distributed generation is altering the energy landscape. This presents us with the challenge of realizing efficiency potential and of developing new sustainable products and integrating them into the existing energy system without compromising supply security.

We need to change our product portfolio in response to the growing number of our customers who want to produce their own electricity and to enjoy the benefits of energy-efficient, digital products and services. This will create new sales opportunities for us and enable us to partner with our customers in energy management, thereby enhancing customer loyalty and our reputation. It will also help us live up to our commitment to shrink our carbon footprint along our entire value chain. Changes in consumer behavior that reduce energy consumption and greenhouse-gas emissions remain a simple and effective way to improve climate protection.

Improvements in technology and maintenance management can make our power plants more fuel-efficient and less carbon-intensive, which reduces our costs to procure both fuel and carbon allowances. By co-firing biomass and refining carbon capture and storage we intend to significantly improve the climate performance of our coal-fired power plants. On the renewables side, technological advances in offshore wind power reduce our operating costs and also promote the wider adoption of this technology.

Innovative energy technologies can give us a substantial competitive advantage and thus enable us to expand our market share, enter new business areas, and increase our profitability. We aim for our innovations to help shape the future of energy and to improve it for our customers.

Relevance along E.ON's value chain[1]



1) This is a simplified graphic representation of the material aspects we identified in our materiality analysis and their impact along our value chain.

Our Technology and Innovation (T&I) division conducts research and development (R&D) along the entire value chain for four main areas: conventional power generation, renewables, distributed energy, and customer-oriented solutions. When a project is ready for market, it can promote innovation at all stages of the value chain (with the exception of Procurement and Trading) and thus have a positive impact of the drivers of value creation.

Drop-Down: **Innovations help us meet our sustainability targets**

Our T&I projects help us reduce our carbon intensity and achieve targets we set in our Sustainability Work Program and others. Going forward, we intend to continue our T&I activities at their current level, while focusing increasingly on distributed energy and the development of new business areas.

The subpages provide information about our T&I priorities and accomplishments in 2014.

Drop-Down: **How we foster innovation in an altered energy landscape**

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. We focus on competitive solutions for conventional, renewable, and distributed energy generation and on integrated, customer-oriented products. We conduct flagship projects in each of these areas to spur innovation and the creation of new businesses.

T&I focus

Our T&I activities are guided by a number of tangible trends:

- Renewables growth is transforming the power-generation landscape
- Conventional power generation needs to achieve greater operational flexibility
- Demand for climate-friendly and energy-efficient solutions and services is increasing
- Distributed generation will play an increasingly important role
- Energy-distribution infrastructure is becoming more integrated and is incorporating more information and communications technology
- Energy generation and consumption are becoming more closely calibrated.

E.ON Innovation Centers

The T&I division at Group Management oversees our technology development effort. In 2014 twelve E.ON Innovation Centers (EICs) developed and coordinated the R&D programs for their particular technology area. The EICs set their own research agenda and aim to develop cutting-edge technologies along our value chain. At year-end 2014 we combined the twelve EICs into seven:

- Customer Solutions
- Energy Intelligence
- Generation
- Distribution
- Energy Storage
- Energy Systems
- Exploration & Production

The EICs are embedded in our existing businesses. The mission of each EIC is to integrate cutting-edge technologies into our value-creation processes.

Scouting out new trends

We've also created other functions at our company to enhance our innovativeness. Our co-investment and scouting team plays a key role in this effort. It identifies new business models and products and is responsible for our investments to forge strategic partnerships with startups.

In 2012 we began making periodic **strategic co-investments** in startups so that we can draw on their innovative business models and products and benefit from their value creation. Each year we plan to make somewhere between one and nine co-investments. We focus on startups that are in the middle phase of their development and in one of a predefined set of business areas. Click here to find out more about our strategic co-investments.

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.

The purpose of our **":agile"** innovation initiative, which we launched in 2013, is to tap our employees' creative potential, to consider business ideas that may be beyond our current portfolio, and to nurture these ideas toward market-readiness. In 2014 we extended the initiative to support outside projects that will be developed independently of E.ON.

In 2014 we began a program called the **T&I Incubator** through which we conduct trials of cutting-edge, typically pre-market products with a small group of our customers to assess their market potential. During the trials, which last between six months and two years, we use customer feedback to continually refine the products. If a trial is successful, the business unit that requested it is responsible for developing the product to market-maturity.

Our T&I activities include conducting research projects in **partnership with universities and research institutes**, in particular with the E.ON Energy Research Center at RWTH Aachen University in Germany, where our projects focus mainly on smart grids, customer behavior, and renewables. The purpose of these partnerships is to steadily acquire the capabilities necessary for tomorrow's energy world.

Drop-Down: **Key performance indicators**

The amount of our R&D expenditures provides an indication of the extent of our innovation effort. These expenditures declined, from EUR 119 million in 2013 to EUR 99 million in 2014. We direct this money very selectively toward large and small innovations that will shape the future, while at the same ensuring that our R&D budget is commensurate with our financial performance.

Our strategic co-investments also make an important contribution to advances in energy technology. In May 2014 we completed our tenth co-investments within two years. Nine of the startups we've invested in have designed plans for market entry. However, the market entry of T&I project is typically a fluid process, making it difficult to disclose a number.

R&D expenditures

€ in millions	2014	2013	2012
R&D technologies	75[1]	86[1]	94[1]
Demonstration projects	19	29	24
University support	5	4	8
Total	**99**	**119**	**126**

1) R&D expenses pursuant to IAS 38 plus other projects that are part of our R&D effort.

R&D expenditures by technology type

€ in millions	2014[1]	2013	2012
Renewables	*6*	*10*	*12*
Conventional generation	*18*	*23*	*37*
Infrastructure	*22*	*34*	*21*
End-use	*28*	*31*	*24*
Cross-technology projects	*26*	*21*	*32*
Total	**99**	**119**	**126**

1) Each individual figure is rounded, so that minor discrepancies may occur through the addition of these amounts.

The subpages of the action area provide a further explanation of R&D expenditures by technology type.

Content page: Renewable energies
URL: http://www.eon.com/en/sustainability/environment/technology-development/renewable-energies.html

Renewables – more efficient and competitive

E.ON is working to optimize existing assets in the area of renewable resources and to make new technologies viable in the marketplace. Our research and development (R&D) focusses on wind-power technology and especially offshore applications, new hydro technologies, deriving more energy from biomass, and enhancing the overall competitiveness of photovoltaic (PV) panels and solar energy.

Investment in further development of renewables

Our R&D expenditure on renewable energy sources declined to six percent of the total budget in 2014. The declining budget development to EUR 6 million is the result of setting a clear priority on industrial-scale generation in the area of renewables. Additionally, we are concentrating on products and services for our customers and cross-unit projects.

R&D expenditures on renewables

	2014	2013	2012
Expenditures (€ in millions)	6	10	12
Share of R&D budget (percentages)	6	8	10

More efficient offshore wind technology

E.ON has set itself a goal of lowering investment and operating costs by 40 percent for its newly built offshore wind parks by 2015 versus the benchmark figure from 2010, which will give this technology an economically solid base. We want our offshore technology to be more efficient, more environmentally friendly, and therefore less cost-intensive. We are testing various technical components under laboratory conditions and in demonstration projects to research their effects on marine fauna and their safety regarding shipping, among other aspects.

***Drop-Down*: Testing environmental factors, costs, and usage aspects**

Since 2014 in the UK, we have been researching the reactions of various types of fish to the noise that results from embedding the foundations of wind turbines into the sea floor. Our aim is to examine the existing models of underwater noise in scientific experiments, with the help of renowned experts in acoustics and marine biology. We have constructed an experimental setup to simulate the events on the ocean floor on a large scale in a sea bed facility at the National Renewable Energy Centre near Newcastle in the UK.

Vibration instead of impact pile-driving technology

We are also testing new methods of anchoring foundations into the sea bed. Especially large ramming posts known as monopiles promise cost advantages here, as well as decreasing both risks and noise emissions during pile-driving. We are trialing their use in a demonstration project with other developers and operators of offshore wind parks on the German North Sea shore near Cuxhaven. Monopiles are

sunk into the ocean floor through vibration instead of the conventional impact technique. The project was launched in May 2014 and is scheduled to run for a year. By then, we aim to prove that vibration pile-driving causes less noise emissions and symptoms of material fatigue, and can be carried out faster and more cost-efficiently than conventional impact driving. The project work is being supported and monitored by the Offshore Wind Accelerator (OWA), a research, development, and demonstration program through the Carbon Trust, an independent expert organization.

Risk analysis lowers cost of laying underground cables

Together with other offshore development companies, we have participated in the OWA program since 2010. As part of the research work carried out by OWA, further options were identified in 2014 for lowering the risks and costs of laying underground cabling. Apart from the characteristics of the sea bed, the scientists also took shipping traffic near the wind park into account as well as the risk of cable damage from dropped anchors. This revealed that cables do not need to be laid at the currently stipulated maximum depth in every place. This significantly reduces investment costs and allows the development of offshore sites that have not been considered to date due to the costs of underground cabling.

We progressed a demonstration project on protecting foundations on the ocean floor to market readiness in 2014. The system uses matting made of used car tires to prevent scour (erosion) on the seabed around monopiles and other technical structures. The mats reduce the speed of the water current: This causes sand sediments to precipitate, fill the tire space and create a reinforcement layer around the foundations of the facilities.

End of Drop-Down

Early detection systems

Advanced Condition Monitoring (ACM) is a technical solution for asset monitoring. Using several measuring points, ACM monitors a power plant’s current status and checks indicators for early detection of potential faults or future damage. We developed this intelligent technology to protect the production capacity of our gas and steam power plants, as well as to improve their reliability, flexibility, and performance. In 2013 and 2014 we tested its suitability for renewable resources using the example of wind power, fitting more than 600 wind turbines with the system. We are currently evaluating process data from plant operations in order to make a decision on the future use of ACM.

***Drop-Down*: Solutions for monitoring asset state and operation**

We can use ACM to identify when the behavior of a turbine has changed owing to issues such as cooling systems becoming dirty, excess grease clogging up bearings, or electrical components malfunctioning. ACM is constantly being developed in order to increase the availability of facilities and at the same time reduce maintenance costs. In 2014, one of our goals was to develop a new technology for discovering cracks in turbine blades. We are also planning a process for monitoring oscillation and stress states in inaccessible parts of assets. Our global business units Renewable Energies and Generation plan to utilize both methods in their facilities.

We also tested a digital platform for asset monitoring in 2014. As a central access point, this Production Support Portal provides important data on complete plant health. Site staff can therefore react quickly to new issues and access Best Practice from the whole Group at the same time. The

Portal also delivers data-based analyses with which we can optimize maintenance periods aided by asset-status data, which reduces repair costs.

Knowledge transfer from gas to hydro power plants successful

The Hydro E.ON Innovation Center (EIC) carried out a pilot project between 2012 and 2014 at the Galleto and Narni hydro power plants in Italy involving an online monitoring system that the Generation global unit had previously utilized in its fleet of combined cycle gas turbine (CCGT) power plants. It allows key operating parameters to be recorded and processed in real time. In the pilot, around 200 signals per power plant unit – such as oscillations, oil temperature, pressure levels, and cooling water flow-rate – were monitored and fed into the plant information platform. There, we made the information available to the whole hydro fleet and, through secure channels, to global and local hydro experts directly. Valuable knowledge transfer took place thanks to the collaboration of our CCGT experts with EIC Hydro, and we were able to lower project costs significantly. Due to these positive results E.ON Hydro Fleet decided to expand the pilot project to further facilities in Germany and Sweden.

End of Drop-Down

Hydropower plants

In the development of hydropower technology E.ON pursues two main directions: We are constantly looking for new technologies to optimize existing facilities and discovering new opportunities for pumped storage plants in order to store excess energy and stabilize power grids.

***Drop-Down*: Sustainable solutions for and with hydropower**

Airborne Hydromapping: exploring environmentally sensitive water areas from a distance

Using hydro power usually entails a more or less major impact on the water ecology. Surveying the terrain from the air has been an option available for some years to determine the suitability and environmental resilience of water bodies. The laser technique used in these flights delivers high data quality and is significantly more cost-effective than other methods.

However, it is not currently possible to capture the streambed with lasers, although this would be of great interest for finding out about the environmental status of artificially altered sections of rivers and then developing options for structural improvements. We have been investigating a novel water-penetrating laser system in a project begun in 2013 together with universities and industry partners. E.ON contributes to the project by providing reference-data points for planning the survey flights, as well as our own measurements for evaluating the quality of the new data.

Besides reducing our own survey effort, the main benefits for E.ON are obtaining area measurements without needing to enter protected zones, as well as reducing accident risks when taking measurements on steep slopes or rough terrain. The aim is to localize environmentally valuable shallow water areas and develop options for their protection. This task is set to gain in importance due to the requirements of the Water Framework Directive in the coming years.

HydroBalance project – energy storage for Europe

With the increase in wind and solar power in the European electrical supply, there is more demand for energy storage to ensure a secure supply, even in times of little wind or sun. One way to address this challenge is making use of the large Norwegian water reservoirs. We have been contributing to research into this option since 2013 through the HydroBalance project. This is investigating the technical requirements for the expansion of the existing Norwegian hydropower system by up to 20,000 MW, as well as potential business models, environmental impacts, public opinion on the matter, and regulatory issues. The project partners are Norway's Centre for Environmental Design of Renewable Energy (CEDREN), and E.ON Innovation Centers (EIC) Generation and Energy Storage.

End of Drop-Down

Biomass power plants with higher energy yields

In the area of biomass combustion we aim to improve fuel efficiency and plant availability through the use of better components as well as process solutions to prevent corrosion.

***Drop-Down*: Optimizing combustion processes**

E.ON ran a research project from 2010 to 2013 aimed at optimizing the use of biomass as a fuel. Our project partners were the Consortium for Materials Technology for Biomass Power Plants, the Swedish Energy Agency and other energy suppliers, as well as manufacturers of turbines and boilers. The objective was to develop technologies and materials to reduce corrosion, as well as making it possible to increase steam temperatures to 600 degrees Celsius (about 1,110 degrees Fahrenheit) in order to improve plant efficiency by two to four percentage points. The research was concluded in 2013, without leading to investment in a further pilot project, however. Nevertheless, we are using the experience gained to optimize operations for our biomass power plants in the UK and Sweden.

End of Drop-Down

New technologies for more efficient photovoltaic facilities

Some photovoltaic facilities work with innovative tracker systems, which adjust the alignment of solar panels depending on the angle of incoming sunlight. This can significantly increase the output of solar farms. To help achieve further advances in this technology, we're testing single-axis and dual-axis trackers and comparing different tracker configurations under various operating conditions. We started a test program for this in the US in mid-2014.

***Drop-Down*: Research for better solar energy harvesting**

Single-axis solutions are used primarily in the US, but also in France. In Italy, we also operated single-axis trackers in 2014. Dual-axis tracker systems will be implemented in future together with our new partner for solar robotics, QBotix. We are developing both technologies so that we are able to position ourselves in the market as early as possible with new business models that fit our strategic direction.

Efficiency evaluation for cleaning photovoltaic modules

In October 2014, T&I and E.ON Climate & Renewables launched two parallel test programs in the US to research the cleaning requirements for photovoltaic panels. In Texas, a facility was put in place to deliver information on the connection between performance losses and surface dirt. A similar facility in Arizona is being used to balance the energy gain against the cost of cleaning operations. Both stations

are networked with autonomous mobile solar modules that collect data independently at various sites and transmit these; both projects are set to run for a year. If successful, we will utilize this technology in our photovoltaic farms both in the US and in other countries.

End of Drop-Down

Tap into market potential with young innovation leaders

Following suggestions from our Innovation Scouts from the T&I area, we have invested in young companies with innovative business models or products in 2014. Together with them, we will tap into further markets in the area of renewables and participate in the value they add.

***Drop-Down*: Strategic partnerships with solar startups**

IT-supported solar services from a single source

In May 2014 E.ON purchased a strategic shareholding in the globally active solar technology supplier Sungevity from Oakland, California. Initially, Sungevity will work with E.ON Benelux to offer home owners photovoltaic roof installations. In the Netherlands, we already launched a joint solar project in the reporting period.

As an online-driven company, Sungevity is able to offer the same services to European customers as its customers in the US. These include instant quoting technology via the internet, and satellite-supported site evaluation. Given the currently large range of solar installation options, we see a clear competitive advantage in giving our customers access to the best solution as easily as possible, with the help of Sungevity. We will also use Sungevity's own Solar Design Technology in order to offer our customers in the Netherlands savings on their electricity bills.

Robot-controlled solar panels

As a partner in a consortium of financial institutions and another European energy supplier, E.ON purchased shares in solar robotics provider QBotix in May 2014. The company, headquartered in Menlo Park, California, develops intelligent robots for dual-axis solar trackers. These align solar panels optimally with the angle of incoming sunlight, which allows them to increase the yield from photovoltaic solar farms by 15 percent compared to single-axis systems, and up to 45 percent compared to fixed panels.

The investment costs for facilities with QBotix Robotic Tracking Systems (RTS) decrease correspondingly by about 20 percent per kWh of power generated. E.ON has tested the potential of QBotix RTS for around a year, which has convinced us that this technology will significantly improve the profitability of our future photovoltaics projects.

Content page: Conventional generation
URL: http://www.eon.com/en/sustainability/environment/technology-development/conventional-generation.html

More flexible and efficient – less CO_2

Our research and development (R&D) activities in conventional power generation primarily target increasing flexibility and efficiency and reducing emissions. Among other things, we are researching the options for improving power-plant technology for the various types of plant.

Lower R&D expenditure in conventional generation

In line with our strategy, R&D expenditure for conventional generation declined further year on year, from EUR 23 million to EUR 18 million in 2014. Its share of our total research budget also declined from 19 to 18 percent.

Our R&D focus in 2014 was on improving facility monitoring: This will enable us to increase asset flexibility and reduce operating costs, as well as to develop and test technologies for better fuel efficiency, among other factors. We carried out demonstration projects at the power plants at Heyden and Wilhelmshaven, Germany. We also worked on solutions to avoid greenhouse gas emissions, concluding a corresponding test program in Wilhelmshaven in 2015.

R&D expenditures on conventional generation

	2014	2013	2012
Expenditures (€ in millions)	18	23	37
Share of R&D budget (percentages)	18	19	29

Increasing power plant operational flexibility

E.ON is adjusting its fleet of conventional power plants to the needs of the new energy world. Among other goals we are taking new approaches to reduce ramp-up times and minimum loads. This will allow us to react more flexibly to fluctuations in wind and solar output and contribute efficiently to covering the remaining low base load, especially in regions where households feed large quantities of solar power into the grid during the day.

***Drop-Down*: Solutions for flexible base load operation on the test bench**

Load studies concluding

We tested new solutions at the Scholven 4 power plant in Germany and Emile Huchet 6 in France for more flexible load balancing during the reporting period. We will conclude this research in 2015 and take a decision on introducing the technology into our generation fleet.

Testing minimal load

In 2014, we tested solutions at the German power plants Staudinger, Knepper, and Wilhelmshaven for operating conventional power plants stably at a load of under 20 percent, i.e. less than a fifth of their full output. With a view to the planned and foreseeable integration of larger renewables capacity into the energy system, we are securing a technological advantage compared to other conventional power plant operators. Alongside proving technical feasibility, the tests also aim to show the economic

viability of minimal load operation. However, it is already clear today that it would not be economically attractive to operate at this low level of output for much of the year under the given conditions.

End of Drop-Down

Reducing emissions

Coal-fired power stations are responsible for a large share of the air-borne pollutants emitted by our generation fleet. One of our R&D projects deals with reducing mercury emissions to air and water.

***Drop-Down*: Investment in new filter and separation processes**

EU legislation requires a drastic decrease in mercury emissions from coal-fired power plants by 2016. In order to meet the new limits, we invested EUR 500,000 into development work in the E.ON Innovation Center Steam during 2014. This led to the development of a new process for mercury separation in one of our facilities, which we plan to utilize in our other plants in future too.

We invested a further EUR 400,000 of research funds into improving our filtering technologies, in particular to further reduce our fine particulate emissions.

Content page: Infrastructure
URL: http://www.eon.com/en/sustainability/environment/technology-development/infrastructure.html

Potential in integrated energy distribution

Our infrastructure research and development (R&D) focuses primarily on achieving two goals: On one hand creating flexible, intelligent, and active networks (smart grids) for the more sustainable energy world of the future, and on the other, developing technologies for storing energy from renewable sources. To do so, we are working on novel systems for measuring consumption (smart metering) and on technologies to improve the operation of power distribution grids and the options for storing electricity. We also conduct research into other energy storage technology, including converting electricity into hydrogen or methane (power-to-gas technology), compressed air storage, and thermal storage.

R&D activities in infrastructure

E.ON decreased its research efforts for the area of infrastructures during 2014, compared to 2013. Likewise, the share of expenditure in the total budget fell from 29 to 22 percent. The reason for this is that many demonstration projects were begun in 2013 and these are now in test operation.

R&D expenditures on Infrastructure

	2014	2013	2012
Expenditures (€ in millions)	22	34	21
Share of R&D budget (percentages)	22	29	16

Smart cities

In Malmö, Sweden, E.ON is creating an integrated energy infrastructure for a whole city district. Starting with the Western Harbor district, we have been engaging with urban development in this metropolis in southern Sweden for more than a decade, for example supplying the “City of Tomorrow (Bo01)” with integrated solar and geothermal facilities. In 2011 we intensified our collaboration and signed an agreement to convert the entire Hyllie district to a climate-friendly energy supply.

***Drop-Down*: Smart City Malmö**

As of 2020, Hyllie will be supplied with electricity, heating, and cooling powered exclusively by renewable resources and energy recovery, making it a model for a fully integrated urban energy infrastructure. The principle of decentralized self-generation and supply will play an important role here. All building service systems, energy producers, and energy consumers are connected and controlled via a communication network, with the goal of increasing energy efficiency, decreasing losses, and getting better at meeting high demand levels – even when there is no wind or solar power – and improving supply reliability.

The E.ON Innovation Centers (EIC) Customer Solutions, Distribution, and Energy Systems are playing leading roles here. Within the reporting period, the E.ON Smart Home System was deployed commercially for the first time in a large residential property. For more information, please see the

Smart Homes sections on the Sales & end-use page. A further residential property was supplied with a photovoltaic installation and two e-car charging stations.

End of Drop-Down

Energy storage

With its developments in the area of energy storage, E.ON is making an important contribution to the change in energy policy. The more electricity is generated from regenerative energy sources, the more important storage becomes – especially since energy demand will continue to fluctuate. The main task is to provide wind and solar power as electricity, heating or gas in a demand-oriented way, as well as to lower costs and CO_2 emissions, for example through synergies in the areas of industry and mobility.

***Drop-Down*: Testing new storage technologies**

Hydrogen from regenerative energies into the natural gas grid

Facilities for storing wind power serve for testing various electrolysis processes for generating hydrogen as an energy store. This is fed into the natural gas grid and is flexibly available there, mixed with normal natural gas, to the electricity, heating, mobility, and industrial markets. The aim of the projects is to collect technical, economic, and administrative experience for their commercial application.

In Falkenhagen, Germany, E.ON has been operating a pilot facility for storing wind electricity in the natural gas grid since August 2013. The facility's performance is 2 MW – the equivalent of producing 360 cubic meters of hydrogen per hour. By the end of 2014, over 2.8 million kWh of hydrogen had been fed into the natural gas grid.

In Hamburg, Germany, E.ON and our partners from science and industry have developed the next generation of electrolysis technology, supported by National Innovation Program for Hydrogen and Fuel Cell Technology (NIP) from the German Federal Ministry of Transport and Digital Infrastructure. As part of the WindGas Hamburg project, another such facility will go into operation by mid-2015. The projected production with input levels of 1 MW is 265 cubic meters of hydrogen per hour.

The efficiency rate for both WindGas facilities is around 65 percent in Falkenhagen and an expected 80 percent in Hamburg.

Intelligent energy system and battery storage

Since September 2013, we have been testing an intelligent storage system on Pellworm, a small German island in the North Sea, that will help us coordinate power generation and consumption better. The project links the island's wind power plant and solar park with a hybrid battery storage system: This is also connected to households with photovoltaic installations, storage heaters, and small-battery storage. The technology being tested here on a small scale can in future be transferred to urban regions. The project is being run by an innovation association with business and science partners, supported by the German Federal Ministry for Business and Energy.

M5BAT – the world's first modular large-scale battery storage system

E.ON has joined forces with business and scientific partners for the M5BAT project to build the world's first large-scale battery storage system in Aachen, Germany. The unique feature lies in its modular

design: A special feature is how it harnesses and combines different battery technologies (lead-acid, lithium-ion, and high-temperature batteries).

Unlike compressed air reservoirs or pumped-storage plants, the construction of large-scale battery storage has no particular geographical requirements and requires no long-term planning periods, making the technology attractive for many operators of integrated energy solutions. The project will demonstrate how battery storage can be used to secure the energy supply in combination with low-carbon power generation, and will deliver valuable insights for E.ON and the energy sector. It is part-funded by the German Federal Ministry for Business and Energy.

The pilot facility can also be used for testing other battery technologies beyond the scope of the project.

End of Drop-Down

Robust, intelligent distribution grids

E.ON's power grids are exposed to increased loads due to the fluctuating volumes of wind and solar power being fed into them. We are pursuing various approaches to make our distribution grids more resilient and to balance out the power fluctuations with better load management. Prior to wider-scale roll-outs we examine the effects of new network solutions in test environments. We utilize early-warning systems, predict future challenges for our grids by applying a wide range of scenarios, and research solutions for an integrated infrastructure. These include decentralized generation, demand management, and energy storage.

Drop-Down: **Increased grid resilience**

Overhead power lines that carry a lot of electricity tend to heat up; therefore we limit power volumes so as not to damage them. The least favorable weather conditions are generally assumed to determine these load limits. However, when the air temperature is low and wind speed is high (i.e. precisely the right conditions for generating a lot of wind power), power lines can carry significantly more electricity. In the operation of our high-voltage lines in Germany, we already use this potential systematically by measuring the environment conditions as part of overhead line monitoring, and by dynamically adjusting the load limits to these. The first pilot projects on Dynamic Line Rating (DLR) were concluded successfully in Sweden in 2014, meaning that this technology can be introduced in other regional units for their regular grid operation. Further, in Germany we utilize especially heat-resistant materials for power line conductors, which enable safe grid operation at temperatures up to 80° C.

In our Bayernwerk subsidiary's networks in Germany we introduced another technology (Dynamic Voltage Regulator) into regular operation during 2014. This allows us to vary the output voltage of the incoming lines by +/- ten percent. It also permits the integration of a higher proportion of renewables into appropriately equipped networks without exceeding the established voltage limitations.

Early warning systems and locating errors on the Smart Grid

Our network control centers ensure the reliable operation of high-voltage grids by working with forecast data on intermittent generation capacity, weather conditions, maintenance cycles, and cross-border energy trades. In Sweden, with our Smart Grid Control Center we're using new self-learning software that can predict grid-status for up to six hours ahead. During 2014, it was piloted in Malmö by

EIC Distribution and the local grid company E.ON Elnät.

Alongside generating forecasts, we are also using the software to support the service if there is a fault on low voltage power lines. Our Swedish distribution company currently handles around 22.5 million digital meter readings a month. Changes in the market and legislation mean that this figure could rise to 1 billion readings annually by the end of 2015 – and even to 9.5 billion over time, as more customers move to hourly readings. This multiplies the effort required to check for anomalies. In order to support our specialists here we use the Smart Grid Control Center software for data analysis: This collects all measurement data centrally, determines anomalies through repeat processing, and then visualizes the results. The system's first production pilot went operational at the end of March 2015.

Smart Grid model tests at a regional level

On Pellworm, a German island in the North Sea, with a range of technology partners we have been testing an intelligent grid infrastructure in operation on a local level since 2013. The aim of the project is to harmonize electricity generation, storage, and consumption better. Also in Germany, in the state of Lower Saxony we have been carrying out a real-life trial of an integrated grid since 2010. The main components of the e-Home Energy 2020 project are photovoltaic panels, advanced air conditioning, smart meters, and home charging points for electric vehicles. As well as assessing customer behavior we are studying technical and economic factors. The researchers are particularly interested in the impact of distributed generation on the grid and the effect of German government incentives for self-generated energy. In 2014, the topic of end-user storage was also included into the research.

Content page: Sales and end-use
URL: http://www.eon.com/en/sustainability/environment/technology-development/sales-and-end-use.html

Solution for convenience and efficiency

We strive continually to develop innovative products and services that make life better and simpler for our customers. This also applies to our Technology and Innovation (T&I) activities in the sales and end-user area. Our focus here is on issues such as energy efficiency, energy management, and distributed generation. We also design Smart Home solutions that enable residents to monitor and control their home and heating technology from their computer or smartphone. These solutions enhance convenience, security, and energy efficiency for our customers.

Significant investment in new product and service development

Sales and end-user technologies represent an important focus of our research and development (R&D) activities in our T&I projects. This area accounted for 28 percent of our total research budget for 2014. In the years ahead we plan to conduct demonstration projects that highlight the customer benefits of distributed generation solutions.

R&D expenditures on sales/end-user technologies

	2014	2013	2012
Expenditures (€ in millions)	28	31	24
Share of R&D budget (percentages)	28	26	19

E-mobility

Electric vehicles (EVs) can be an important component for the energy turnaround, provided that they can also be used conveniently outside cities. E.ON supports the future market introduction of e-mobility with a series of projects and activities.

***Drop-Down*: Regional solutions for fine-mesh supply of charging stations**

To tackle this issue, a German government initiative with four showcase regions is highlighting technology that will enable electric vehicles to travel longer distances. As partners in Electro Mobility Connects, the Bavaria-Saxony showcase initiative, E.ON, Siemens, and BMW installed eight fast-charge stations along the A9 freeway between Munich and Leipzig. This enables users of electric vehicles along the 430 km section to always find a place at which they can recharge their batteries within 30 to 60 minutes. The charge stations were opened to the public in May 2014. By the middle of the year, the infrastructure had been connected up to centralized charge station management and to the E.ON Portal: This allows the user to see our charge stations and their real-time availability.

In Copenhagen we already operate 800 charge stations and have improved the availability of charge stations in the metropolitan area. Since 2014, vehicle users have been able to visualize the location where they want to recharge their electric vehicle, and will soon be able to pay easily via an app for charging and parking. For further E.ON research projects in the area of e-mobility and their results, please see here.

End of Drop-Down

Smart Homes

A Smart Home is the combination of management technology, data capture, and intelligent home and electronic appliances. E.ON is researching the options through several pilot projects for increasing quality of life at home by harnessing new technological opportunities. Important components in this are Smart Meters.

***Drop-Down*: Pilot projects show increase in efficiency and convenience**

Since 2011 we have run the Thinking Energy trial in the UK to test out Smart Home technology. The spectrum of applications we've tested ranges from energy management systems for monitoring electricity and gas consumption, to smart plugs to control electrical devices and appliances such as TVs, computers, washing machines, and refrigerators. In 2013, electric vehicles and controllable home charging points were added to the trials. 75 households in Milton Keynes, England, participated as users in the project. The evaluation showed that participants reduced their electricity and gas consumption and raised their convenience at the same time. Households that had installed solar modules also optimized the share of their own power consumption while improving their CO_2 emissions. We will use the information gathered from the trial to design future field tests and initial commercial trials, all of which will comply with European and national data protection laws.

In April 2014 we extended the project, originally designed to run for three years, to the summer of 2015. We want to trial the potential use of internet-based technologies for controlling lighting, boilers, and heating in households already familiar with the trial.

In Sweden, E.ON completed another successful Smart Home project in spring 2015. A building with 54 apartments in Hyllie, a district in the city of Malmö, was supplied with Smart Home technology, including the installation of smart heating controls in combination with water and heating meters. Alongside this, we developed an app that shows tenants a current overview of their consumption in real time. What's more, using the generated data the home owner can carry out billing for heating and hot water costs based on actual usage for the individual tenants. The project results are now being integrated into the commercialization of our Smart Home product portfolio, which we are currently developing for our private and business customers.

These country-specific pilot projects better reflect national differences and at the same time provide transferable results for our entire market regions.

End of Drop-Down

Virtual Power Plants

In the past, electricity generation followed usage. The change in energy policies reshape this paradigm, as wind and solar power availability is independent of demand. In order to better balance out the resulting fluctuations in the grid, we started a Virtual Power Plant project in 2013.

***Drop-Down*: Combined power for a stable grid**

With this, we implemented an overall cross-plant management of numerous, grid-linked distributed generation facilities. Bundled as a virtual power plant, these installations can feed power into the grid

at short notice when it is required, or take it off stream when there is excess supply. Part of the project is also the marketing of decentrally generated power as balancing energy. For example, a cogeneration unit can variously increase or reduce its performance, and therefore provide both positive and negative balancing energy. RW silicium, a plastics company, can even reduce the power consumption of its melting furnaces by up to 15 MW if there is a power shortfall on the grid. The company therefore relieves the electricity system and receives payment for this positive secondary balancing power.

Initiative for standardizing distributed balancing energy

In order to implement virtual power plants on a large scale, we need uniform industry standards for participants in the market for balancing energy. We are therefore a founding member of VHPready e.V. (Virtual Heat Power ready), an industry forum launched in February 2014, which aims to standardize the management of distributed energy installations.

Drop-Down end

Co-investment for more customer efficiency and convenience

Following suggestions from our Innovation Scouts from the T&I area, in 2014 we began three cooperation efforts with young companies with innovative business models or products in the areas of sales and end-use. Their focus is on the areas of software optimization, convenient Smart Home solutions, and distribution of heat supply facilities. These will assist us in making living and working for our customers even more convenient and efficient with more innovative products and services.

***Drop-Down*: Young companies with sustainable energy solutions**

- **AutoGrid**, a company headquartered in Redwood Shores, California, has specialized in big data and cloud computing Solutions for energy supply companies. With them we want to help our partners in the energy sector to exploit savings potentials for energy and CO_2 in their production chains.
- In September 2014, E.ON became an investor and partner in **Leeo**, a company from San Francisco, US. Leeo develops and provides smart home solutions consisting of simple and intelligent plug-and-play devices and related data services. Alongside its own products and services, Leeo also sells the services of selected enterprise partners.
- Based in Berlin, Germany, **Thermondo** is a young company that helps home owners to achieve an efficient and environmentally friendly heating supply. It is based on an online platform and its own IT infrastructure, and enables customers to select and buy their new heating system quickly, easily and cost-efficiently. The online heating planner enables a brand-independent comparison of heating systems. The selected facility is installed by locally based Thermondo contractors.

In addition, we are already represented in the marketplace with products such as our E.ON SolarManager. Through its app and online portal, this gives the owners of solar installations the option of calling up information almost in real time about their data in the areas of generation, own usage, and grid supply.

Content page: Environmental protection
URL: http://www.eon.com/en/sustainability/environment/environmental-protection.html

Reviewed 2014

Foresighted environmental management

Our business as an energy company poses considerable environmental risks primarily through our operation of conventional power plants. To supply customers with reliable power and gas products that are as environmentally friendly as possible, we strive to minimize risks along our entire value chain. Environmental protection is essential for us to retain our license to operate and to gain lasting public acceptance and support for our business. That makes it a key strategic challenge for our company and a decisive factor in our ability to remain viable in the future.

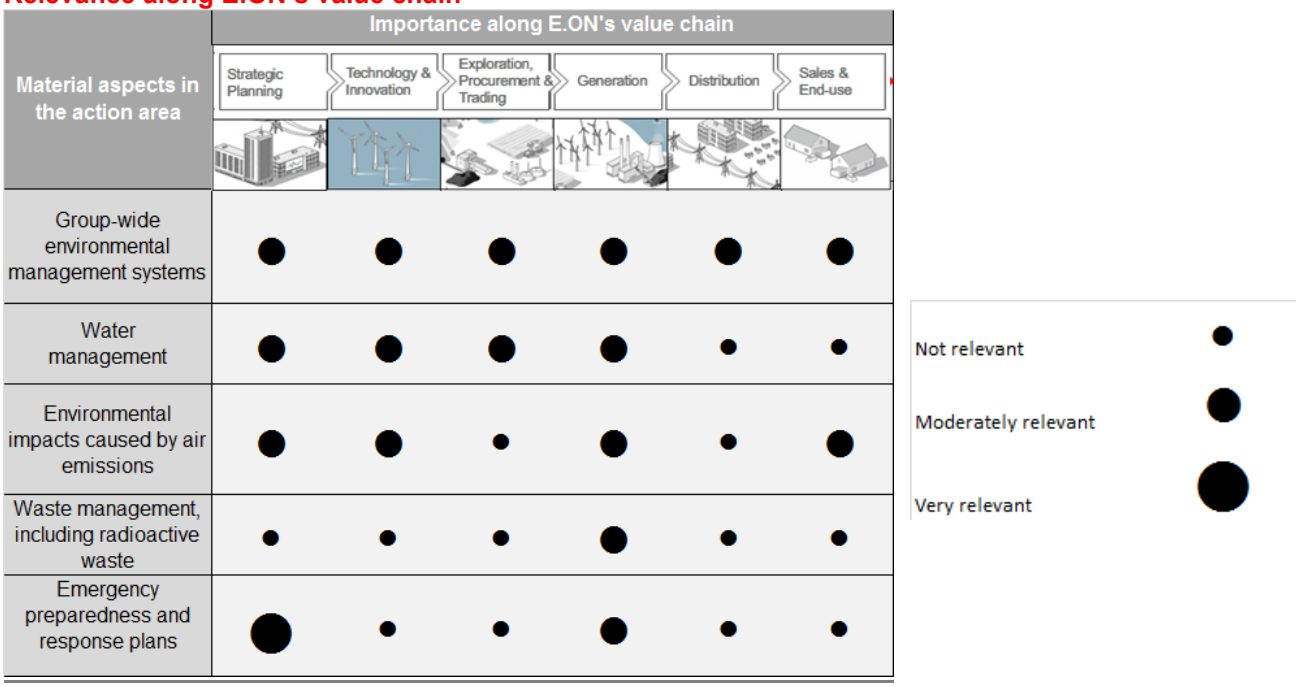
Ways our operations could impact the environment

Our conventional power plants pose the greatest risk to the environment and the climate (value chain stage: Generation). The combustion of coal and gas results in the emission of air pollutants and significant amounts of carbon dioxide. The release of process water and the disposal of other by-products of conventional power generation also pose risks to the environment. Radioactive waste from the operation and dismantling of nuclear power stations presents us with particularly significant challenges. In addition, we must continue to ensure that natural disasters, terrorist attacks, human error, or technical malfunction don't result in the release of harmful substances.

To continue operating our business going forward, we need to secure our access to resources well into the future. These include fuels like coal and natural gas but also water, the availability of which is being affected globally by climate change. Conserving resources and using them efficiently also enables us to achieve cost savings, thereby creating value for our shareholders.

Finally, we also need to do what we can to limit the environmental impact of coal and uranium mines, gas transmission pipelines (Production, Procurement, and Trading), and the expansion of our power networks (Distribution).

Relevance along E.ON's value chain[1]



1) This is a simplified graphic representation of the material aspects we identified in our materiality analysis and their impact along our value chain.

Drop-Down: **Ambitious environmental and climate targets**

As an energy supplier, protecting the environment and the climate go hand in hand. Using climate-friendly generation technologies not only reduces our greenhouse-gas emissions but also other environmental impacts. We aim to reduce the specific carbon emission of our power generation and also to achieve the following targets, all of which are part of our 2012–2015 Sustainability Work Program:

- Shrink the carbon footprint of our daily business activities (those not directly related to power generation) by 20 percent by 2020 relative to 2010
- Conduct comprehensive water management along our entire value chain so that we qualify for membership in the UN CEO Water Mandate by 2015.

The subpage provides information about where we currently stand relative to these targets.

Drop-Down: **How we're addressing environmental risks**

The E.ON Group strives continually to minimize its environmental impact or, if possible in some areas, to prevent it entirely. 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 we fulfill legal requirements and address environmental risks responsibly. Our waste disposal and air emissions comply with national and regional guidelines. In many cases our air emissions are well below permissible thresholds.

A dedicated department at Group Management is responsible for the foresighted management of our health, safety, and environmental (HSE) performance. The strategy and management chapter of this report contains a detailed description of our HSE organization.

Uniform standards for environmental and climate protection

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. In September 2013 we combined this policy and our Health, Safety, and Environmental (HSE) Management Policy into a single document, the Group Business Governance Policy for HSE Management. The purpose was to establish uniform processes and embed environmental protection more deeply in our business. The new policy obliges all E.ON units to put in place an environmental management system and to have this system independently certified to comply with ISO 14001 or EMAS.

The new policy includes the E.ON HSE Policy Statement, which we revised in 2014. It describes our pledge to play a key role in reducing global greenhouse-gas emissions and to shrink our environmental footprint across our entire business. In 2012 we adopted an Environmental Footprint Policy. It defines the criteria for climate and resource protection that we consider when we conduct portfolio management and when we evaluate new technologies and marketing strategies.

Addressing environmental incidents

Environmental and crisis management is factored into the business processes of our entire organization and helps us prevent emergency situations and environmental incidents and, if one occurs, to minimize its impact. Since 2012 we've used Prevent!, an online incident reporting and management system, as a central data base for documenting incidents such as leaks of harmful substances and as a platform for designing and implementing risk-reduction measures.

If, despite all our preventive measures, a serious environmental incident occurs, we take prompt remedial action. The Group Business Governance Policy for HSE Management not only fosters the development and implementation of plans to prevent incidents but also to respond to incidents systematically. HSE management at E.ON draws on element of two international standards for such systems, ISO 14001 and EMAS. In addition, our Group Incident and Crisis Management Policy creates an effective framework for supporting E.ON units to respond to incidents swiftly and efficiently so that we minimize the harm to people and the environment.

Transparent water management

Water is an important resource for our operations. 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. In addition, we're committed to reducing our consumption of fresh water and, as part of this effort, to meeting all of the requirements of the UN CEO Water Mandate for more efficient water management by the end of 2015.

In December 2014 the HSE Governance Council approved E.ON's Water Management Corporate Policy. Based on the UN CEO Water Mandate's six core elements, the policy embeds the fundamental principles of responsible water management into E.ON's HSE policies and management systems. We continually monitor the implementation of the policy at our subsidiaries and supported them with a team of experts.

Content page: Environmental and crisis management
URL: http://www.eon.com/en/sustainability/environment/environmental-protection/environmental-and-crisis-management.html

Anchoring environmental management across the Group

We strive to mitigate and eliminate the environmental impact of our activities as far as possible. This is why we have defined environmental standards that apply to the entire E.ON Group - and we also require our business partners and contractors to comply with them. This is essential for us to be able to conduct integrated environmental management along our entire value chain. Our business-governance Group policy Health, Safety & Environment (HSE) Management is an effective framework for this. It requires the implementation of externally certified environmental management systems in accordance with ISO 14001 or EMAS standards.

Systematically identifying and allowing for environmental risks

When planning and modifying our generation portfolio, environmental aspects such as water scarcity, resource consumption, and pending regulations play a key role. As part of our risk management process we continually quantify and analyze potential environmental risks for this purpose. Developing alternate scenarios helps us identify the most effective risk prevention and minimization measures. We also incorporate the effort involved on a time and cost basis. All project managers are responsible for including the results of the Environmental Impact Assessments (EIAs) in an appropriate way when planning plants. They are supported at every phase of the project – from construction, commissioning to operation – by our HSE experts. When identifying and assessing environmental impacts, the risk management system put in place by our global unit E.ON Technologies provides additional support.

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 applying environmental standards in our investment decisions, joint ventures, and minority shareholdings. Every single investment must also meet sustainability criteria in addition to economic requirements: These include their potential to reduce our greenhouse gas emissions, improve energy efficiency, and also whether they satisfy other cross-compliance obligations to meet environmental standards. In our new growth markets such as Turkey, this is why conducting environmental due diligence on investments for potential legacy issues and environmental damage plays an increasingly important role.

To assess projects within and beyond Europe we increasingly apply special frameworks such as the Hydropower Sustainability Assessment Protocol (HSAP) from the International Hydropower Association (IHA). The Hydropower Sustainability Assessment Forum, which comprises various stakeholders, developed this protocol between 2008 and 2010. With its help, we can assess hydropower projects in detail based on assorted sustainability criteria which allow for the interplay of climate protection, environmental, and social aspects. E.ON was the first company in the world to test the IHA assessment methods. We did so as part of our assessment in 2013 of our Walchensee power plant in Germany. We have now also used the protocol for a project at our Semla power plant in Sweden.

Environmental considerations in transmission and distribution

We operate distribution networks in 8 countries[1] and are involved in international power and gas distribution systems. The environmental impacts of these networks vary considerably, ranging from negligible to high, such as when large areas of land are used for power line construction. We also factor in environmental considerations when repairing and maintaining gas pipelines as this can result in the release of methane – a greenhouse gas 25 times more potent than CO_2. Water bodies are especially challenging, as marine biodiversity can be affected by the submarine cables used to connect offshore wind farms, and by leaks from submarine gas pipelines. For major projects such as the Nord Stream Pipeline, we conduct exhaustive environmental impact assessments for precisely these reasons.

Generation in line with environmental laws

Despite the strong growth in renewables, conventional fuels will still cover a large portion of energy demands in the mid-21st century. This is what the International Energy Agency (IEA) predicts in its 2014 World Energy Outlook report. Consequently, reducing the environmental and climatic impact of the burning of coal, oil, and gas remains a central issue. Besides the strategic considerations and the development of climate policy frameworks in Europe, environmental legislation also plays a central role for us. The EU Water Framework Directive for the protection of water resources and the amended EU Large Combustion Plant Directive, which sets tougher emissions standards, are examples of how environmental laws are getting stricter.

1) Including non-consolidated stakes in Turkey and Slovakia.

Drop-Down: **Central approvals platform for asset construction and operation**

To respond to regulatory challenges, 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 changes to laws and regulations that are relevant to the approvals process. Each regional unit appoints a contact person who updates the platform by publishing any changes of legal relevance which have a material impact on our Group. These points of contact then need to assess changing environmental frameworks and coordinate our responses to the resulting challenges.

Within the EU, the Large Combustion Plant Directive applies to existing power plants. Under this, we need to decide whether plants can be updated, or reach agreement with government agencies on the plants' remaining operating lives prior to dismantling them. Our global unit E.ON Technologies continually monitors implementation of the Directive and its amendment. One option is to convert coal-fired power plants to burn other fuels, where this makes economic sense. An example is our Ironbridge coal-fired power plant in the United Kingdom: It was converted in 2013 and we'll operate it as a test bed for pure biomass operation until the end of its operating life in 2015.

Drop-Down: **Prevention using the Best Available Techniques**

One means to reduce environmental risks is to ensure plants are designed well. The concept of Best Available Techniques (BATs) is a key control element in this regard. BATs are developed across Europe for each industry in a consultation process and set out in reference documents known as BREFs. Member states, industry, and environmental groups take part in the consultation process. Because BATs evolve, information sharing about BATs is a dynamic, ongoing process.

In accordance with the new Large Combustion Plant Directive, the EU commission is due to publish key BAT findings on large combustion plants derived from the BREFs for the first time in 2016. The technologies that are set out will then become mandatory following a maximum four-year transition phase. We were able to view a draft as part of our committee work. An internal working group is now assessing the potential impacts on our generation fleet. Through E.ON Technologies and E.ON UK we continue to work on developing the BREFs in a technical working group.

End of Drop-Down

Monitoring our carbon footprint

In the area of environmental protection, we set ourselves the target of reducing the carbon emissions of our daily business activities unrelated to power generation. Our aim is to achieve a 20 percent reduction by 2020 compared to a 2010 baseline. To improve measurement of our progress toward meeting this target, in 2013 we began putting in place an internal reporting system for our carbon footprint. We will use this tool to record the level of greenhouse gas emissions of particular activities and products. Based on the results, we will then define the most efficient measures to reduce our carbon footprint.

In 2014 we continued to reduce the carbon footprint of our daily operations compared to the previous year. This improvement is amongst other factors, also that we continued to drive forward our measures to reduce business travel in 2014. Through greater use of the telepresence and video conferencing system implemented in 2013, people from different countries can work together in a highly realistic meeting atmosphere without the need to travel. As a result, we further reduced travel-related emissions.

Avoiding and dealing with incidents

Dealing with incidents is part of our environmental management system. Operational risks require appropriate management in terms of their health, security, environmental, economic, and reputational impact. We develop emergency response plans on the basis of requirements analyses. They need to be documented, communicated, and reviewed. They also need to be accessible, clear, and aligned with our incident and crisis management plans. Employees, business partners, partner companies, visitors, and external stakeholders must, when appropriate, must be trained on emergency measures in accordance with their roles and responsibilities. These are just a few of the requirements on correct incident management drawn from our Group HSE Management policy.

Among other advantages, our provisions for environmental-protection measures ensure we have adequate financial resources available to respond appropriately to such incidents. In 2014 our short-term provisions for environmental-protection measures and similar commitments amounted to EUR 75 million (2013: EUR 87 million). This represents a reduction of EUR 12 million, or just under 14 percent.

By contrast, in 2014 we increased long-term provisions by EUR 12 million to EUR 796 million (from EUR 783 million in 2013), an almost two-percent rise.

Drop-Down: **Prevent! delivers a rapid response**

Thanks to our preventative measures, serious environmental incidents are a very rare occurrence at E.ON. Should one occur, appropriate action to minimize damage must be taken as soon as possible. This is where our online incident management system Prevent! proves its value. Since 2012 we have used it to document, analyze, and derive appropriate risk-minimization measures.

Under our policies, our employees must report environmental incidents to ensure appropriate action can be taken. For this purpose, we created four categories: serious, moderately serious, minor, and inconsequential. Serious and moderately serious environmental incidents must be reported within 24 hours and need to fulfil at least one of the criteria in this category. Examples of serious incidents include irreparable damage to protected habitats and clean-up costs exceeding EUR 1.5 million.

In 2014 there were zero serious incidents and seven moderately serious incidents at E.ON. This represents a significant fall in the number of moderately serious incidents compared to the year before when there were 32 incidents in this category. In addition, there were 270 minor incidents and 331 inconsequential incidents. The strong increase in minor incidents – 2013 there were 229 incidents in this category – is mainly attributable to the discovery of gas leaks since 2014 in the Romanian distribution network. Gas network leakages release natural gas into the environment and pose a minor potential environmental impact. Likewise, at our nuclear power plants in 2014 there were no category one to seven incidents, based on the seven-level International Nuclear Event Scale (INES).

Content page: Water management
URL: http://www.eon.com/en/sustainability/environment/environmental-protection/water-management.html

Water – a key strategic resource

Water is a vital resource for our operations. We use it in our power plants as cooling water, process water for steam production, and in flue-gas scrubbers. As the global population continues to grow and prosperity and energy consumption increase, the World Bank calculates that the water consumed by the energy sector worldwide will increase by 85 percent by 2035. In addition, climate change will affect the availability of water, according to findings by the Intergovernmental Panel on Climate Change (IPCC). Consequently, we need to urgently ensure water is used responsibly: On the one hand to minimize the risks for our operations, and on the other to ensure this precious resource is also available for other purposes.

Comprehensive water management for sustainable use

It goes without saying that our withdrawal and discharge of the water used in our generation processes complies with all applicable environmental laws and regulations. Besides developing measures to counter potential risks such as flooding and to maintain high standards of water quality, it is important to us that we reduce our consumption of fresh water for our operations. This is why in 2013 we began to develop and deploy the processes to conduct systematic water management along our entire value chain. As part of this we will devise minimum standards for approval processes, costs, water availability and withdrawal, water piping, and our supply chain. These standards are intended to comply with UN CEO Water Mandate requirements so we can become a full member by 2015. In doing so, we will belong to a small number of companies around the world that meet these requirements. Furthermore, we will be among those that are able to give annual updates to civil society, customers, and investors on progress toward sustainable water use.

To meet these requirements, in 2013 we conducted a Group-wide best-practice study. 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. Our aim is to be among the leading companies in terms of sustainable water management. The study shows that we are already performing well. However, to meet the full requirements of the UN CEO Water Mandate, greater efforts were called for in several areas such as supply-chain management and the protection of water catchment areas. Furthermore, the identified focus areas of our Group-wide water management system are to be supplemented by a tool to analyze location-specific water risks.

Closing gaps: Our measures in 2014

Using a gap analysis, in 2014 we determined where we are in relation to meeting the requirements of the UN CEO Water Mandate. We reviewed the status of all operating units along the mandate's six core elements. This was done with the involvement of eight units as well as representatives from 281 assets.

Following the analysis, we are confident that we will meet the requirements for membership of the UN CEO Water Mandate. However, we need to increase our efforts in implementing suitable measures to continually improve our performance over the coming years. Among them, this involves developing

water targets for the entire Group and individual units, as well as devising water-use requirements as part of our supplier management system. The analyses also show that we should commit to a policy statement on the importance of water as a resource; this will then allow us to define operational steps. We took an important step in 2014 to close this gap. The Health, Safety, and Environment (HSE) Governance Council approved our Water Management Corporate Policy on December 8. In this we commit to upholding the six core elements of the UN CEO Water Mandate and explicitly state our intention to align our corporate culture with it.

In 2014 we also formed a new core team to ensure the UN CEO Water Mandate is implemented effectively. It comprises HSE experts, members from the E.ON International Energy (EIE) and Hydro Power areas, and E.ON UK. They work on further developing our environmental management system to encompass water use, formulating indicators and targets, and involving third parties such as agencies, authorities, and local residents.

Creating transparency for our stakeholders

We have published comprehensive information on our water use ever since 2011, as part of the CDP Water Disclosure program. On behalf of investors, this program surveys major corporations on their water risks. For more detailed information see our CDP Water Response.

In 2014 CDP invited us, along with other companies, to participate in a pilot to assess our water management system under a new, transparent method. HSE representatives at Group Management level met with CDP representatives to evaluate our performance. Compared to other utilities, we have already achieved positive results.

We also intend to make our water management system more transparent by involving ratings and rankings, and further raising our stakeholders' awareness of our performance in this area. For the results from 2014 see our external recognition page.

Measurement methods to determine water availability

Together with other utilities, E.ON was involved at the outset in developing the Global Water Tool (GWT). This project was initiated in 2011 by the World Business Council for Sustainable Development (WBCSD). Since 2012 we have used the GWT to evaluate the water availability for all relevant generation plants – coal, gas, nuclear, and hydro. In 2014 we expanded our committee work with the WBCSD from focusing on the cluster Climate & Energy to include the Water cluster.

We assessed the water availability of our conventional generation plants up to 2025 according to the World Resources Institutes (WRI) system to determine those generation plants located in regions with scarce water resources. With the aim of raising awareness of water risks, we shared our findings with the Operational Excellence teams at our generating units. We did not include renewables generation as it only accounts for an extremely small percentage - at less than one percent - of our water consumption.

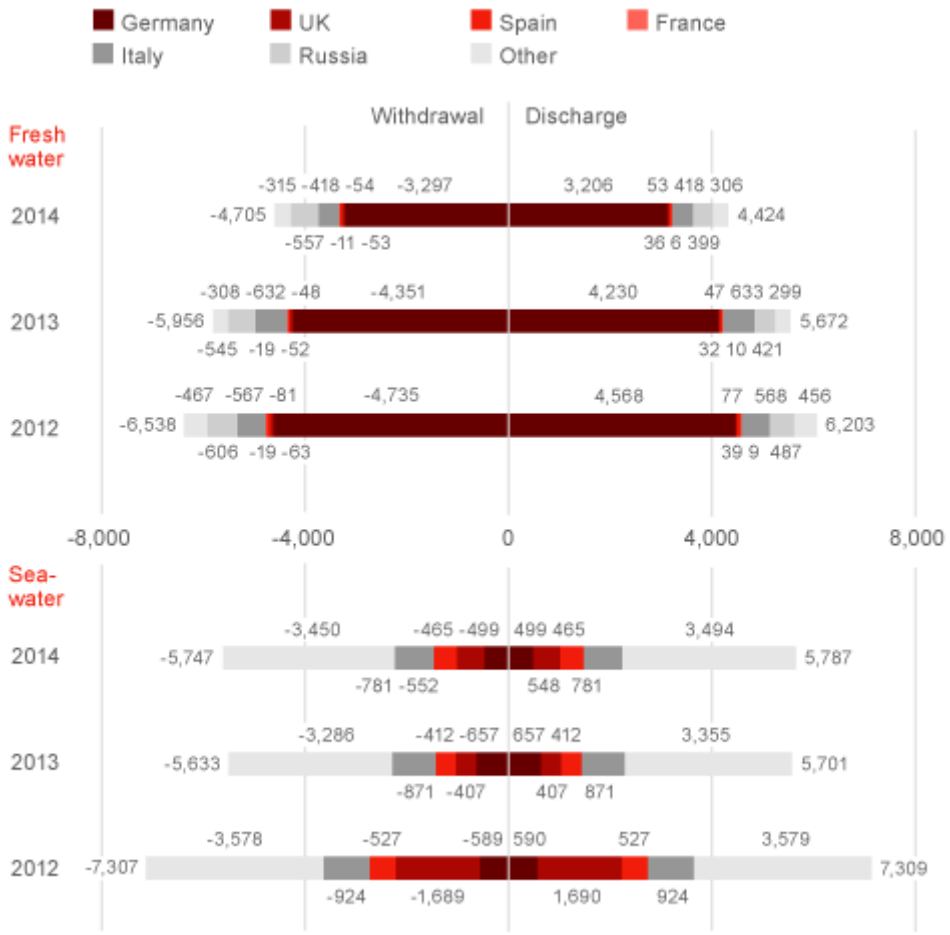
Total water withdrawal and discharge

We have continually improved our water indicators in recent years. Instead of process water consumption, in 2011 we began to record the fresh water consumption of our operations. This indicator represents the difference between our fresh water withdrawal and discharge. We did this to

align our indicator tests for our generation fleet with the GWT. To additionally measure our seawater consumption, in 2012 we began gathering data on our total water withdrawal alongside our fresh water consumption. 2013 was the first year we consolidated our water data to provide a breakdown of our total water footprint. This provides an overview, by country, of the amount of fresh water and seawater we withdrew and discharged.

Reviewed 2014

Water consumption by country[1]



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

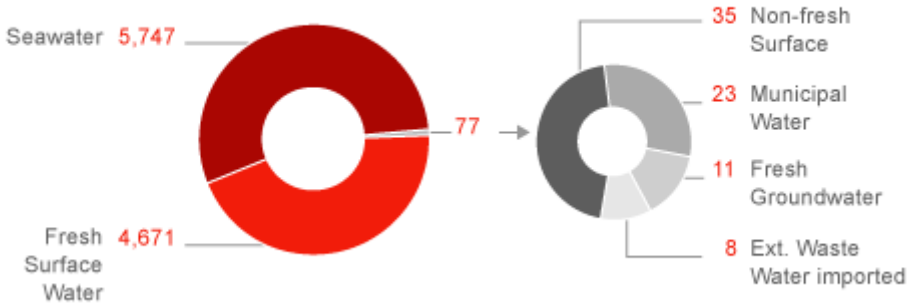
In 2014 we consumed significantly less fresh water than in 2013. Our withdrawal of fresh water declined by 1,251 million cubic meters (mcm), or 21 percent; our discharge by 1,246 mcm, or 22 percent. Overall, our fresh water consumption declined by 4.5 mcm, or 1.6 percent, to 282 mcm.

We withdrew 114 mcm, or 2 percent, more seawater. During the same period we discharged 86 mcm more, or 1.5 percent.

Reviewed 2014

Water withdrawal by source

Million cubic meters (total: 10,496)



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 10,496 mcm of water in 2014 – a decline of 1,176 mcm, or 10.1 percent – compared to 2013.

The drop in our water consumption in most countries is attributable to changes in our generation portfolio, the lower amount of energy we produced, and in the generation technology used. Changes in the share of fresh water used, new technologies, and improved data gathering were other factors in the change in water withdrawal.

Content page: Waste and decommissioning
URL: http://www.eon.com/en/sustainability/environment/environmental-protection/waste-and-decommissioning.html

Waste prevention and correct disposal

Preventing waste takes top priority at E.ON over the second-best option of recycling. Waste prevention also helps conserve resources, as using fewer fuels and materials means less waste. If waste can neither be prevented nor recycled, we ensure it is disposed of correctly.

Efficient plants mean less waste

Highly efficient, low fuel-consumption power plants are our most important contribution to conserving resources and preventing potential waste. These also enable us to reduce our emissions and protect the climate and environment. The efficient use of resources in constructing and operating our plants is therefore a key indicator in our environmental management system.

Our new coal-fired power plant Datteln in Germany will have a net efficiency of over 45 percent. It will also be one of the world's most modern power plants once the ongoing approval phase is completed: Thanks to the use of combined heat and power (CHP) generation, overall efficiency will even reach 60 percent. This makes Datteln 4 much more efficient than other coal-fired power plants which globally have an average efficiency of just 33 percent.

Correct recycling and disposal

As plant operators we're obligated to recycle waste, or dispose of it safely and appropriately. We recycle waste according to national and regional regulations depending on the location and activity. We cooperate with experienced and suitably certified companies in the waste industry and adopt a number of recycling approaches depending on the process in which the waste originates.

In view of the transformation of the energy sector in Germany, the decommissioning of nuclear power plants is gaining in importance. Under the amended German Atomic Energy Act which took effect in August 2011, all remaining nuclear power plants are to be shut down by the end of 2022 at the latest. Consequently, an increasing focus is also being placed on the eco-friendly decommissioning of the plants and disposal of radioactive waste.

Decommissioning expertise through long-standing experience

At E.ON we are fully aware of our responsibilities regarding the decommissioning of our nuclear power plants and the associated storage of radioactive waste. Together with experts we are developing appropriate dismantling plans, to be agreed with local authorities before we commence with decommissioning activities. To meet our increasing responsibilities us as expert professionals, and successfully execute them regardless of location, we additionally initiated our Integrated Nuclear Decommissioning project as early as 2012.

The first decommissioning of a commercial nuclear power plant gave us valuable experience which will be of immense use to us for the pending decommissioning projects. Our German nuclear power plant (NPP) Würgassen was taken out of service back in 1997. Successful competition of the decommissioning work was finally achieved in 2014. Of the amount of waste generated during

dismantling, nuclear waste accounted for only slightly over one percent of the waste that was disposed of.

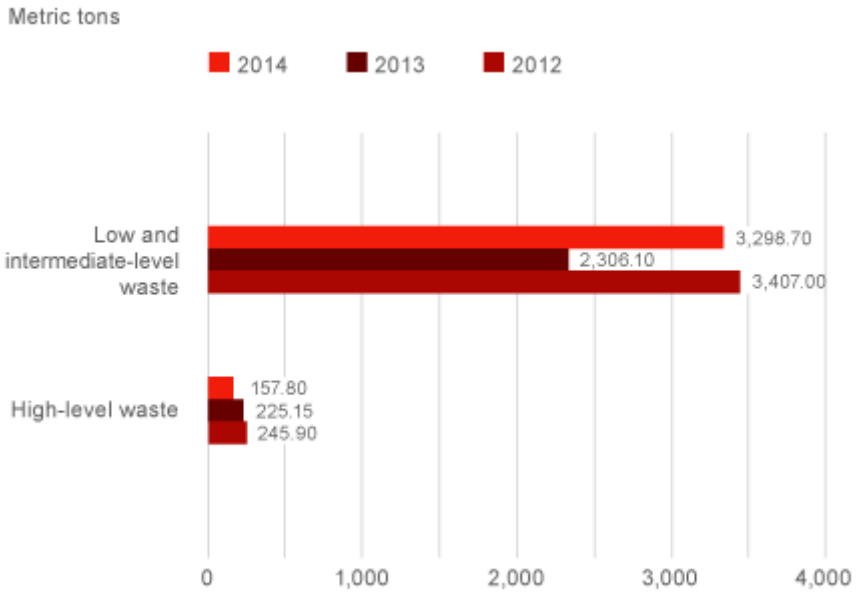
Handling radioactive waste

Our NPPs in Sweden and Germany produce radioactive waste. We distinguish between low, intermediate, and high-level radioactive waste.

Low-level radioactive waste includes such things as protective clothing, tools, and filters that are produced during plant operations. 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. High-level waste includes nuclear fission products from uranium or transuranium produced by the heat generated in nuclear reactors.

For detailed information on our disposal of radioactive waste, our decommissioning activities, and NPP safety measures see our Nuclear page.

Nuclear waste



After falling in 2013, the amount of low and intermediate-level radioactive waste increased in 2014 by 993 metric tons, or 43 percent. By contrast, high-level radioactive waste declined by 67 metric tons, or 29.9 percent.

The sharp increase in low and intermediate-level radioactive waste is attributable to the dismantling of German NPPs Stade and Würgassen, and to the modernization of our Swedish NPP Oskarshamn. For details on the amount and type of waste we generate aside from radioactive waste, see our Q&A page.

Content page: Air emissions
URL: http://www.eon.com/de/nachhaltigkeit/umwelt/umweltschutz/luftemissionen.html

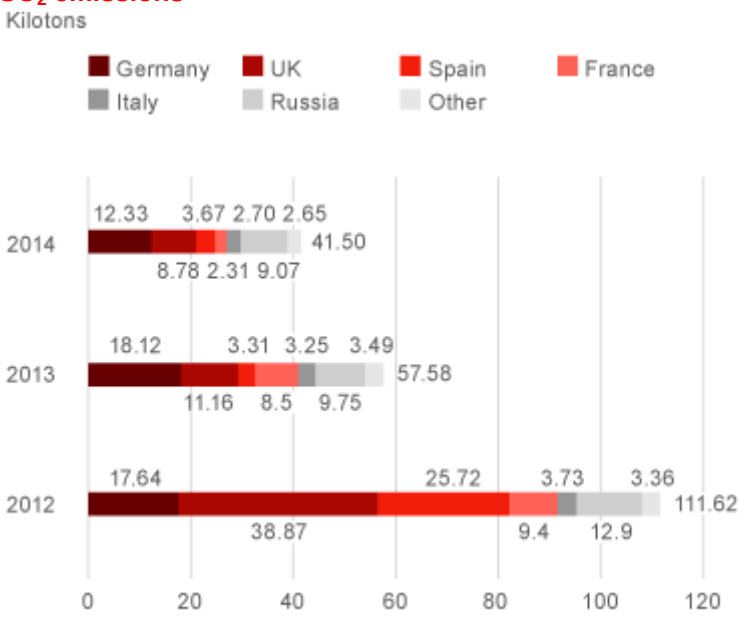
Minimizing air pollutants

Besides carbon, as an operator of conventional generation plants our activities are associated with the emission of harmful air pollutants – particularly sulfur dioxide (SO_2) and nitrogen oxide (NO_x). To minimize our impact on air quality, we meet thresholds set out in European, national, regional, and local laws and regulations. Additionally, we intend to go beyond these by investing in renewables, efficiency measures, and technologies to ensure air quality improves further.

Drop-Down: **Sulphur dioxide emissions**

The combustion of sulfurous coal is the primary source of SO_2 emissions. Two ways we can reduce our SO_2 emissions are by improving desulfurization equipment and by increasing the proportion of natural gas in our energy mix.

SO_2 emissions[1]



1) Figures are rounded, which can result in slight deviations in their sum.

SO_2 emissions in 2014 decreased compared to 2013. At almost 41.5 kilotons, this represents a reduction of around 16 kilotons, or 27.9 percent.

This reduction is thanks to the closure of several coal-fired power plant units. This was also in response to the European Large Combustion Plant Directive. Thanks to relevant upgrades, emissions from other power plants are being reduced to such an extent that allows them to continue to operate. In Russia it gas was burned instead of coal in dual-fuel generating units. This, along with slightly lower output at our lignite-fired power station, led to lower SO_2 emissions at our operations in Russia.

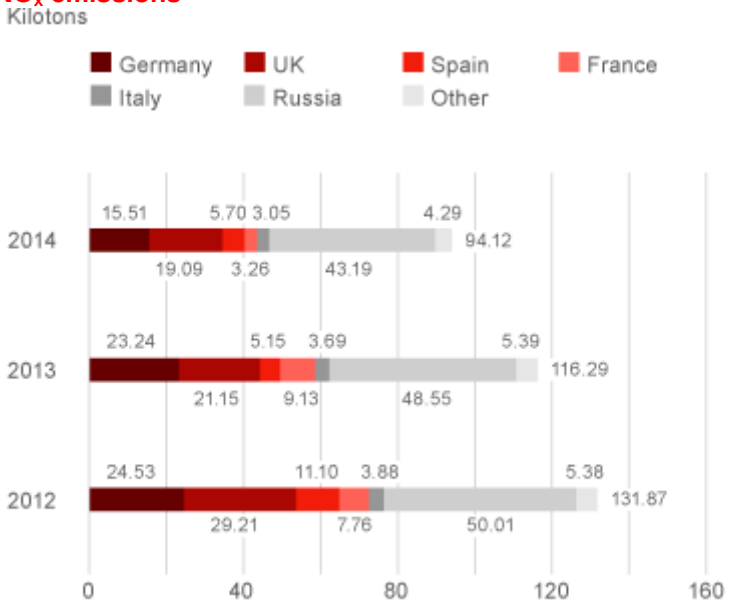
Our specific SO_2 emissions declined from 0.23 kilograms per MWh in 2013 to 0.19 kilograms per MWh in 2014.

Drop-Down: **Nitrogen oxide 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. We have steadily reduced our NO_x emissions since 2009. Changes to our generation portfolio intensified this trend in 2014.

NO_x emissions[1]



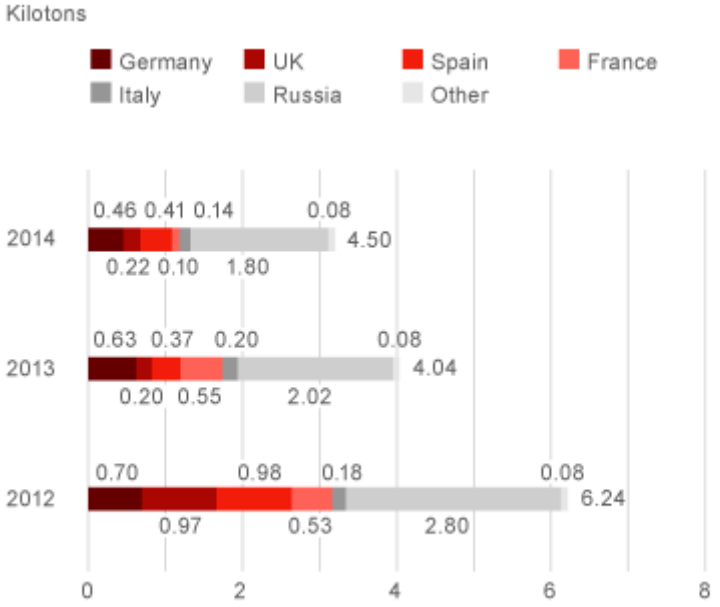
1) Figures are rounded, which can result in slight deviations in their sum.

Our NO_x emissions declined by 19.1 percent, from 116.3 kilotons in 2013 to 94.1 kilotons in 2014. The decrease in NO_x emissions primarily reflects the reduction in our fossil-fueled generation and in the amount of coal and natural gas we burned. Owing to the reduction in power generation (215.2 GWh in 2014), specific NO_x emissions also declined – lower than absolute values – by a good 6 percent to 0.44 kilograms per MWh compared to 0.47 kilograms per MWh in 2013.

Drop-Down: **Particulate emissions**

Coal-fired power plants emit dust particles, despite highly sophisticated filters. These particulate emissions amounted to 4.5 kilotons in 2014.

Particulate emissions[1]



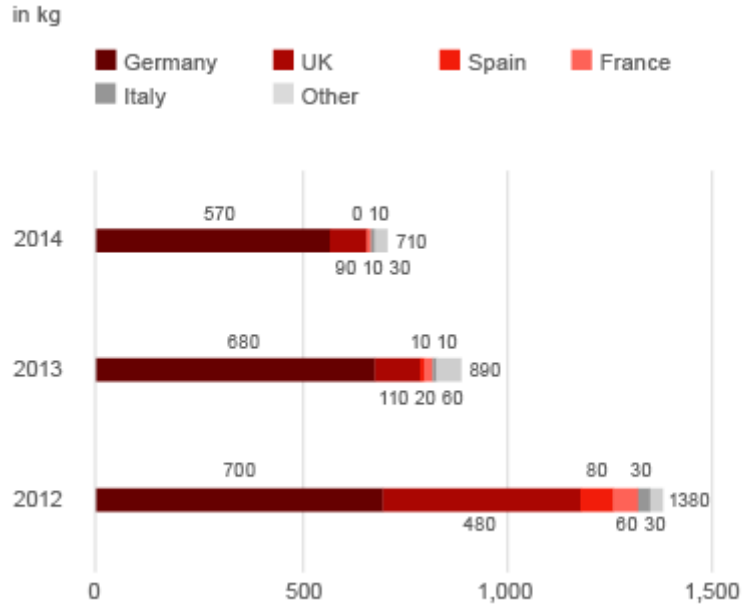
1) Figures are rounded, which can result in slight deviations in their sum.

Our particulate emissions declined by around 0.83 kilotons, or 20.5 percent, year on year. This is primarily because of a fall in the power generated by our coal-fired power plants.

Drop-Down: **Mercury emissions**

Coal-fired power plants also emit small amounts of mercury. Discussions are taking place within the scope of amendments to the reference documents (BREFs) for the Best Available Techniques for large combustion plants to apply an EU-wide blanket cap on mercury emissions from coal-fired power plants. Tightening permitted thresholds in relation to individual national regulations is also being debated. To reduce our plants' mercury emissions, we developed a new process at one of our power plants: This involves capturing mercury from the exhaust stream. We plan to implement it at further power plants in the future.

Mercury emissions[1]



1) Figures are rounded, which can result in slight deviations in their sum.

2014 our mercury emissions compared to 2013 declined by 170 kilograms or 20.4 percent resulting in a total amount of 710 kilograms. This decline is primarily attributable to the reduction in the energy we generated and in the amount of coal we burned coupled with an increase in the share of renewables in our energy mix.

Content page: Workforce challenge
URL: http://www.eon.com/en/sustainability/social/workforce-challenge.html

Reviewed 2014

Our people: the key to our future

Our people – their knowledge, motivation, and dedication – are essential for us to continue our success in new growth businesses as well as our established core businesses. We want to ensure that our company has the right people in the right places. And that they have the work environment and the tools they need to fully realize their potential.

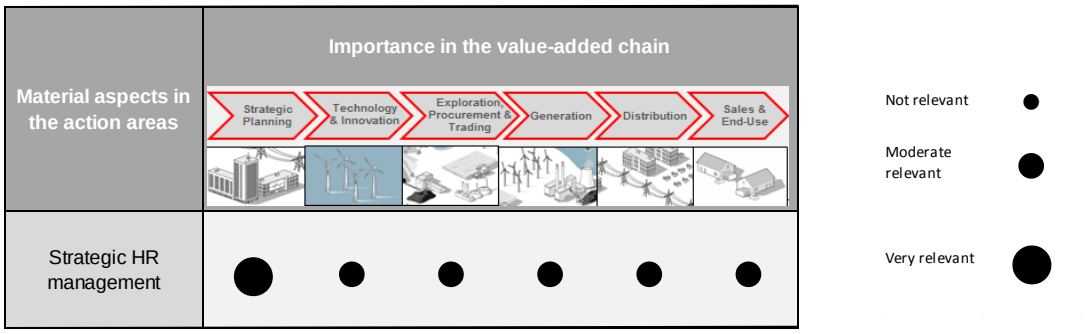
Challenges for our business and our employees

Europe's population is aging, and people are having few children. Over the medium term, this will likely make qualified job candidates scarcer. Going forward, these trends – demographic change and skills scarcity – will be the main HR challenges we face. Highly qualified skilled people and managers have a lot of options in today's job market. This makes it all the more important to be able to offer them an attractive employment package that includes things like flexible work arrangements and opportunities for professional development. The rising average age of employees and their families creates new challenges as well.

Our responsibility as an employer is to find the right answers to these challenges. Other factors can also change our staffing needs. These include our focus on international growth markets and the transformation of our company in line with our new strategy, "Empowering customers. Shaping markets.". As the transformation moves forward, we need to address the fact that the prospect of new or altered job functions can cause our people to experience uncertainty and stress.

Deploying our people correctly and sharing knowledge across our organization enable us to reduce strategic and operational risks for our business. Ensuring that we conduct responsible HR management will help us to position E.ON as an attractive employer on the market for skilled labor and to tap new sources of talent.

Relevance along E.ON's value chain[1]



1) This is a simplified graphic representation of the material aspects we identified in our materiality analysis and their impact along our value chain.

HR management is especially important with regard to strategic planning. By acting foresightfully, we can positively influence our staffing situation. These actions are always guided by strategic imperatives, such as efficiency-enhancement programs (E.ON 2.0) and corporate transformation. HR measures affect all other links of our value chain as well.

Drop- Down: **Diversity targets**

At E.ON, our main HR objectives are to hire and retain highly talented, multifaceted people, to systematically foster their personal and professional development, and to offer them attractive working conditions. We want to unleash the creative potential of diverse teams of employees and to ensure that highly qualified woman have attractive career prospects at our company. That's why in 2010 we set clear and quantifiable diversity targets, such as raising the proportion of women in senior management positions. These targets are included in our 2012–2015 Work Program:

- for E.ON as a whole, to more than double the proportion of women in senior management positions by 2020 (relative to 2011)
- for E.ON in Germany, to the raise the proportion of women in senior management positions from 9.5 percent in 2011 to 14 percent by the end of 2016 (figure for 2010: 8.6 percent).

The subpage and the Key figures section provide information about where E.ON currently stands relative to these targets.

Drop-Down: **Addressing the challenges of today's world of work**

Our HR organization and our foresightful approach to HR management enable us to create an environment across our company in which our employees can reach their potential and continue to develop, both professionally and personally. Equal opportunity and diversity have long been integral to our corporate culture. When hiring and developing professional and management staff, we place a special emphasis on international and female candidates. Going forward, we'll continue – in both new companies – to take targeted action to address demographic change and skills scarcity.

Policies and commitments to ensure equal opportunity

We strive to respect our employees, to treat them fairly, and, above all, to prevent all forms of discrimination. The E.ON Group Equal Opportunity and Diversity Framework, which we issued in 2006, states our commitment to upholding the following principles across our company:

- zero tolerance of discrimination, prejudice, or harassment
- active promotion of greater workforce diversity
- equal opportunity for personal and professional development
- equality, not homogeneity: respect for individuality
- dialog to increase mutual understanding.

We're committed workplace diversity – encompassing cultural background, age, gender, sexual orientation, physical and mental challenges, and religion – across our company. Our companywide diversity activities focus primarily on gender, age, and nationality. Nevertheless, each E.ON unit can set its own priorities in line with its particular circumstances and legal environment. Example include Germany, where our main focus is on gender, and the United Kingdom, where we support diversity in sexual orientation through employee networks and sponsorships.

We've been a signatory to the Diversity Charter since 2008, a corporate initiative under Federal chancellor's patron. In 2011 we joined other major German corporations in issuing the DAX 30 Declaration, a voluntary commitment to set targets for increasing the proportion of women employees and senior managers. We plan to conduct further activities in 2015 to promote diversity across our company.

Strategic HR

We respond to the various workforce challenges we face by conducting strategic HR in several key areas:

- **Talent management**
  Group-wide talent management opens up attractive career-development opportunities for our professional staff and next-generation managers. Talent programs and the E.ON Graduate Program help us ensure that we can meet our staffing needs well into the future. Our talent management is successful if we're filling vacant positions primarily with talent from inside our company while enhancing diversity.
- **Professional development and advanced training**
  We continually compare our talent needs with the available labor pool so that we can act early to meet these needs through coordinated HR planning across our company. We place a special emphasis on training young people. Our training programs will continue in similar quantity and quality at both companies.
- **Job rotation and international assignments**
  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.
- **Strategic recruiting and HR marketing**
  Maintaining a strong employer brand helps us lay the groundwork for meeting our needs for qualified and motivated employees well into the future. We recruit internationally so that we can find people who are right for the job and fit with our company.
- **Measures to enhance our attractiveness as an employer**
  We want to retain our employees for the long term and through the various phases of their lives. That's why we have a wide range of programs to promote work-life balance. These include flextime arrangements and help finding homecare for family members. We involve employees in company decisions and offer them financial incentives through attractive compensation and fringe benefits.

Transforming HR supports new strategy

As part of the E.ON 2.0 efficiency-enhancement program, we launched an extensive transformation process –Transforming HR – to restructure our HR organization by 2015: to make it efficient, give it a clear setup, and align it closely with the business. This will help us accelerate decision-making processes, make our company more agile, and enable us to adapt more quickly to market conditions. We consolidated our HR functions in five Centers of Competence for core areas of our HR organization, such as Talent Management and HR Controlling. In their respective areas, they have responsibility for managing processes and products throughout our company. In addition, we're

combining functions that have a high potential for standardization in HR Business Service Centers, which will be embedded in our E.ON Business Services support unit.

The purpose of the new setup is to continue E.ON's current businesses in two companies that are viable for the future. Our HR organization can provide effective support during and after the transition. E.ON management and employee representatives agreed on a Joint Statement and Framework Agreement for implementing our new strategy. In it, E.ON makes the following commitments:

- no employee reductions in conjunction with the spinoff
- collective agreements to remain unchanged
- pensions will be unaffected
- ongoing professional development and training
- headquarters of both companies will likely be in Germany's Rhine-Ruhr region
- ongoing consultation and coordination during the transition, both at a European and national level.

In keeping with our proven tradition of social partnership, any personnel measures that become necessary will be discussed and initiated in close consultation with the relevant employee-representative committees.

***Drop-Down:* Key figures**

Our key figures on the proportion of women in senior management positions and in our E.ON Graduate Program indicate whether we've been able to enhance our attractiveness as employer for highly qualified female professional staff and managers. Our workforce figures enable us to measure our progress toward our E.ON 2.0 efficiency targets. The numerous awards we've won attest to E.ON's attractiveness as an employer.

Percentage of women executives[1]

Percentages	2014	2013
Germany	12.6	11.3
E.ON Group	15.8[2]	13.9[2]

1) Includes board members and managing directors.

2) Excludes discontinued operations (regional units Spain and Italy) according to the Consolidated Financial Statements.

The proportion of women in senior management positions at the E. ON Group rose from 13.9 percent in 2013 to 15.8 percent in 2014. Women accounted for 30 percent of the shareholder representatives on the E.ON SE Supervisory Board.

Women accounted also for about 38 percent of our 5,251 new-hires in 2014. A further break down of new-hires by age, gender, age, and region can be found in our Q&A catalog.

E.ON Group employees[1] at year-end

	2014	+/- %	2013
Generation	8,016	-8.5	8,757
Renewables	1,723	2.9	1,675
Global Commodities	1,249	-13.8	1,449
Exploration & Production	236	7.8	219
Germany	11,749	-4.8	12,345
Other EU Countries[2]	24,740	-6.6	26,484
Non-EU Countries[3]	5,300	5.6	5,019
Group Management/Other[4]	5,490	2.1	5,379
E.ON Group[5]	**58,503**	**-4.6**	**61,327**

1) Pursuant to IFRS, does not include board members/managing directors (2014: 181) or apprentices (2014: 1,400).
2) Includes the UK, Sweden, Hungary, Czechia, Slovakia, Romania, Benelux, and France regional units and E.ON Connecting Energies.
3) Includes Russia.
4) Includes E.ON SE, E.ON Business Services, ETG, E.ON Risk Consulting, and E.ON Facility Management.
5) Excludes discontinued operations (regional units Spain and Italy) according to the Consolidated Financial Statements.

At year-end 2014 the E.ON Group's fully consolidated companies had 58,503 employees worldwide, a decline of 4.6 percent from year-end 2013.

The 2014 Annual Report contains further information about the changes.

Employees[1 3] by region at year-end

	2014		2013	
	Headcount	FTE	Headcount	FTE
Germany	22,290	21,640	23,629	22,924
United Kingdom	10,708	10,210	11,053	10,548
Romania	6,523	6,064	6,903	6,400
Russia	5,343	5,331	5,028	5,021
Hungary	4,704	4,701	4,842	4,838
Sweden	3,229	3,195	3,248	3,213
Czech Republic	2,460	2,443	3,066	3,027
France	703	702	797	796
Other[2]	2,543	2,512	2,761	2,730

1) Pursuant to IFRS, does not include board members/managing directors (2014: 181 total, 176 FTE) or apprentices (2014: 1,400 total and FTE).
2) Includes Italy, Spain, Netherlands, Poland, and other countries.
3) Excludes discontinued operations (regional units Spain and Italy) according to the Consolidated Financial Statements.

At year-end 2014, 36,213 employees, or 62 percent of all staff, were working outside Germany, a slightly higher percentage than at year-end 2013 (61 percent).

Content page: HR management
URL: http://www.eon.com/en/sustainability/social/workforce-challenge/hr-management.html

Expanding skills, enabling flexibility

The purpose and goal of successful HR management is to identify suitable employees and talent, to win them for the company, and to develop them in a focused way. In the following we present the specific measures with which we secure the long-term availability of qualified specialist staff and what progress we made towards this in the reporting period.

Our data – for example on the length of service to the company and turnover rate – show whether our HR measures have been successful.

Drop-Down: **Employee turnover rate**

Reviewed 2014

Employee turnover rate[1]

Percentages	2014	2013
Generation	2.2	1.8
Renewables	4.9	4.5
Global Commodities	3.3	4.6
Exploration & Production	5.9	8.9
Germany	1.5	1.5
Other EU countries[2]	3.9	4.3
Non-EU countries[3]	5.6	6.4
Group Management/other[4]	3.9	4.8
E.ON Group	**3.3**	**3.5**

1) Includes Board Members/managers and trainees.
2) Includes the UK, Sweden, Hungary, Czech Republic, Slovakia, Romania, Netherlands, France, SG ECT.
3) Includes Russia.
4) Includes E.ON SE, E.ON Business Services, ETG, E.ON Risk Consulting, E.ON Facility Management.

The turnover rate indicates the number of voluntary departures in relation to the average number of employees for the respective year. We consider the current low turnover rate a clear success of our HR work. Another breakdown of turnover rate by age, gender and region is contained in our Q&A catalog.

Drop-Down: Average length of service

Reviewed 2014

Average length of service[1]

Years	2014	+/- %	2013
Generation	18.4	1.7	18.1
Renewables	12.8	0.4	12.7
Global Commodities	9.6	1.9	9.4
Exploration & Production	2.9	14.1	2.6
Germany	17.7	-1.7	18.0
Other EU countries[2]	13.7	4.0	13.2
Non-EU countries[3]	9.2	13.4	8.1
Group Management/other[4]	9.9	-12.1	11.3
E.ON Group	**14.3**	**0.7**	**14.2**

1) Includes Board Members/managers and trainees.

2) Includes the UK, Sweden, Hungary, Czech Republic, Slovakia, Romania, Netherlands, France, SG ECT.

3) Includes Russia.

4) Includes E.ON SE, E.ON Business Services, ETG, E.ON Risk Consulting, E.ON Facility Management.

At 14 years, the average length of service was unchanged in the reporting period.

In our estimation, this will remain so for the future. We welcome our employees' long-term affiliation to E.ON: This ensures that knowledge remains within the company and is multiplied there, and among other things contributes to the safe operation of our facilities and networks.

End of Drop-Down

Identify talent and develop it systematically

The training, support, and development of employees is a core task for management staff at E.ON. The focus here is on E.ON's new training approach, which integrates formal learning processes more strongly into the working day, as well as on systematic talent management. To master changes in the world of energy we need employees who are ready to face new challenges as they arise and to shape them, over and over again. In 2014 we began developing a new competency model that is intended to give employees and managers orientation regarding the required basic competencies for the successful implementation of the Group strategy and our values. For example, this includes active participation in changes, the ability to cooperate, and a high degree of self-reflection.

We carry out strategic recruitment on international talent markets and offer entry points to the Group on different levels. With the "Empowering customers. Shaping markets." strategy agreed at the end of 2014, E.ON is aligning itself consistently with the deep changes in the energy markets. Even after the ensuing split off, training programs for young people will continue in similar quantity and quality at both companies.

Drop-Down: **New training approach integrates learning processes into everyday work**

In the last two years we have developed our training programs to take into account current educational psychology findings. According to these, only around 10 percent of knowledge is gained through formal learning processes, for example in structured training courses, while the remaining 90 percent comes through experience and dealing with others. With a wide range of programs alongside work, seminars, courses, on-the-job training, materials for self-study, and eLearning, we therefore promote a learning culture in which our employees can design their own learning processes in relation to duration, location, speed and method.

Global learning catalog for a variety of training options

All of our training options were gathered in a Global Learning Catalog in 2014. This applies to all E.ON companies that have already been migrated into the system: It covers many topics, from the energy industry, through social and leadership competencies, to organizational development, and IT. Options in occupational health promotion are also integrated into the Global Learning Catalog. In 2014, the topic of psychological health was the main focus here. In addition, we offer learning programs that are in line with the needs of individual global and regional business units and of their employees.

The expenditure for training in the E.ON Group in 2014 amounted to EUR 1,044 per employee, measured in full-time equivalents (previous year: EUR 1,047). Due to the step-by-step transfer of the relevant processes during the course of 2014, it is not yet possible to make reliable statements about the average number of training days for the whole E.ON Group, based on the data currently available.

Drop-Down: **2,000 management reviews per year**

Through systematic talent management we ensure that we identify potential among the talent working at E.ON early on, and develop it further in a focused way. The talent situation in the business units is shown in a Talent Scorecard, in which we document the results of the annual Group-wide Management Review process, among other items. In order to help our talents advance, we have established various Group-wide development programs. Experts in engineering, finance and procurement are prepared for international management positions through the High Potential Programs, while the Talent Development Program works across business areas. In 2014, around 1,430 management staff and 550 talents were integrated in the Management Review.

We check the success of our measures in job placements, human resource planning and internal performance evaluations, for example. In 2014, we successfully filled top management positions over 30 percent across business units and over 20 percent across countries.

Drop-Down: **38 percent women on E.ON Graduate Program**

A core role in the development of highly qualified graduates is once again played by the E.ON Graduate Program. In 2014, 80 promising talents joined it, including staff from India, Egypt, Tunisia, Costa Rica, Italy, Romania, and the UK. Even though in many of the technical university degrees that are important to E.ON, the proportion of female students is only between 10 and 20 percent, in the new intake we achieved a share of 38 percent women; 50 percent is our target. In Germany, we got very close to this: 46 percent of the trainees employed in Germany in 2014 were women – and among engineers, this share was even higher at 60 percent. Trainees undergo a demanding program of seminars and work in different business areas and functions for several months each, from engineering to IT, finance, distribution and corporate development and HR, which allows them to experience different Group business units at home, and abroad.

Drop-Down: **High importance of training system**

The vocational training of young people is very important at our German sites, both in terms of securing our own job succession process and in the sense of an overall social responsibility. In 2014, 342 young people began their apprenticeships at German E.ON locations (previous year: 441), and 412 of a total of 435 graduates were taken on in subsequent employment. In other European countries, such as the UK, we also offer entrance programs with the goal of training.

In 2013, we set down in a statement that the changes in the energy industry should in future also be more strongly reflected during training. In addition, as part of tariff negotiations with the unions we agreed that all graduates completing training in 2015 would be taken on for at least 12 months fixed-term, and at least 120 graduates in permanent jobs.

✓ Reviewed 2014

Average share of apprentices in Germany at year-end[1]

Percentages	2014	2013
Generation	7.1	7.3
Renewables	6.6	6.9
Global Commodities	1.4	2.0
Germany	7.2	7.3
Group Management/other[2]	2.2	2.2
E.ON Group	**5.9**	**6.1**

1) Average share of apprentices, i.e. the proportion of apprentices in Germany to employees including apprentices in Germany. Does not include Board Members/Managing Directors.

2) Includes E.ON SE, E.ON Business Services, ETG, E.ON Risk Consulting, E.ON Facility Management.

In 2014, we carried out a transfer of these key figures from absolute to relative values. In this year, the share of apprentices fell slightly overall. This is partly due to the fact that the number of potential apprentice positions has declined due to spin-offs, demergers and restructuring; on the other hand, there was also a shift into non-consolidated companies such as E.ON Rhein-Ruhr Ausbildungs-GmbH.

Continuing the E.ON training initiative to 2017

Our training initiative for tackling youth unemployment in Germany continued in 2014, and we will pursue it in a form adjusted to the Group situation until 2017. Since the launch of the initiative we have already supported more than 2,400 young people at the beginning of their careers in the German Ruhr area alone, through work experience placements and school projects.

End of Drop-Down

Fairness, equal opportunities and life balance – E.ON's triad for employer attractiveness

We aim to be an attractive employer for existing and potential employees, and explicitly welcome diversity in our workforce - in all dimensions. A respectful corporate climate prepares the ground for the unfolding of various talents. For us, this includes integrating employees in company decision-making and remunerating them fairly. With options to better combine careers and private lives, E.ON already offers its employees, both women and men, attractive framework conditions which fulfill the

demand for a modern, family-conscious HR policy. Continuously developing these options and adapting them to the needs of current and future employee generations are constantly on our agenda. Putting diversity policy into practice also means taking widely accepted standards and the activities of international initiatives into account. E.ON therefore supports various initiatives that promote more diversity in the world of work.

Drop-Down: **Multi-level promotion of women**

We use mentoring programs, as well as our Group-wide Placement Policy revised in 2011, to promote career opportunities for women in the Group in a targeted way. This also includes entrance via the E.ON Graduate Program (EPG), where we are aiming for 50 percent women entrants. In the new EGP year and for new hires in the Group, the proportion of women in 2014 already amounts to around 38 percent (for a further breakdown, please see the Q&A catalog).

Likewise, our options to help combine work and private life (Life Balance) in the form of flexible working time models and making spaces available in childcare facilities primarily benefit female employees, in our experience. In order to build enthusiasm in women for technical jobs early on, we are cooperating with external partners such as the Association of German Engineers (Verein Deutscher Ingenieure e. V.) and the Femtec career center. As early as 2011 E.ON signed the German Federal Ministry for Education and Research's national MINT pact (MINT = Math, Information Technology, Natural Sciences, and Technology).

On a Group-wide level, two internal networks support the interests of women: IngE (female engineers at E.ON) for women in engineering and technical jobs with around 135 members currently and FinE (women in the energy industry) for women in leadership and succession posts with 85 members (as at 2014).

Voluntary women's quota aims at doubling proportion

In 2011 the E.ON Board of Management made a commitment to more than double the number of women in executive positions by 2020 compared with 2010. Every business unit has its own target values, which are reviewed on a regular basis. In Germany, we intend to achieve a proportion of 14 percent by the end of 2016.

At a Group level, we reported a share of 15.8 percent women in leadership positions in 2014, which means we exceeded our interim goal for 2015 (target value: 15.6 percent). In Germany, the proportion of leadership positions increased to 12.6 percent (2013: 11.3 percent).

Drop-Down**: Free space for a good Life Balance**

In order to make a healthy Life Balance possible for our employees, we largely give them free rein in choosing their own working time. Flexible working models and trust-based working hours have been firmly integrated at E.ON for years. There is also the option of performing jobs entirely or in part from the home office and/or by remote working, and to take sabbaticals. After a longer absence, we help our employees re-enter working life. In addition, E.ON supports and promotes wishes for part-time work: Around seven percent of our employees are employed part-time.

Combining career and private life

With a great number of various instruments, we accompany our employees in those phases of life in which higher demands are made of them in their private lives, for example during parenthood, or when caring for older relatives. Apart from making working times and places flexible, the main emphasis is on looking after children and relatives in need of care: We provide subsidized spaces in cooperation with daycare spaces and nurseries, for instance, and liaise with the pme family service in Germany for the provision of ad-hoc care. In addition, we offer employees on parental leave preferential cover for holidays and sickness so that they can follow current developments in the company. At the end of 2014, 792 E.ON employees were on parental leave; of these, 759 were women.

As part of the demographic change, not only is the average age of our employees rising but also that of their family members. In the case of relatives needing care, E.ON offers framework conditions that correspond to the needs of modern personnel policy. For example, we also cooperate here with the pme family service which offers individual consultation on nursing at home or inpatient care, and refers carers, assistants for the elderly and household helpers.

Drop-Down: Respect through inclusion

For us, respectful treatment also means the close integration of employees into company processes – through personal dialog with employees as well as through their representation in codetermination bodies. An important element here are the employee dialogs. The discussion forum Ask the Board, in which the Board of Management regularly invites them to live chats, is another example. There are also various blog formats on which our employees can get in touch with managers and colleagues, submit ideas and suggestions and share successes and events.

Drop-Down: Remuneration, benefits, and individual performance appraisals

An attractive salary package, including relevant benefits, is part of a competitive work environment and a matter of course at E.ON. An important component of this is company pension-plan benefits. In addition, with our E.ON InvestmentPlan, we have created an efficient tool for individual wealth creation in Germany which primarily builds on an employee shareholding program, for which E.ON offers a partially tax-free subsidy. In 2014, a total of 11,621 employees held 919,064 shares. Similar programs are established in other countries as well under the respective legal regulations that apply.

Every employee of E.ON SE also enjoys the protection of employer-funded group accident insurance cover, which insures against accidents outside of work as well as work-related and commuting accidents. Preventive health care for employees is very important at E.ON. Fundamentally, all occupational benefits also apply to part-time and fixed-term employees; it is only the employee shareholding program that has limitations for fixed-term employees.

For E.ON managers and a large proportion of employees, a variable, performance-based annual profit share is a fixed part of the remuneration package. This depends both on the performance of the individual, which is assessed based on the competence model, and on the performance of the company as a whole. Top management staff also receive a long-term variable remuneration element.

Content page: Health and safety
URL: http://www.eon.com/en/sustainability/social/health-and-safety.html

High standards for health and safety

Reviewed 2014

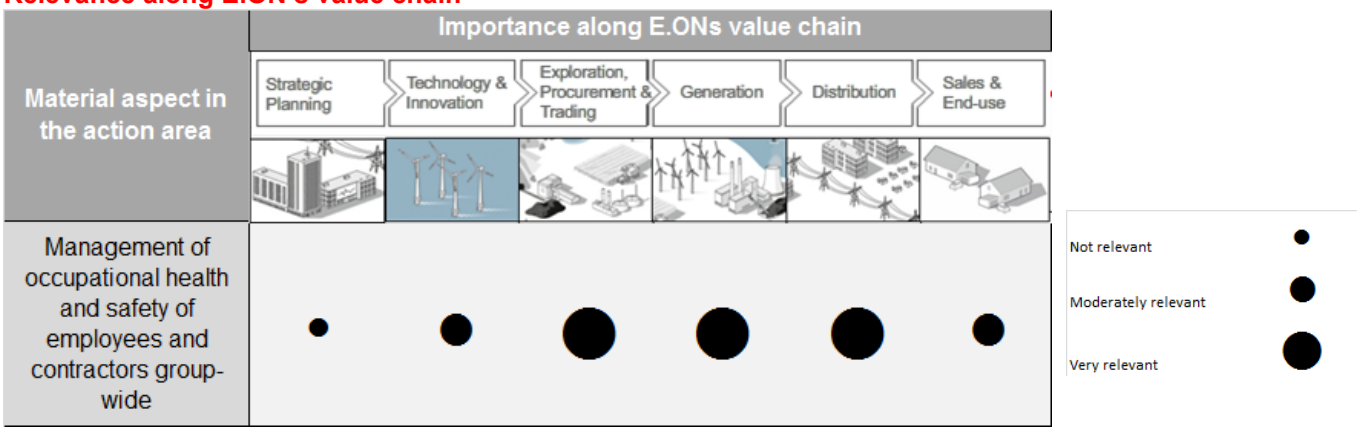
Nothing we do is so important or urgent that our people should ever work in unsafe conditions. Effective management of our health, safety, and environmental (HSE) performance is integral to our corporate culture and to the success of our business. Accidents and health-related restrictions on employees' working capacity may involve significant cost risks, whereas a safe and healthy work environment helps our employees remain productive throughout their careers.

Impact on our business operations and environment

Accidents can have far-reaching consequences for those involved and also for our business processes. They may result in costly property damage and downtime as well as time-consuming investigations and higher insurance premiums. Injury-related absences among employees involved in building and operating our assets may force us to suspend some activities or even temporarily shut down assets. This is one of the reasons why minimum safety standards are a top priority in our industry and are often a precondition for contractual arrangements.

We're also mindful of the possible psychological effects of workplace stress. Employees may experience stress for a variety of reasons: when they face changes brought about by restructuring programs or when their team has a high incidence of sick leave. Effective health management and accident prevention enhance our reputation and our attractiveness as an employer.

Relevance along E.ON's value chain[1]



1) This is a simplified graphic representation of the material aspects we identified in our materiality analysis and their impact along our value chain.

In terms of accident risk, health and safety (H&S) management is particularly relevant for the operation and construction of our conventional and renewable generation assets (Generation), natural gas procurement via pipelines (Production, Procurement, and Trading), and the construction and maintenance of our power and gas networks (Distribution). Adopting appropriate management

approaches enables us, in principle, to directly influence known risks at all three stages of the value chain. Although our ability to influence our contractors' safety performance is limited, applying sound procurement principles and conducting appropriate contractor management enables us to influence it indirectly.

Despite all our safety efforts, accidents still occur. Sometimes they occur when employees are working on power and gas lines. Here, our responsibility is to ensure that our all our regional units and our contractors put safety first and to foster a culture in which all hazardous situations – accidents, near misses, and unsafe conditions – are reported consistently. We also face the challenge of maintaining the health and work capacity of an aging workforce while at the same time meeting rising expectations for efficiency and effectiveness.

Drop- Down: **H&S targets**

We aim to continually improve our health and safety (H&S) performance. As part of our Sustainability Work Program 2012–2015, we had set ourselves measurable targets in 2011 and are monitoring our progress toward them:

- Reduce E.ON and contractor employees' total recordable injury frequency per million hours of work (TRIF) to 3 by 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.
- Achieve a 50-percent participation rate in health-promotion measures for employees at risk for certain health issues by 2015.

The fact that we already achieved our 2015 targets for combined TRIF and contractor employees' LTIF will be considered as we revise our Sustainability Work Program, in which we want to set ourselves new goals. The subpages provide further information about where we currently stand relative to our H&S targets.

Drop-Down: **How we address H&S risks**

In line with our commitment to zero tolerance for accidents, our approach to managing health and safety (H&S) risks is preventive. We therefore supplement our use of key performance indicators – which tell us how we did in the past – with foresightful measures to prevent accidents from happening in the future and to promote our people's health. Group Management oversees and coordinates HSE activities across our company. The strategy and management chapter of this report provides a detail description of our HSE organization, including the various committees and how they work together.

Binding Group-wide policies

Group policy documents establish a uniform framework for our H&S management. The Group Business Governance Policy HSE Management, which took effect in 2013, and related business directives define minimum standards and reporting pathways and describe appropriate measures to prevent harm to our employees' physical and mental health in the workplace. This policy document includes our HSE Policy Statement, which we revised in 2014. The statement articulates our commitment to proactively improving our employees' health and preventing all risks to their safety. Our new HSE management policy requires all E.ON units[1] to have an H&S management system that have been certified to comply with OHSAS 18001, an internationally recognized standard for such systems.

Our HSE policies are also mandatory for equity interests in which we own a majority stake. Before we acquire new companies or form joint ventures, we carefully assess the HSE performance of our potential partners. We conduct due diligence regarding fundamental issues as well as business-specific issues. This includes considering the opinions of non-governmental organizations.

Alongside these policies, we issue specific procedural instructions for a variety of areas, including planning for pandemics and ensuring plant and process safety. We publicly expressed our commitment to high standards for H&S management by signing, in 2009, 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.

Online incident management system

Prevent!, an online incident management system, is an important component of our HSE management. We use it to gather data about accidents, near misses, and unsafe work situations involving E.ON and contractor employees. Prevent! is now in place at nearly all E.ON units in Germany and at a number of units elsewhere in Europe. Analyzing the hazardous incidents documented in the system enables us to define action areas for our entire company and to take effective preventive measures.

Specific targets for process optimization

HSE improvement plans (HSE IPs) are a key management mechanism for our continual improvement effort. They set specific, measurable risk-reduction targets that an E.ON unit or support function must achieve within one year. These targets are cascaded down to the division and department level. We monitor progress toward these targets at regular intervals. After initially focusing on safety targets, in 2013 we expanded our HSE IPs to include health-promotion targets as well.

Beginning in 2014, HSE IP and TRIF targets are factored into the variable compensation of our top executives. Because our ability to achieve our HSE targets begins in the boardroom, our H&S safety performance affects the annual bonus of members of the Board of Management of E.ON SE and of our global and regional units.

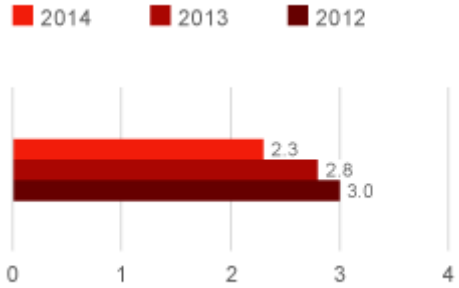
1) Exceptions are possible if the H&S risk of management unit's routine and non-routine activities and business processes is low. (Group Policy HSE Management; p.7)

***Drop-Down*: Key performance indicator**

In 2011 we began using combined total recordable injury frequency (TRIF) – that is, the *TRIF* of E.ON and contractor employees – as the key indicator for our safety performance. TRIF also includes less serious injuries that do not result in lost time.

We again improved our safety performance by lowering our combined TRIF per million hours of work from 2.8 in 2013 to 2.3 in 2014. We therefore achieved our original target – a combined TRIF of 3 by 2015 – ahead of schedule.

E.ON employees and contractors TRIF[1 2]



1) Total recordable injury frequency (TRIF): number of work-related fatalities, injuries, and illnesses, work- or work-travel-related injuries that result and do not result in lost time, that require medical treatment, or that result in alternative or restricted work 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.

Content page: Preventive safety management
URL: http://www.eon.com/en/sustainability/social/health-and-safety/preventive-safety-management.html

Preventing accidents at work

Throughout the E.ON Group we work to ensure that our business activities never endanger our employees, staff at our partner companies, or the public. We therefore pursue a preventative approach in the area of Health, Safety and Environment (HSE) within the framework of our Group Business Governance guideline on HSE Management. It requires all regional units[1] to introduce occupational health and safety management systems in accordance with the OHSAS 18001 international standard. Many of E.ON's operative units, that is, primarily grid operations and generation, already have management systems that correspond to this standard.

Our management approach: Report, analyze, improve

In order to ensure effective occupational health and safety, we evaluate our efforts in this with the help of performance indicators and continuously record data on lost-time injuries and accidents. In almost all of the German units this is supported by Prevent!, our incident management system introduced in 2013. We since have expanded it to other European units such as Italy and Sweden.

These Group units can use the system to record, analyze, and disseminate information to the respective departments on risk-related events and accidents affecting E.ON and contractor employees. This also applies to near misses, unsafe work situations, and environmental incidents. Almost all units now use Prevent! to report serious accidents within 24 or 72 hours to Group Management.

The accident data collected enables us to carry out root cause analysis, as well as extensive risk assessments. We introduce both necessary and appropriate preventative measures based on the results, which also make it possible for us to develop long-term approaches and to recognize key activities for further improving our HSE performance.

1) Exceptions are possible if the business risk of the management units is low in routine and non-routine activities / working processes. (Group Policy HSE Management; p.7)

Performance indicator development for occupational safety

We continuously monitor changes in the number of accidents and losses in working time, which enables us to recognize whether we are meeting our strategic targets for reducing such incidents. Here, we report on the values for the past three years:

Drop-Down: Reporting near misses

As well as compiling data on reportable accidents and incidents, we focus especially on documenting near-miss incidents that could have caused injuries. In 2013, our management units put in place a near-miss reporting system: As of 2014, it is therefore possible to compare these data. The number of reported near-miss incidents increased to 30,811 in 2014 from 24,921 in the previous year. Of these, 13,187 affected E.ON employees (previous year: 14,559). A total of 17,624 incidents involved contractor employees (previous year: 10,362). The increase in the number of reported near-miss

incidents is primarily due to an improved reporting culture, thanks to additional awareness and training courses on dealing with incident reporting.

Drop-Down: E.ON employees and contractors TRIF

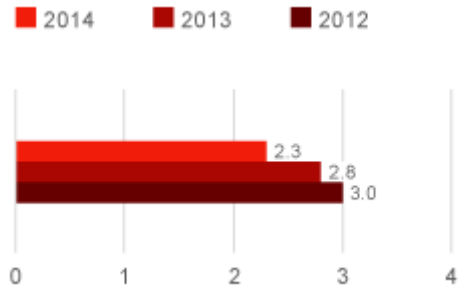
The key indicator for our occupational safety performance is the Total Recordable Injury Frequency (TRIF) index, which measures the total number of recorded accidents (excluding first-aid relevant incidents). We have used this index since 2010: It includes not only lost-time injuries but also injuries leading to restricted work, as well as injuries for which employees required medical treatment without losing working time. Since 2011, we have also included contracting companies and their staff in the figures (combined TRIF).

Combined TRIF [1] [2]

	2014
Generation	3,0
Renewable Resources	4,1
Global Commodities, Renewables	0,3
Exploration & Production	0,0
Germany	3,0
Other EU countries	2,2
Russia	0,2
Group Management/Other[3]	1,4
E.ON Group	**2,3**

1) Total Recordable Injury Frequency: Number of occupational accidents and illnesses, including fatalities, accidents at work and on the way to work with and without lost time, requiring medical treatment, with continued work at a replacement location and/or in a restricted way, 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 Business Service, E.ON Technologies

E.ON employees and contractors TRIF [1] [2]



1) Total Recordable Injury Frequency: Number of occupational accidents and illnesses, including fatalities, accidents at work and on the way to work with and without lost time, requiring medical treatment, with continued work at a replacement location and/or in a restricted way, 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.

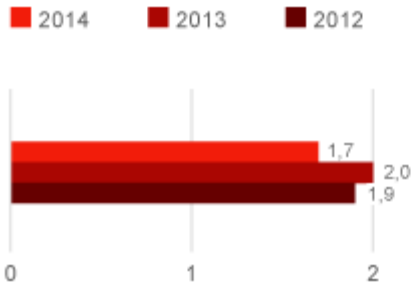
We set a target in 2011 of reducing our combined TRIF across the Group to 3 by 2015. Compared to the previous year, it improved further in 2014, from 2.8 to 2.3. TRIF for E.ON employees fell to a value of 2.0 (2013: 2.6), while our contractors' TRIF was 2.7 (2013: 3.1). Therefore, just before the end of the work program, we are already significantly below the target value. We will take into account the early achievement of our goal in the upcoming review of our work program.

Drop-Down: **E.ON Employees' LTIF**

Reviewed 2014

We use the Lost Time Injury Frequency (LTIF) index to measure the frequency of occupational accidents with lost working time. By 2015, this indicator is to be reduced to 1.0 per million hours of work.

LTIF Employees' [1] [2] [3]



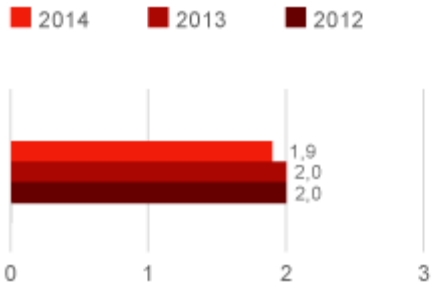
1) Lost Time Injury Frequency: Work-related accidents with lost time per million working hours.
2) Unlike our other sustainability reporting, our safety reporting includes companies in which E.ON holds less than a 50 percent stake but over which E.ON has operational control.
3) Indicator calculation for 2013 and 2014 as per the Consolidated Financial Statement, excluding discontinued activities (regional units in Spain and Italy).

In 2014, LTIF fell from 2.0 to 1.7. The absolute number of reported accidents leading to lost time among employees reduced from 228 in 2013 to 175 in 2014. During the same period, the number of hours worked also declined.

Drop-Down: **Contractor employees' LTIF**

We have collected LTIF data for contractors since 2009; for them, we set a target in 2011 of reducing the accident frequency to 3.0 per millions hours worked by 2015.

Contractor employees' LTIF [1] [2]



1) Lost Time Injury Frequency: 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.

In 2014, contractors' LTIF improved to a value of 1.9 (2013: 2.0), which is clearly below the target value for 2015. The absolute number of reported accidents leading to lost time among contractor employees reduced from 180 in 2013 to 153 in 2014. During the same period, the number of hours worked also declined.

Drop-Down: **Fatal accidents involving E.ON and contractor employees**

Despite our stringent occupational safety standards, one fatal accident involving contractor employees occurred in 2014. During diving works on a seawater intake pipeline for the Los Barrios power plant in Spain, one of the employees of a partner company died. We deeply regret every death and are therefore working hard to improve our company's safety culture further. In addition to the official investigation by government agencies, an independent team of experts conducts 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.

HSE Improvement Plans

HSE Improvement Plans (HSE IPs) are a key management mechanism for setting specific, measurable risk-reduction targets and prescribing process improvements that an E.ON unit must achieve within a certain time span – typically one year. This is done according to need, on the basis of individual risk assessments and through analysis of the local framework conditions. We regularly review progress towards achieving targets. Our Safety Improvement Plans have proven their worth since 2010, and in 2013 we expanded them to include health and the environment. Every management unit (global units, regional units, and support functions) now receives annual improvement targets for the three HSE areas.

In addition to specific improvement measures, in 2014 all regional and global units were required to carry out specific measures in the area of preventative health on the topics of stress and mental workload in order to avoid or reduce psychological strain and to improve the ability of our employees

to deal with them. In the area of occupational safety, all units are required to address their respective main causes of accidents.

As an incentive for our top managers to introduce systematic, preventative occupational safety measures, from 2014 their variable compensation additionally depends on their own unit's success at implementing its HSE IP. The Total Recordable Injury Frequency (TRIF) index, the results of HSE audits and, where applicable, fatal accidents are components of the target agreements with top managers at our global and regional units.

Audits on technical equipment and management systems

We carry out regular audits to review whether the HSE management systems we apply at our global and regional units are effective and appropriate. In 2014, a follow-up audit took place in our Fiume Santo power plant in Italy to check whether previously reported defects and risks had been remedied. We also audited the HSE management system of our Exploration & Production global unit in the UK. Following root cause analysis of several fatalities in the previous years, we also surveyed working conditions and HSE management systems at sites in Romania and the Czech Republic, as well as a contract partner in Sweden.

In these audits we did not find any systematic or serious deficits; however, improvement potential was identified in some areas. These affected the organization of construction sites, facilities management and training, awareness raising and leadership of employees. Some of the audited units were able to show that recommendations from the accident reports and previous audits had already been implemented. Occupational safety was improved not just for the units' own employees, but also for the employees of contract partners our companies engaged. We must not allow these efforts to slacken, so we are preparing several specific audits for 2015.

Our HSE training courses

We actively promote the safety and health of all our employees and to support this we offer them a wide range of training and certification programs aimed at fostering safety and health in the workplace. Since 2014, these have been offered by the Center of Competence Global Learning in a Group-wide consistent catalog of training programs, and organized by the Global Learning Business Service Center in Berlin. They have developed courses that particularly align with the E.ON-wide focus topics: In 2014, these included mental health and healthy leadership.

Alongside the required initial and follow-up training courses for specific job groups, such as drivers, first-aiders and power plant operatives, in 2014 there was also a particular focus on special topics such as travel safety. For example, employees in the Exploration & Production global unit received training on safe travel in Algiers and London. Colleagues who regularly work in remote regions such as the Sahara desert were additionally trained in navigation and survival techniques. In addition, we expanded the range of courses for carrying out structured and targeted accident-cause analysis. In 2014, more than 100 employees completed a relevant qualification in the Generation global unit alone.

Raising awareness among our employees

Safety F1RST!, a Group-wide informational campaign we launched in 2011 to promote occupational health and safety, is a central step towards raising awareness for health and safety (H&S) at work in our employees and those of our partner companies. It uses a variety of media (comics, videos,

posters, and stickers) and the Safety F1RST! logo to communicate our three fundamental safety rules for employees at all levels of responsibility:

- **Rule No. 1: We take care of our colleagues.**
  Everybody working for E.ON actively takes care of their own and their colleagues' health and safety at work.
- **Rule No. 2: We stop unsafe work.**
  Everybody working for E.ON intervenes actively to avoid accidents and health hazards.
- **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.

In 2014, the campaign was supported in several countries by an HSE action week. For example, at E.ON Climate & Renewables in Essen, Germany, at numerous stands employees could learn about a daily changing range of topics centered on health, occupational safety, and environmental protection at work.

In addition, we carried out the first E.ON-wide Safety Hour on 11 February 2014, during which top management reminded employees of past successes in HSE management and gave them an outlook into future activities to improve safety and health protection. In fall 2014 we also held the annual Group-wide Safety Day, during which we aim to raise awareness among our employees for the topic and awaken their interest with the help of practical demonstrations as well as talks, workshops, and other events.

Standards in our supply chain

Contractor management continues to occupy a prominent place in E.ON's HSE strategy and programs. Two of our policy documents – the E.ON Health, Safety and Environment Policy Statement and the Group Policy HSE Management – are mandatory for our contractors as well. In 2014, based on a risk assessment we laid down new requirements for ordering products and services in order to integrate HSE topics even more strongly into the procurement processes. Likewise based on the risk assessment we also defined a unified process for prequalifying service providers. The new regulations will be implemented in 2015.

We expect all our suppliers to abide by the principles of the UN Global Compact. In addition, 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, facility visits and inspections.

We support our contractors by providing them with opportunities for their employees to participate in training and certification programs. Depending on their respective jobs, we make some of these programs mandatory. The units have also developed country-specific concepts and built up training centers. All of these policies help embed our corporate values, which include Zero Tolerance for Accidents, along our entire value chain.

Content page: Health promotion
URL: http://www.eon.com/en/sustainability/social/health-and-safety/health-promotion.html

Committed to healthy employees

We aim to ensure that our employees suffer no health impairment due to their work activities. We also want them to have the opportunity to talk to their supervisors openly and objectively about any physical or mental problem. We have a wide range of measures in place to support our employees' health, from ergonomic workstations, through individual mental health programs, to noise protection.

Promoting health

In our work program 2012-2015 we set ourselves the goal that at least 50 percent of our employees in risky fields of activity would take part in health-promoting measures by 2015. At the start of 2014 we surveyed all global and regional units on the current status of their health management. Based on the Group-wide and country-specific key points we received, we began to introduce steps towards achieving our goal. Across the Group, numerous employees and managers took part in locally initiated activities during 2014 for improving health-conscious behavior and increasing awareness of mental illness.

The topic of travel health is becoming more important across the E.ON Group due to the increase in business travel resulting from business globalization, and particularly in view of the threat of epidemics. To be able to provide individual advice we therefore created a central panel of company doctors, consisting of three doctors who are qualified in the areas of travel and tropical medicine. In addition, when they travel abroad, our employees have access to an international service provider with its Global Assistance Center and worldwide, multilingual expert teams. Besides general information, those of our staff planning business trips abroad are offered individual consultations for medical travel advice as well as standard and additional immunizations. We pay particular attention to people with existing health issues, such as diabetes. If employees fall ill during business travel, the occupational health group ensures competent medical service locally and, where necessary, organizes the patient's transport back to their home country.

Other focus topics we have identified, such as restrictions of the musculoskeletal system or stress resulting from shift working, are handled by the regional units on a local level. Regional units within the EU have a specific annual budget for offering health promotion. The selection of respective activities and campaigns is organized for the long-term according to preventative points of view, or based on the current relevance of focus topics.

Focus on mental health

Dealing with mental illness is an important part of our health management, since absences due to such types of illness occur ever more frequently. In 2014, as in the year before, all units were required to carry out measures dealing with topics around work strain and stress as well as mental health through the Health, Safety & Environment Improvement Plan (HSE IP). Activities are adjusted to local conditions and are aimed at reducing both psychological strains in the office and stress factors resulting from our employees' personal lives.

For example, our regional unit in the UK implemented a campaign in May 2014 to raise our

employees' awareness of mental health problems and stresses. One of its core goals was to reduce prejudice against those affected. Employees swapped personal experiences and gave each other food for thought for dealing with psychological problems.

Raising managers' awareness of mental health problems

One main aim is to enhance E.ON supervisors' 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 interpret patterns of absenteeism correctly and address the issue promptly. In 2013 our Global Learning Center of Competence began offering managers an e-learning tool on mental health in the workplace. It provides them with practical insights into work-related stress and tips on how to deal with it among their employees. Consequently, it helps break down taboos and promotes a more open, aware approach with employees affected by stress. Several global units in Germany communicated the e-learning tool as mandatory training in 2014.

In addition the Global Learning Center of Competence offers further online materials and training courses on topics such as stress management, health leadership, and alcohol and drugs. In 2014, the Center of Competence Global Learning carried out a total of 1,500 training courses on mental health for supervisors. What's more, our regional unit in Sweden also developed a toolbox in 2014 out of various measures to make it easier for managers to identify and handle mental health symptoms.

Individual advice for personal crises

In 2013 we introduced a supplemental Employee Assistance Program (EAP) at our administrative offices in Germany as well as at most of the German unit's regional utilities. The EAP is an independent, external consultation service to which both employees and managers can turn for individualized, confidential assistance.

EAP's qualified professionals provide individual solutions for professional, personal, and health issues via the web, by telephone, and in person. If therapy is required, they can refer employees directly to specialists, therapists, or the appropriate clinics. EAP also offers our managers specialized training modules to help them identify and engage with employees who are showing signs of psychological strain or substance abuse. Typically, supervisors are not trained to support employees facing these issues.

Further global and regional units now offer their employees similar support. The majority of employees (55 percent) across the E.ON Group have direct access to a professional external provider. In other countries, including Spain and Romania, equivalent programs are being planned.

Reviewed 2014

Integrating interests, fostering development

As a business enterprise and energy supplier we help lay the foundation for prosperity and economic development in the regions and communities where we operate. Although the energy landscape is changing dramatically, we intend to continue to play this important role. To do so, we need to earn the lasting support – or, at a minimum, the acceptance – of our stakeholders.

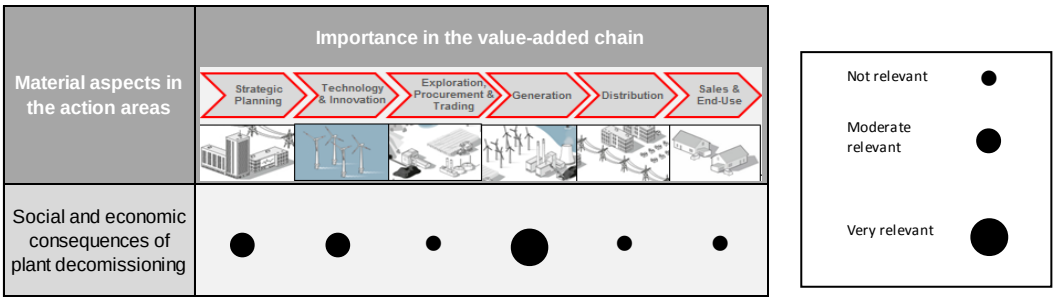
Impact on communities and society in general

The transformation of the energy supply system was initiated by policymakers, is driven by technological advances, and enjoys considerable public support. Making it happen requires a large number of infrastructure projects – some major, some minor. These projects must receive regulatory approval and meet with a broad consensus among local stakeholders. Although the expansion and upgrade of energy networks and generating facilities may be endorsed by a majority of citizens, many individuals still have environmental, financial, and health concerns.

We sometimes have to close and dismantle power plants because of policymaking decisions, economic necessity, or obsolescence (value-added stage: Generation). Plant closures have a significant impact on nearby communities. Initially, communities are inconvenienced by the dismantling itself. Over the medium term, they face a loss of tax revenue and economic activity.

We engage in transparent dialog with local communities in order to gain acceptance for projects and to retain our license to build and operate. Insufficient transparency tends to undermine trust in our projects, which could lead to construction delays or harm our reputation (Strategic Planning, Generation, Distribution). Maintaining our license to build and operate, by contrast, will enable us to continue to promote economic development in the regions where we operate by being a major employer, a provider of customer-oriented energy solutions, and an innovator.

Relevance along E.ON's value chain[1]



1) This is a simplified graphic representation of the material aspects we identified in our materiality analysis and their impact along our value chain.

Drop-Down: **Objectives of our community and social engagement**

We believe that our new corporate strategy will enable us to ensure that we provide our customers with energy and related services well into the future, that we remain a reliable and attractive employer for our workforce, and that we live up to our environmental and social responsibilities.

One of the goals included in our Sustainability Work Program is to do an even better job of involving stakeholders in our business processes and addressing their interests as we develop our business. One way we do this is by engaging them in constructive dialog at a local, national, and European level.

We use the results of these dialogs to review our approach. Dialogs we organize near our facilities – such as our roundtables or the periodic public discussions in Datteln, Germany – provide forums for local residents. The results are published and help us with our ongoing work. Formats like E.ON in Dialog provide us with feedback that enables us to continually evaluate a variety of issues.

Drop-Down: **How we address the interest's of local communities**

We'll only be able to help reshape Europe's power-generation landscape by working closely with local communities. That's why **stakeholder management**, **dialog**, and **regional engagement** play key roles.

We strive to reach a consensus with our employees and local communities in order to mitigate the social ramifications of power-plant closures. 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. We strive to implement the resulting staff reductions in a socially responsible manner. A project called Integrated Nuclear Decommissioning puts in place a number of mechanisms – including targeted HR planning and retraining programs – to ensure that our employees affected by Germany's phaseout of nuclear power still have the prospect of long-term employment at our company. Safety is our top priority not only for our remaining operational nuclear power stations, but also during the post-operational phase and dismantling.

When we plan to expand our networks or build new wind or solar farms, we increasingly hold public forums as well as discussions with policymakers. Our regional units manage these activities at the local level. The Strategy & Management chapter describes our approach, the subpage our dialogs and initiatives. Our regional units are involved in what are in some cases long-standing partnerships to

support local projects that promote energy and environmental education, climate protection, and energy access. We also support our employees who want make a positive difference in their community through volunteering.

Drop-Down: **Key performance indicators**

Net value added indicates the significant financial contribution we make to communities through taxes, levies, and interest payments. Not included in this calculation are the roughly EUR 250 million in concession fees we paid. Due to the reduction in our value added and net income, our tax expense in 2014 was significantly lower than in the prior year.

Use of net value added[1]

€ in millions	Use	2014[5]	2013[5]	2012
Value added	–	3,153	10,431	9,709
Employees	Wages, salaries, benefits	4,121	4,604	5,166
Government entities	Income and other taxes[2]	304	1,760	194
Lenders	Interest payments[3]	1,683	1,705	1,772
Other shareholders	Minority interests' share of income from continuing operations	30	368	424
Net value added	–	- 2,984	1,993	2,152
Shareholders	Dividends[4]	966	1,145	2,097

1) Figures are rounded, which can result in slight deviations in their sum.

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.

5) Indicator calculation as per Consolidated Financial Statement, excluding discontinued activities (regional units in Spain and Italy).

Measured by purchasing volume in 2014 we procured over 90 percent of our goods and services (non-fuels) from suppliers based in the eleven countries where our regional units do business, as well as from suppliers in Russia, Norway, and the USA where the global units are additionally active in power generation as well as oil and gas production in significant amount. These expenditures – along with our employees' wages, salaries, benefits, and retirement packages – enhance purchasing power and thus strengthen regional structures. Many municipalities also benefit from being shareholders in our power plants or energy networks.

Through the above-described, in some cases long-standing partnerships, we also invest in education and culture in our communities. In 2014 our social investments decreased again. For a detailed breakdown of our community investments see our Q&A.

Content page: Dialogs
URL: http://www.eon.com/en/sustainability/social/societal-interaction/dialogs.html

Involving our stakeholders

We interact with our stakeholders in a variety of ways and forums, depending on the stakeholder group and the issue. These range from simply providing information to involving stakeholders closely in our decision-making processes.

The specialized E.ON company areas involved vary just as much as our different dialog formats: From Corporate Responsibility and Health, Safety & Environment, Political Affairs, Investor Relations, Sales, and Procurement, to Human Resources.

In the following sections we present examples of our forms of involvement spanning our areas and organization. Our global and regional units also take an active role in additional initiatives and networks. On the page “Lobbying” we explain our involvement in political decision-making processes, as well as the guidelines that apply.

Informing target groups appropriately

We use a variety of platforms, ranging from mobile information points to visitor centers, to inform our stakeholders. We report issues relevant to the financial markets in our Annual Report. We also publish our Group's non-financial sustainability indicators. Furthermore, analyst and investor conferences as well as our annual Capital Market Day give us the opportunity to address individual concerns in person. In addition, our Sustainability Report contains performance indicators, factors, and detailed background information of interest to a wide variety of stakeholders.

***Drop-Down*: German Sustainability Code**

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. By complying with the GSC we’re supporting the German federal government’s policy objectives regarding transparency and sustainability, as well as contributing to the policy debate on non-financial reporting.

Two and a half years after its implementation, the GSC's indicators and criteria were revised as part of a multi-stakeholder dialog event in 2014. We actively supported the public dialog process and helped

revise the GSC. We did this in many ways including through our involvement in the econsense network.

End of Drop-Down

Wide-ranging dialog forums

As part of our dialog formats, we are in continual discussion with customers, communities, residents, and political representatives. Their concerns often increasingly center around renewables and their integration into existing energy systems, as well as environmental and climate-protection issues. We are also seeing growing interest in these topics from our business customers and advisers such as the agency RobecoSAM, whose ratings form the basis of the Dow Jones Sustainability Indices.

***Drop-Down*: Additional customer feedback channels**

Our Marketing & Sales unit regularly surveys our customers and increasingly develops new products and services in cooperation with them. In 2013 we began implementing additional channels through our customer immersion programs, which enable our customers to voice their concerns directly. The channels include personal complaints forums, listening sessions, and online chats. In 2014 we ran these programs at nine regional units.

At one of our customer immersion programs, eight consumers held open roundtable discussions with five members of E.ON staff and a moderator. This was a great opportunity for us to understand our customers' wealth of experience even more deeply. In addition, we also hold panel discussions with business customers.

As another initiative for intensifying our dialog with customers, in 2014 we strengthened our social media activities on Facebook, Twitter, and Google+. Through Twitter we mainly reach political, media, association, and scientific representatives. By contrast, Facebook allows us to engage with those who have a general interest in energy issues, such as regarding our offshore wind farms, new storage technologies, and the transformation of the energy sector. Beyond that, our regional sales units in particular, such as E.ON Energie Deutschland, place our customers and their concerns firmly centre-stage.

***Drop-Down*: E.ON in Dialog initiative**

Conventions, trade fairs, and other mass-public events are a great forum for stakeholder dialog. As part of our E.ON in Dialog communications campaign launched in Germany in 2006, we deploy our employees specifically as E.ON ambassadors: This enables them to field stakeholders' questions, concerns, and complaints.

In 2014 around 165 colleagues were involved in the campaign, spending 78 days spread throughout the year working as ambassadors for E.ON. They proactively engaged in dialog with visitors at 36 external events to explain E.ON's position on current energy policy issues. This included sharing information on interconnected technical and economic issues. Almost 30,000 visitors – of whom 2,600 were from a political background – visited one of our dialog booths.

The most popular topic by far was the future of energy supply. Direct exchange and discussion with over a third of booth visitors gave us valuable information on current trends, hot topics, and attitudes

among the population.

For the first time in 2014 we also organized micro-conferences in Germany as part of E.ON in Dialog, holding 34 events of this type in Hamburg at the leading international trade fair WindEnergy. 2014 also marked the first time we took E.ON in Dialog abroad at two events in Brussels: At the industry conference Eurelectric and at the Economist Forum. At the conferences, Johannes Teyssen, Chairman and Chief Executive Officer (CEO) of E.ON SE, and Leonhard Birnbaum, Member of the Board of Management of E.ON SE, each gave presentations at the industry conference and Economist Forum respectively.

***Drop-Down*: econsense – Forum for Sustainable Development of German Business**

Leading German companies with global operations have joined forces in econsense – Forum for Sustainable Development of German Business. Since its foundation in 2000, E.ON has participated in a variety of econsense working groups focusing on issues such as sustainability in the supply chain, climate and environmental protection, and sustainability performance metrics. We share experiences, develop joint positions, and contribute to social discourses together with other companies.

In 2014 our activities included:

- working in the Ratings and Rankings project group together with the data provider CDP and ratings organizations
- assisting with the first econsense Tec-Arena on "100% Renewable – feasible vs. utopia" – a new event format intended to highlight technical solutions to sustainability challenges.

In addition, econsense led the creation of a National Action Plan for Business and Human Rights, whose opening conference was held in November 2014. E.ON is actively supporting the process. Discussion papers on the topics of supplier management and the rebound effect rounded off the broad spectrum of topics.

***Drop-Down*: CDP Worldwide**

Besides participating in the Climate Change Program and Water Program, we are also involved in forums organized by the independent information provider CDP (formerly the Carbon Disclosure Project). By doing so we intend to communicate our strategy to a broad range of professionals and learn from other organizations. In 2014 we took part in the CDP DACH Climate Leadership Award Conference in Germany. We also participated at an investor forum in Switzerland focusing on environment-protection aspects.

***Drop-Down*: World Business Council for Sustainable Development**

The World Business Council for Sustainable Development (WBCSD), a coalition of leading sustainability-oriented companies, serves as an important interface between international policymaking and the corporate world. The initiative focuses on energy and climate protection, ecosystem protection, and sustainable development. We've participated in a number of WBCSD working groups, such as the Greenhouse Gas Emissions Working Group. We're also involved in collaborative projects, for instance in developing standards for sustainable water management in the energy industry. We also contributed content to various position papers in 2014. Together with the

International Energy Agency (IEA), the WBCSD held a forum which explored energy security, water availability, and climate change.

***Drop-Down*: International industry forums and conferences**

We are also involved in national and international energy initiatives. These include the World Energy Council (WEC), which is campaigning globally for an affordable, reliable, and eco-friendly energy supply. Leonhard Birnbaum, Member of the Board of Management of E.ON SE, currently heads the European arm of the WEC. In this function, in 2014 he was involved in numerous discussions at a national, European, and global level. The WEC includes all energy sources in its work and has a broad membership base. These include governments and authorities as well as companies, the science community, and NGOs.

In 2014 we were also involved in the international Health, Safety and Environment (HSE) conference of the European Process Safety Centre in London. Together with industry representatives from the petrochemical as well as generation and exploration industries, we spoke there about management trends in process and asset safety. We also invited NGOs such as Greenpeace to our offices in London to debate openly about our exploration and production activities.

***Drop-Down*: 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 the Global Compact's Ten Principles on human rights, labor standards, environmental protection, and anti-corruption – and to report annually on our progress in implementing these Principles. In addition, we participate in events organized by many national networks of the UN Global Compact, particularly in Germany and Sweden.

End of Drop-Down

Involving stakeholders – for sustainable decisions

We involve stakeholders in our decision-making processes through our diverse range of dialog offerings. Depending on the subject area, we employ various formats to support stakeholder involvement. Internally, employees on numerous levels – ranging from the Board of Management to consultants – take part in strategy and product-development discussions and workshops. We discuss the environmental and social impacts of newbuild and construction projects in our Power Plant Forums. We include our own supplier-development procedures in our procurement processes. In addition, industry initiatives are increasing in importance in this area. Here, competitors and relevant stakeholders jointly develop solutions to improve labor and environmental standards. One such example is in the coal supply chain.

***Drop-Down*: Involving stakeholders in strategy development**

In 2014 we held stakeholder surveys and discussions on the further development of our corporate strategy. The basis of these were the eight megatrends identified the year before by our Strategy department in close collaboration with renowned external experts from the scientific and political community, customers, business partners, and our own senior executives. These megatrends will have a substantial influence on E.ON's future. This was followed up during the year by numerous internal workshops and events with many employees. In them, we discussed strategy elements,

options, and corporate values. The rounds of discussion were a key component of the overall strategy process. This ensured that our new strategic focus has a broad base and meets key stakeholders' expectations.

In our systematic materiality processes we also ask our stakeholders for their opinion on the impacts of our business activities and actions. Based on the results, we review our action areas and determine the topics of our reporting. In 2014 E.ON Sverige conducted a regional materiality analysis with customers, journalists, environmental and sustainability experts, politicians, and other stakeholders. 250 people were invited to complete the online survey. Of those, 134 (over half) provided feedback.

***Drop-Down*: Power Plant Forums and other forms of involvement**

Power Plant Forums constitute one of the ways we involve stakeholders in the decision-making processes surrounding new power plants, such as at our location in Datteln, Germany. They take the form of roundtable discussions between regional stakeholders and us in our role as the 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 as well as to share facts. The results of these discussions are published in press releases, in a newsletter, and on the forums' respective websites.

We are following this approach at our Staudinger plant. There, the relevant parties come together twice a year at a roundtable discussion to talk about specific concerns. In 2014 the issues they discussed included the causes for the failure of a circulator pump and the handling of permit requirements under water legislation. They also discussed a planning study for a photovoltaic power plant on a granulate landfill site.

Our regional unit in Sweden has gained extensive experience in involving stakeholders in the construction of renewable generating plants. When planning wind-farm projects at its Örserum location near Jönköping, Midsommarberget, and Högklippen in northern Sweden, E.ON Sverige sent out invitations and took out newspaper announcements inviting all residents, local sports clubs, companies, and NGOs within a 3 km radius to discussion evenings. Consultation documents were made available online, and posters and brochures were used for additional communication. Around 80 objections were received from organizations, firms, and residents which we commented on specifically. The discussions also centered around questions regarding the routing of power lines, opportunities to get low-priced wind power, and compensation for residents adjacent to the wind farms.

Besides local stakeholders, we also involve renowned international experts when planning projects. As part of a rejuvenation project, at the end of 2014 we arranged for our Swedish hydropower plant Selma to be assessed by the International Hydropower Association (IHA). In accordance with the Hydropower Sustainability Assessment Protocol (HASP) this also involved a site visit and extensive discussions with stakeholders.

***Drop-Down*: 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. Discussions in South America, Indonesia, and Russia preceded the public consultation phase on the draft Code.

Content page: Customer orientation
URL: http://www.eon.com/en/sustainability/governance-and-integrity/customer-orientation.html

Putting our customers first

Reviewed 2014

The trust and satisfaction of our customers are essential for the success of our business. Only satisfied customers remain loyal to us, say things that enhance our reputation, and are willing to recommend us to other people. That's why we put our customers' needs first as we develop our palette of products and services.

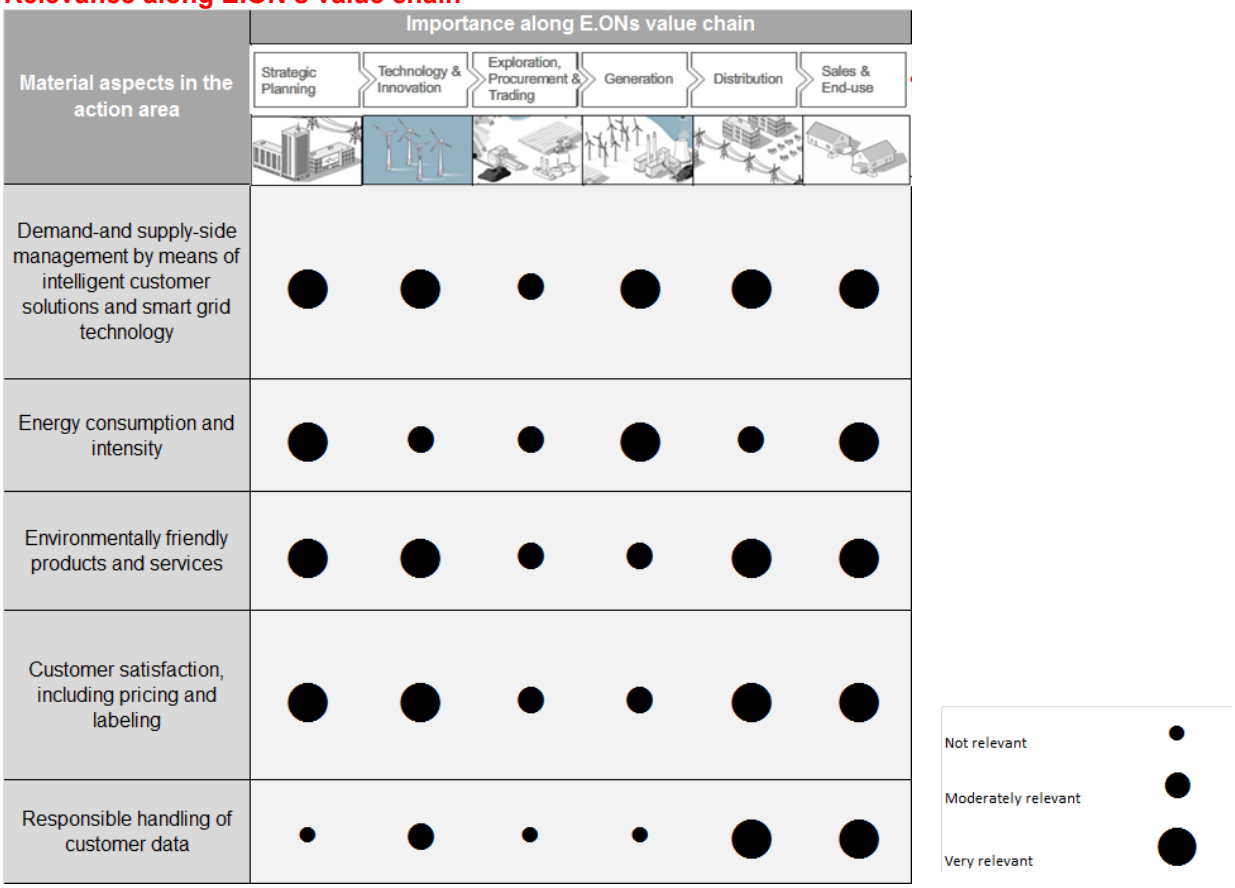
Challenges in a changing market environment

The transformation of Europe's energy system, which enjoys broad public support, is fundamentally altering the power generation sector. Large conventional power stations are increasingly being replaced by smaller, distributed generating units that produce power where it's consumed. And more and more consumers are producing their own energy. This gives energy suppliers a new role to play: they're becoming partners in energy management and in the development of custom-tailored, flexible solutions. These changes are affecting almost all stages of our value chain.

Being an energy service provider gives us the opportunity and, we believe, the responsibility to help guide our customers through the changing energy landscape. By providing them with energy-efficient products and services, advice, and encouragement, we can help them reduce their energy consumption, save money, and shrink their carbon footprint. This enhances our reputation and our competitiveness. That's because today's customers not only want transparent and stable pricing. Increasingly, they're also looking for an energy service provider with a product portfolio geared toward resource conservation as well as climate and environmental protection. Providing customers with intelligent solutions for energy management requires that we gather and analyze their consumption data. At E.ON, we take our obligation to protect our customers' personal data very seriously.

Ultimately, all our customers want their supply of power and gas to be continuous. For us to continue to ensure supply security in the future, we need to upgrade our networks in ways that enable them to handle the rising proportion of intermittent renewables feed-in.

Relevance along E.ON's value chain[1]



1) This is a simplified graphic representation of the material aspects we identified in our materiality analysis and their impact along our value chain.

Drop- Down: **Our targets for customer satisfaction**

Our goal is to market the kind of intelligent, custom-tailored products and services that will make us our customers' partner of choice for energy 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. Our NPS target is to be best in class for top-down NPS in all of our markets by 2018. The customer satisfaction subpage provides detailed information about our NPS performance.

Drop-Down: **Meeting our customers' need**

Customer orientation guides how we do business across our company and in all of our markets. Our new corporate strategy – "Empowering customers. Shaping markets." – will systematically enhance this orientation. We intend to focus more than ever on our customers and their needs. This will involve everything from developing individually tailored integrated energy solutions to offering an energy-efficient and climate-friendly product portfolio.

Regional units provide customer-centric solutions

Eleven regional units managed our downstream business in Europe in 2014: retail sales (power, gas, heat), energy infrastructure, and distributed energy solutions. Our regional units supply energy products and services to residential customers and provide all-inclusive service packages to small and

medium-sized enterprises (SMEs). In some European countries they also offer custom-tailored and efficient solutions to industrial and commercial (I&C) customers and serve as the sales partners of regional and municipal utilities.

Center of Competence and company-wide programs to enhance customer loyalty

Establishing the E.ON Center of Competence (CoC) for Customer Experience and launching the CustomerFirst program in January 2014 are integral to our effort to put customers at the center of everything we do.

The CoC for Customer Experience supports the company-wide rollout of net promoter score (NPS), our key performance indicator for customer satisfaction. It continues the work started by NPS Center of Excellence, which was established in 2009. It serves as platform for sharing best practices and also advises Group Management and the global units on customer-centric change. As a further inducement to enhance customer satisfaction, the E.ON Board of Management sets NPS targets which are included in the annual performance agreements of our executives

CustomerFirst, which has an initial term of three years, is a program to share knowledge and experience from our various European markets so that we can design flexible solutions that respond to current market needs. Our regional units developed the program and have been implementing it since mid-2014. We also enhance customer relations by conducting customer immersion programs. These programs consist of complaints forums, listening sessions, online chats, and other formats that give customers the opportunity to provide us with detailed feedback.

End-to-end distributed energy solutions: E.ON Connecting Energies

Distributed energy solutions – such as combined-heat-and-power units and many renewables-based systems – are key technologies for the transformation of Europe's energy system and are therefore an important focus of our effort to develop customer-centric solutions. E.ON Connecting Energies (ECT), which was founded in mid-2012 and serves customers worldwide, is our distributed-energy specialist. ECT finances, installs, and operates on-site generating units and also offers a wide range of other services to optimize the energy production and consumption of commercial, industrial, and public-sector customers. It aggregates capacity to form virtual power plants, designs energy-efficiency plans, conducts innovative software-based energy management, and provides energy system services such as voltage maintenance. Our regional units are ECT sales partners, and its palette of offerings will help them build lasting customer relationships.

Drop- Down: **Key performance indicators**

We supplied 22.9 million customers in total (prior year: 24.4 million) with 735.9 billion kWh power (2013: 696.9 billion kWh) and 1,161 billion kWh gas (2013: 1,219.3 billion kWh) in 2014.

E.ON power and gas customers 2014[1]

Millions	Power	Gas
Germany	5.4	0.9
UK	4.2	2.8
Sweden	0.8	>0.1
France	>0.1	>0.1
Netherlands	0.2	0.2
Hungary	2.5	0.6
Czech Republic	1.2	0.2
Slovakia	0.9	>0.1
Romania	1.4	1.6
Total	**16.6**	**6.3**

1) Figures are rounded, which can result in slight deviations in their sum.

Our key performance indicator for customer satisfaction and loyalty is net promoter score (NPS). It measures our customers' willingness to stay with us and to recommend us to their friends. Over the past three years, our NPS for residential customers has risen by 22 points in the seven regions where we've been measuring NPS since 2012. This improvement indicates that our efforts to put customers first are paying off.

Surveys, rankings, and awards also provide us with feedback about our customer experience. The customer satisfaction subpage contains information about the accolades we received in 2014.

Content page: Customer satisfaction
URL: http://www.eon.com/en/sustainability/governance-and-integrity/customer-orientation/customer-satisfaction.html

Becoming our customers' partner of choice

Satisfied customers who like our products and services, are open to our new E.ON offerings, and recommend us to their family and friends are our best source of sustainable business growth. Focusing on our customers' needs is therefore our top priority across all our markets. We view our customers as partners and strive to form lasting relationships with them, which is why our new corporate strategy places an even greater emphasis on customer orientation.

Calculating customer satisfaction

Our key performance indicator for customer satisfaction and loyalty is net promoter score (NPS). It helps us understand our customers' needs better and recognize what we must change in order to increase their satisfaction.

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. Zero indicates complete unwillingness, ten unreserved willingness, to recommend us. We've calculated NPS at all of our fully consolidated retail sales operations in Europe (the Benelux countries, the Czech Republic, Germany, Hungary, Italy, Romania, Spain, Sweden, and the United Kingdom).
- 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 obtain and systematically analyze feedback from more than 40,000 customers each year. Along with NPS we record the number of customer complaints we receive via online forms and other channels. Every interaction with our customers helps us understand the keys to customer satisfaction and identify where we can further improve our performance. Going forward, we therefore intend to continue to invest in systems and capabilities to analyze customer needs.

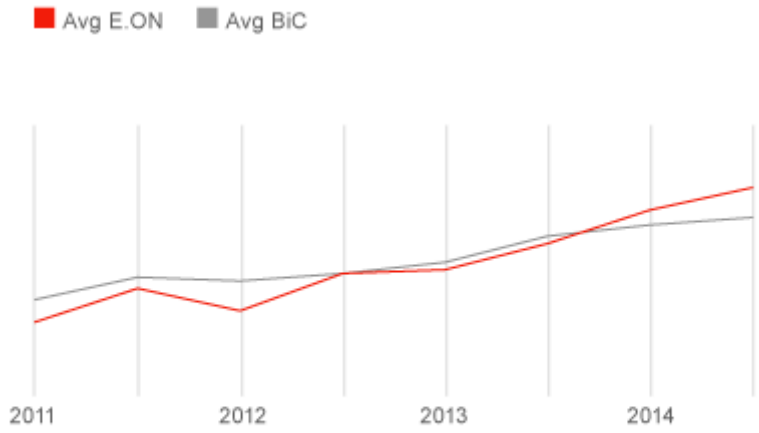
Systematic customer orientation leads to increased customer satisfaction

In late 2013 E.ON set the objective of being best in class (BiC) for top-down NPS in all of our markets by 2018. Sharpening our focus on customer satisfaction already delivered successes in 2014: all of the countries in which we measure NPS we improved relative to 2013 among residential customers and among small and medium-sized enterprise (SME) customers.

Our year-end NPS in the residential segment surpassed the market average in several regions. In fact, we were BiC in the Czech Republic, Germany, Sweden, and the United Kingdom. Over the past three

years our residential NPS has improved by an average of 33 points in the four regions that contain a substantial majority of our customers. These achievements encourage us to redouble our efforts to further enhance customer satisfaction and to extend our lead over competitors.

NPS among residential customers for E.ON and best in class[1]



1) The red line represents the average NPS for the four E.ON regional units which serve 95 percent of our residential customers in Europe. The grey line represents the average NPS for the competitor that is best in class (BiC), or, if we are BiC, the next-best competitor. NPS is measured in half-year figures from start of 2011 to the end of 2014.

Drop-Down: **Accolades for good service**

A relentless commitment to customer orientation helps differentiate us from our competitors. Our customers think so too. In 2014 our regional units received a number of awards for customer orientation and also scored very well in surveys and rankings. Here are just a few of the accolades we received:

- In the United Kingdom we held our title as the most popular energy supplier for the third year running in a nationwide customer-satisfaction survey conducted by uSwitch
- In Sweden we were named the energy company with the biggest improvement in customer satisfaction among business customers in the SKI, a Swedish quality index
- In Sweden we took second place for customer service in the environmental and energy category in “SM i Telefoni & Kundservice,” a national ranking.

Drop-Down: **Making amends for misinformation about energy tariffs**

An investigation by Ofgem, the U.K. utilities regulator, showed that between 2010 and 2013 E.ON UK misinformed some customers about the pricing of their energy tariff. As a result, these customers were overcharged. In addition, E.ON UK charged some customers improper termination fees. In a settlement with Ofgem, we agreed to pay a penalty of GBP 1 million and a total of GBP 12 million (just under EUR 15 million[1] to 330,000 vulnerable customers. We also agreed to inform about 465,000 customers that they may have received incorrect information when they chose their energy tariff and what they can do to receive compensation.

We regret that misinformation resulted in customers choosing a tariff that isn't right for them. Meantime we have made our services more transparent and consider it our obligation to right any wrongs.

1) Exchange rate in accordance with annual average rate (E.ON Annual Report; page 108).

Mechanisms to promote customer orientation

Over the past five years, we've made good progress in systematically gearing our corporate culture and management processes toward improving customer satisfaction. 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 and report progress toward these targets to the E.ON Board of Management on a quarterly basis. In 2014 we increased the incentive for the executives of our regional units to focus on customer orientation: a portion of their variable compensation is now based on the top-down NPS of their respective country. We also took steps toward introducing NPS in other areas, such as our network businesses.

Non-customer-facing employees also have a considerable influence on customer satisfaction through their role in the design of our products and services. To foster a customer-centric culture across our organization, we measure internal NPS (iNPS). In 2014 we expanded the iNPS program to all support functions, such as HR, procurement, and finance. Starting in 2016 we intend to factor iNPS performance into executive compensation.

Drop-Down: **Center of Competence for Customer Experience**

In 2009 we created a Center of Excellence to monitor our NPS program and serve as a Group-wide platform for sharing best practices. In 2014 we renamed it the Center of Competence (CoC) for Customer Experience. It will take our NPS program and our focus on customer satisfaction to the next level at all of our regional units and their sales organizations. It will also promote customer orientation across our company and complete the process of introducing internal NPS at all of our support functions.

Drop-Down: **CustomerFirst: working together to enhance customer orientation**

In January 2014 we launched a Group-wide program called CustomerFirst. Its purposes are focus our sales organization ever more closely on our customers' needs, to share knowledge among our regional units, and to maintain and enhance our ability to:

- provide appealing, top-quality service
- engender loyalty and reduce customer chum
- offer fair products and service and achieve wider margins
- win over and acquire customers.

CustomerFirst, which has an initial term of three years, is divided into two phases. The first phase, which lasted from January to March 2014, was devoted to calculating our growth potential. We did this by taking an inventory of our regional units' existing sales capabilities and working with them to define steps to develop them. The second phase, called Design and Implement, began in April 2014. Its purpose is to design specific measures for each regional unit to improve its offerings for customers. Seventy measures are already being implementing, with more in planning.

End of Drop-Down

Gaining a better understanding of how our customers see things

Increasingly, we get closer to our customers through customer immersion programs. These programs, which we launched in 2013 in the United Kingdom for our residential and SME customers, consist of complaints forums, listening sessions, and online chats, and other formats. They enable us to better understand how our customers see things and also give our non-customer-facing employees the opportunity to engage with our customers' needs. Since introducing the program, E.ON UK has hosted 100 small-group immersion sessions in which more than 500 E.ON employees have met with about 700 customers. The sessions have given us the chance to learn first-hand what matters most to our customers. We use these insights to improve our portfolio of products and services. In February 2014 E.ON CEO Johannes Teyssen attended one of the sessions, participating in a number of working groups focusing on issues that interested customers and discussing possible solutions for them; customers were particular concerned about rising energy prices.

Supported by the CoC for Customer Experience, eight more regions (Germany, Sweden, Spain, Benelux, Romania, Hungary, the Czech Republic and Turkey) have launched customer-immersion programs. The Slovakia regional unit is going to start one in 2015. We also plan to expand online chats, which have so far been used in the United Kingdom and Germany, to other regions in 2015.

Transparent and stable pricing

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 premiums for renewables feed-in), and regulated price components (such as network-usage fees) account for a significant percentage of prices. This percentage varies by country.
Easy-to-understand bills are another factor that promotes customer satisfaction. The many different components of energy prices – levies, fees, and taxes – can be confusing for customers. In 2014 we therefore shortened and simplified our bills for residential customers in Germany and Italy. We had already reduced residential bills in the United Kingdom from seven pages to one page in 2013. In

addition, we offer electronic billing, which conserves resources and reduces costs, in all our markets. As of year-end 2014, 24 percent of our customers chose this option[1].

Drop-Down: Individualized tariffs give customers more control

We offer our customers a range of products and services so that they can choose the one that best fits their needs and have greater influence their energy bill. Depending on the needs and circumstances in a given 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
- smart devices and tools that enable customers to visualize their consumption make it easier for them to save energy and give them more control over how much they spend on energy
- prepayment products like a pay-as-you-go smart meters in the United Kingdom.

One of our newest offerings is Enerji Almanya, a retail power product aimed primarily at families with Turkish origin and businesses in Germany. Introduced in January 2015, it offers bilingual service and a usage forecasting tool that helps customers keep their energy costs under control.
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.

Content page: Climate-friendly products and services
URL: http://www.eon.com/en/sustainability/governance-and-integrity/customer-orientation/climate-friendly-products-and-services.html

Helping customers lead the energy transformation

We want to help our customers do their part to protect the earth's climate. That's why we're placing a greater emphasis on efficient and climate-friendly products and services and designing custom-tailored, smart, and demand-oriented solutions. These innovative offerings support one of the aims of our new corporate strategy, which is to be our customers partner of choice for energy solutions.

Green power products

E.ON offers residential and business customers a variety of green power products, which respond to the public's heightened environmental awareness. The demand for them varies by country, which in part reflects differences in national energy policies. Altogether, we sold 10 TWh of green power in 2014, which represented 4.5 percent of our total retail sales volume in our eleven markets.[1]

E.ON continually develops products for all customer segments to address their emerging needs. In the summer of 2014 we introduced a TÜV-certified green power product for wholesale customers in response to their desire to support renewables producers directly. At least 60 percent of the guarantees of origin come from E.ON assets, half from hydroelectric stations in Germany, half from wind farms in Italy.

1) Figures for Spain and France are from 2013.

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. With manufacturers offering better EVs and the legislative environment improving (as with Germany's newly enacted Electro-mobility Law), we expect this market segment to experience strong growth. We conduct trials and projects in a number of regions to raise public awareness and encourage people to embrace e-mobility.

Natural-gas-powered vehicles (NPVs), which emit about one quarter less carbon dioxide than comparable gasoline-powered vehicles, also have considerable potential. As more regenerative biomethane is fed into the gas pipeline system, NPVs' climate performance will improve even further. We currently operate more than 120 NPV fueling stations in Germany and 63 in Sweden, of which 42 are open to the public and 21 are for public transport vehicles.

Providing incentives to save energy

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, rebates, and reward programs that give customers a financial incentive to use less energy.

Drop-Down: **Key technology: smart meters**

An EU directive enacted in 2009 requires member states to provide end-customers with smart power and gas meters that enable them to continually monitor their energy usage. Its purpose is to give consumers a more pro-active role in the energy market and to create incentives for greater energy efficiency. The introduction of this new metering technology raises a number of technical and legal issues, and some member states have not yet fully transposed the directive into national law. As a result, the EU-wide installation of smart meters will continue into the 2020s.

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. More than 2 million E.ON customers had a smart meter as of year-end 2014.

Installed smart meters by country (2014)

		Thousands
Rollout countries		
	Sweden	1,000
	Spain	680
	United Kingdom	360
Pilot countries		
	Gernany	26
	Hungary	10
	Rumania	30
	Czech Republic	4
	Slovak Republic	2
	Total	**2,112**

Highest standards for data protection

Data protection is an important aspect of customer relations in the energy industry as well. Its importance is increasing as more and more smart meters are installed, since inadequate security procedures could lead to unauthorized access to customer data. In the interest of our customers, we take data protection for smart meters very seriously and helped formulate EU-wide recommendations. Some countries have already passed laws incorporating the recommendations.

Drop-Down: **E.ON solutions that promote energy efficiency**

A smart meter is an essential component for many energy-saving solutions, including "100Koll," a toolkit we designed for our residential customers in Sweden. They can use it to monitor their electricity consumption in real time on their computer, other connected device, or an in-home display. It also gives customers the capability to remotely turn on and off appliances and other electronic devices. In 2014 we provided the 100Koll toolkit to more than 120,000 customers, making it our biggest-ever product launch.

Smart meters enable E.ON UK to expand and adjust its portfolio of prepayment products. Another solution – the Customer Engagement Toolkit, which we introduced in October 2013 – enables our residential customers in the United Kingdom to monitor their energy usage and compare it with that of

similar households. About 100 families of similar sizes 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. We intend for all 5.6 million E.ON UK residential customers have access to the Customer Engagement Toolkit by 2016. And also our small and medium-sized enterprise (SME) customers in the United Kingdom have access to the Saving Energy Toolkit, which provides a variety of tips, including advice on energy-saving machinery and equipment. More than 40,000 of our SME customers used the toolkit in 2014.

In October 2014 we concluded a pilot project under which we made the Customer Engagement Toolkit available to about 100,000 residential customers in Sweden. Although it only lasted one year, the project helped us focus on our customers' needs and also provided valuable insights into new energy services. These insights will help us continue to be successful in the Nordic market as distributed solutions play an increasingly important role in the energy world.

We develop new products and services that make energy use smarter and more flexible in all of our markets and will continue to do so in 2015.

End of Drop-Down

E.ON Connecting Energies: energy-efficiency solutions for business customers

In 2014 E.ON Connecting Energies (ECT) significantly expanded our service offerings to industrial and commercial (I&C) and public-sector customers. ECT designs, finances, installs, and operates on-site generation equipment and systems that deliver average savings of 50 percent and in some cases up to 80 percent. Moreover, because ECT pays the up-front costs and guarantees the future savings, customers bear almost no risk, creating an attractive incentive for them to become more energy efficient. In 2014 ECT further expanded its portfolio of services. For example, the new ECT Potsdam provides companies with comprehensive energy-management services that gives them a 24/7 ability to monitor and control equipment powered by all types of fuel.

Smart homes

Smart technology for homes and commercial buildings can 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 helping to realize this potential through a variety of research and pilot projects. 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.

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 2014 we also became an investor and partner in Leeo, a U.S.-

based company that develops and provides smart home solutions consisting of simple and intelligent plug-and-play devices and related data services.

Important solution: distributed generation

The trend toward distributed generation is growing and irreversible. Consequently, distributed-energy solutions is one of our strategic focus areas in Europe and a business in which we will continue to invest in the years ahead. We strive to design individually tailored solutions for residential, municipal, and commercial customers. The E.ON Connecting Energies business unit supports our regional units in offering customers end-to-end solutions.

Our regional units are playing a prominent role in expanding our distributed energy business. One example is the Germany regional unit, which in 2014 again increased its rate of growth in this segment: it installed 111 new cogeneration units (prior year: 51) and replaced ten existing units (prior year: seven). Altogether, it added a 24 MW of new electric capacity in 2014, up from 18 MW in 2013, a year-on-year increase of one third. Investments in 2014 totaled EUR 37 million.

Drop-Down: **Virtual power plants**

Virtual power plants (VPPs) make distributed-energy solutions easier to plan and manage. VPPs consist of a cluster of smaller generating units – such as wind turbines and micro CHP units – at different locations that are remotely controlled and dispatched to meet load is if they constituted a single larger unit. On the demand side, the VPP can integrate flexible load such as electric ovens, refrigerated warehouses, and heat pumps. This can lessen the need for peakload production, thereby helping to reduce carbon emissions.

VPPs create new opportunities for customers to market their generating capacity. In 2013 we introduced a VPP platform called the Control Energy Management System (CEMS) that integrates large-scale generating units such as combined-cycle gas turbines. CEMS enables this capacity to participate in the control energy market, which provides backup power to maintain grid stability in response to unforeseen occurrences, such as when a power station has an equipment failure and has to be taken offline. CEMS benefits E.ON as its operator and the owners of generating units, who receive compensation for participating in it.

At the end of 2013 E.ON put in place a VPP engine in Germany to market the output of smaller distributed generating units and to provide their owners with individually tailored solutions. The E.ON-developed platform consists of IT systems, communications hardware, links to wholesale power trading floors, products, and contracts. In 2014 we concluded a contract with a consortium of farmers in Germany that operates a biomethane production plant that injects pipeline quality biogas into the local gas network and a biogas fueled cogeneration unit. Under the contract, E.ON markets the unit’s output directly on the spot market or offers it as control energy.
Going forward, we intend to roll out the VPP engine in the United Kingdom, France, and Turkey as well. In France we already operate a smart load-management solution which will be integrated into the VPP engine in 2016.

Drop-Down: **Long-term partnerships for integrated energy-saving solutions**

E.ON is forging long-term strategic partnerships to provide distributed-energy and energy-efficiency solutions to business customers like German hypermarket chain METRO Cash & Carry and Italian beverage-maker Acqua Minerale San Benedetto. In both cases, individually tailored on-site cogeneration solutions were the starting point for multi-year energy partnerships with E.ON Connecting Energies. We're building similar partnerships with customers 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.

Content page: Good governance
URL: http://www.eon.com/en/sustainability/governance-and-integrity/good-governance.html

Reviewed 2014

A proven foundation for good corporate governance

E .ON, which operates around the world, faces 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. Respecting the environment, meeting our social responsibilities, and avoiding conflicts of interest are very important to us. Successfully addressing all of these issues – including under our new corporate strategy – will be essential for our future viability in a changing business environment.

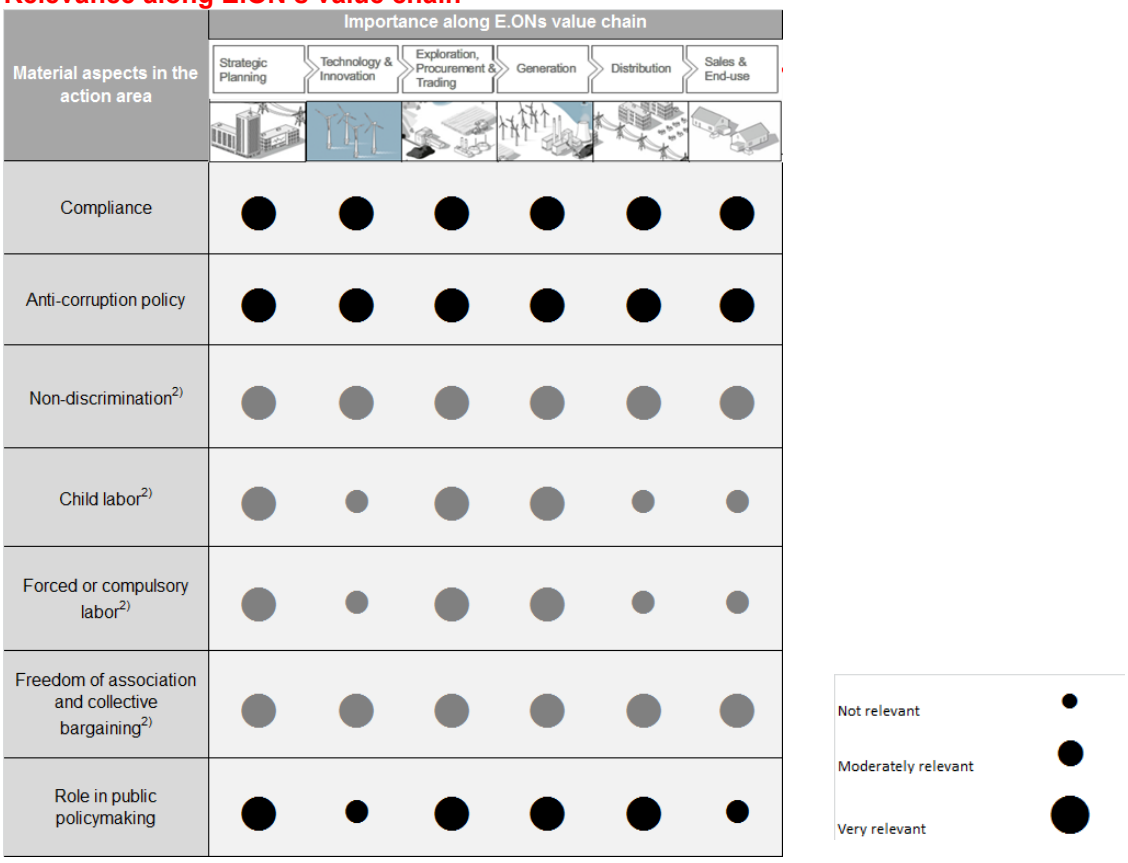
Importance of responsible corporate governance

Compliance means conforming with all applicable laws and regulations and with our own company rules. It also means living up to the values and principles to which we've voluntarily committed ourselves. Compliance is the foundation for the public acceptance of our business activities and the prerequisite for successful collaboration and interaction within our organization. A company-wide commitment enables us to address compliance issues foresightfully along our entire value chain and to minimize the risks to our reputation and the financial damage that could result from corruption and other compliance violations.

For our company, which operates worldwide, respecting human and labor rights is essential. Treating our employees fairly and respectfully is an indispensable foundation for our business. We see it as our obligation to prevent all forms of discrimination and to ensure our employees' right to freedom of association and collective bargaining. We have a special responsibility in those parts of the world that lack rigorous statutory protections and the means to enforce them effectively. Implementing standards that ensure that human and labor rights are sufficiently respected in all our procurement countries represents a significant challenge. For example, accusations of child, forced, and/or compulsory labor are not uncommon in the fuel extraction industry. To exercise due diligence and to meet our stakeholders' evolving expectations, we systematically and proactively address the possible risks of our own business operations and those of our suppliers.

The energy industry operates in a politically charged environment. Government relations are therefore indispensable to our operating business and for our company's strategic development. They also allow policymakers to benefit from our expertise and experience in generating and distributing energy. Our government relations and our involvement in public-policy discussions are always conducted responsible and in conformance with the principles of good corporate governance.

Relevance along E.ON's value chain[1]



1) This is a simplified graphic representation of the material aspects we identified in our materiality analysis and their impact along our value chain.

2) The information on human rights issues is preliminary. Our forthcoming analysis of human rights risks in our own business operations and along our value chain will enable us to make a final statement (see the targets for this action area).

Drop-Down: Reviewing our targets for protecting human rights

Our Sustainability Work Program 2012-2015 states our objective to embed social and environmental standards into our procurement processes for fuels and non-fuels. In response to our external stakeholders' heightened expectations, we intend to review our business processes in light of human rights risks. The review will be based on the UN Guiding Principles on Business and Human Rights. The first stage will involve analyzing human rights risks in our own business operations and along our value chain more systematically, classifying countries according to their risks, and reviewing our management system. The results of the review will be considered when we set the targets for our next Sustainability Work Program, which is currently being prepared.

Drop-Down: How we promote good corporate governance

E.ON has put in place effective organizational structures and has clearly assigned roles and responsibilities based on the principles of good corporate governance. For E.ON, compliance means more than conforming to all applicable laws and regulations. It also means living up to the values and principles to which we've voluntarily committed ourselves. As part of our commitment to corporate sustainability, we embed sustainability criteria into our business processes.

Public pledges 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. A pledge to respect human rights is also contained in the E.ON Board of Management's Commitment to Corporate Responsibility of 2006.

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 German companies with global operations. The code underscores our unequivocal commitment to a social market economy and fair rules for global competition. In addition, we support the aims of the German Corporate Governance Code and comply with all of its recommendations and almost all of its suggestions.

Our corporate governance system

E.ON has the two-board system typical of German corporations. The E.ON Board of Management and Supervisory Board have clearly defined executive and oversight responsibilities. Our corporate governance system ensures that the two boards work together efficiently and that our reporting practices are transparent. Our system complies 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. The Supervisory Board has twelve members, with equal representation of shareholders and employees. It consists of two women and ten men from a total of four countries.

Anchoring sustainability in the boardroom

The Board of Management and Supervisory Board have executive and oversight responsibility for key sustainability issues. Our Chief Sustainability Officer (CSO), Board of Management member Jørgen Kildahl, updates both boards at regular intervals about important sustainability initiatives, occurrences, and key performance indicators. As CSO, Jørgen Kildahl also chairs our Sustainability Governance Council.

E.ON also has a Chief Compliance Officer (CCO), who takes the lead on corporate responsibility and compliance at our company and oversees our compliance organization. The CCO presents a quarterly report to the E.ON Board of Management providing it with an overview of the current status of compliance at E.ON as well as the details about any significant occurrences at *Group Management* or our management units.

Sustainability performance targets

We want everyone at E.ON, but particularly our corporate officers and senior executives, to take a proactive, foresightful approach to sustainability issues. Consequently, corporate sustainability targets are included in the annual performance targets of the Board of Management as a whole and individual Board of Management members. Target attainment is determined on the basis of measurable criteria, such as E.ON's ranking in the Dow Jones Sustainability Index. The degree of target attainment is factored into short-term incentive component of the annual bonus of Board of Management members and certain other senior executives. Each E.ON unit has targets for its health, safety, and environmental performance.

Zero tolerance for Code of Conduct violations

The E.ON Code of Conduct, which was last updated in September 2013, is binding across our entire organization. It requires everyone at our company to conform with central principles for lawful and responsible behavior. 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.

Group policies and guidelines that are binding across E.ON govern how we deal with issues relating to good corporate governance. Our Group Policy on Stakeholder Management establishes clear rules for our government-relations activities. We address human rights issues and integrate them into our procurement processes through two policy documents, our Human Rights Guidelines and our Responsible Procurement Policy.

Content page: Compliance and prevention of corruption
URL: http://www.eon.com/en/sustainability/governance-and-integrity/good-governance/compliance-and-prevention-of-corruption.html

Comply with the law, anchor values

A company is in compliance when it conforms with all applicable laws and internal 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.

Code of Conduct for all employees at E.ON

The Code of Conduct (September 2013 edition) requires our executives, managers and employees to abide by 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 must fully comply with the code at all times. There are particularly strict standards for our executives and managers: they are role models and are required to ensure that the Code of Conduct is observed in their area of responsibility. The code encompasses:

- rules governing general behavior
- interactions with business partners, third parties, and government agencies
- avoiding conflicts of interest
- handling information
- handling company property and resources
- the environment and occupational health and safety
- compliance organization in the Group.

In keeping with our Board of Management's commitment to zero tolerance, we ensure that breaches of the Code of Conduct are dealt with immediately. So that such breaches do not occur in the first place, we give our employees detailed instructions regarding the relevant guidelines, for example on the topic of antitrust law as well as on how to handle gifts and entertainment. A compliance checklist also contains a series of questions which our employees can use to determine whether proposed activities are in keeping with the Code of Conduct.

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, in fact to all employees who have an employment contract with E.ON – even if they have been seconded to a joint venture or a subsidiary in which we hold a minority stake. Under our Principles for Responsible Procurement, we also require that our suppliers and business partners pledge to conform with our code's rules. At fifty-fifty joint ventures we work with our partners to establish rules for the joint venture on the basis of our Code of Conduct. We also strive to establish similar binding rules at companies in which we hold minority stakes.

Comprehensive compliance organization

Going beyond our Code of Conduct, our Group-wide compliance organization ensures that E.ON employees, executives, and managers act in accordance with legal requirements, as well as internal values and principles. The Management Group Policy Legal and Compliance defines fundamental structures, roles, and responsibilities in the area of compliance. Alongside these, individual guidelines describe specific compliance issues, such as insider trading and intermediary contracts, and set out specific rules for conduct and processes.

The Chief Compliance Officer (CCO) reports on a regular basis on compliance issues such as breaches of the Code of Conduct, the topics of fraud and corruption, insider-trading regulations and developments in antitrust law. The CCO is also responsible for regular updates to the Code of Conduct and other compliance guidelines. All regional and global units have their own Compliance Officers who report 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 Audit department at Group Management, while the respective business unit itself is responsible for rectifying the situation and, if appropriate, deciding what disciplinary action should be taken. Our compliance organization is in the process of being certified for conformity with IDW PS 980, a German standard for compliance management systems.

Compliance reporting

92 alleged compliance violations were reported and thoroughly investigated in the E.ON Group in 2014. Of the 92 allegations received, 55 were categorized as potential fraud, 13 as potential conflicts of interest, 9 as infringements of internal regulations, and 15 were categorized as “other cases”. Our employees have several options to bring misconduct and violations of laws and guidelines to our attention, including our internal reporting channels and our Group-wide whistleblower hotline, which we manage in cooperation with an external law firm. Tips collected in this way are checked by the CCO in collaboration with the relevant departments at E.ON and in compliance with data protection regulations.

Risk prevention – preventing violations

To ensure rule-consistent behavior in compliance with our Code of Conduct within the Group, we systematically prevent potential compliance risks. To do so, we gauge in which areas violations could occur and take preventative measures, for example specific training courses for employees who are subject to special risks due to their job activities. In 2013, E.ON developed and implemented a Group-wide compliance risk assessment for this purpose; based on the results we set out various measures in 2014. We introduced a necessity check during 2014, which was based on the compliance risk assessment: this is used to determine new risks as quickly as they arise from current changes in the Business Units or in the legal framework, and it also indicated appropriate counter-measures.

Drop-Down: **Fighting corruption**

By signing the United Nations Global Compact, E.ON committed to combating corruption. Consequently, anticorruption measures are embedded in our corporate polices. Besides the CCO, our Compliance Audit and Internal Controls Compliance departments play key role in detecting and investigating corruption and fraud falls. Transparency International awarded us an above-average assessment in 2014 in their analysis of the publication of our anticorruption programs. Overall, E.ON placed eighth of 124 international, stock-exchange listed companies in a survey entitled Transparency in Corporate Reporting.

According to the international Corruption Perception Index (CPI) published by Transparency International, E.ON has operations in ten countries that fall below the threshold of 60 points. We have supplier relationships with companies in a further four countries of this category. In 2014, we generated around 10.6 percent of our sales (just under EUR 12 billion) in these countries. In order to counter the risks of corruption that exist particularly in these countries, we developed a compliance check for potential suppliers in 2014, which is carried out before commencing business relations. From 2015 onward this will be an obligatory step before drawing up new contracts with suppliers.

Drop-Down: **Compliance eLearning**

We are raising awareness among our employees for compliance issues and training them appropriately with an eLearning program on the contents of the E.ON Code of Conduct. The following topics are covered:

- lawful behavior
- in particular, interactions with business partners, third parties, and government agencies
- avoiding conflicts of interest and corruption
- handling information and company property and resources.

The program began in 2010 and is now available to around 60,000 E.ON employees who have access via our intranet; 83 percent of these have already completed it successfully. We provide offline versions and face-to-face training to employees without internet access so that they too can receive compliance training.

All new employees are trained within the first six months of joining the company. We are currently developing a further eLearning program in order to regularly refresh the knowledge and awareness of our employees concerning the different aspects of our Code of Conduct. This will deal specifically with the areas of anticorruption, intermediary contracts, money laundering, and conflicts of interest, and will become compulsory for all employees from 2015.

Content page: Protection of human rights
URL: http://www.eon.com/en/sustainability/governance-and-integrity/good-governance/protection-of-human-rights.html

Respecting human rights

Human rights are universally applicable. In view of the increasing internationalization of our business, for the last ten years we have committed to the Principles of the United Nations Global Compact, while the pledge to respect human rights is also contained in the E.ON Board of Management's Commitment to Corporate Responsibility of 2006.

Anchoring our human rights guidelines in the Group

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. With reference to the corresponding ILO conventions, we explicitly affirm E.ON's opposition to child labor. Based on this guideline, we also include human rights topics in our procurement processes.

The E.ON Human Rights Guidelines apply to all our regional and global business units, as well as all subsidiaries that are fully integrated in the E.ON consolidated financial statements. Likewise, for joint ventures over which E.ON does not have legal control, we take steps in our own interest to bring our Group-wide standards to bear. The Guidelines stipulate the creation of a contact point for human rights issues at Group Management level in the form of a Chief Responsibility Officer (CRO). This function is fulfilled by E.ON Board Member Jørgen Kildahl, who is also the Chairman of the Sustainability Governance Council (SGC).

Furthermore, we have nominated staff responsible for ensuring that the E.ON Guidelines correspond to the requirements in the UN's 2011 Guiding Principles for Business and Human Rights. Through training courses, stakeholder dialogs, and other formats, these experts closely analyze the UN Principles, bring their knowledge into the Group and determine where there is a need to act, for example in anchoring human rights topics more firmly within Group companies. In 2014, a working group with participants from the areas of Sustainability (CR), Health, Safety & Environment (HSE), and Procurement did identify further potential for action in anchoring human rights within the Group. The working group handled the revision of the questionnaire for pre-qualifying suppliers, among other things.

In addition, we use the E.ON intranet to make our employees aware of the importance of our commitment and our Human Rights Guidelines, and include human rights aspects in training courses to promote a responsible corporate culture.

Challenges in the supply chain

The greatest challenges in our effort to protect human rights arise in relation to procurement processes. We expect our suppliers to prevent child labor, ensure appropriate working conditions, and follow ethical business practices. 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. This is why we joined other leading European

energy utilities to launch the Bettercoal initiative, the aim of which is to promote the continuous improvement of sustainability in the international coal supply chain – particularly at mines. In the area of uranium mining, we have pursued a Group Nuclear Fuel Policy since 2014, which regulates standards for procurement, our suppliers, and control mechanisms.

Participating in dialog on respecting human rights

In 2014 E.ON took part in several sector-specific as well as more general stakeholder dialogs. The organizers among others were econsense, a network of internationally active German companies to promote sustainable development, and Germanwatch, which is committed to global fairness and preserving livelihoods. The focus of the dialogs this year was on the topics of the supply chain and human rights. This touched in particular on the development and establishment of sector approaches to supplier surveys, on generating transparency in global supply chains for raw materials, and on companies' responsibilities for human rights. In addition, the Group supports the German Federal Government's National Action Plan for Business and Human Rights, which was launched in November 2014.

Analysis of human rights under UN Guidelines

In order to assess human rights-related risks and the effectiveness of our corresponding management systems, in the coming year we will carry out a systematic analysis of the effects of our business activities modelled on the UN Principles. In the spirit of these UN recommendations we will incorporate the expertise of human rights experts and other stakeholders, and also plan to categorize all countries in which we are active according to their risk situation. Based on these results we will adjust our management systems for protecting human rights as required, and integrate corresponding regulations into the relevant business processes. Among other things, we have already expanded our audit catalog for suppliers and aligned it with the requirements of the UN Global Compact.

Content page: Lobbying
URL: http://www.eon.com/en/sustainability/governance-and-integrity/good-governance/lobbying.html

Participating in political decisions

Democratic countries have clear rules for participating in the legislative process. E.ON complies with European laws, with the national laws of the countries in which we operate, and with the applicable rules for participating in committees as well as public policy working groups. We contribute our expert knowledge to legislative decision-making processes and do so transparently for our stakeholders. As a large energy utility and a publicly listed company, we focus primarily on energy, environmental, and climate policy.

Focus topics for 2014

In 2014 we participated in consultations and discussions on issues of strategic relevance to our company. Examples include discussions on overarching topics such as the review of EU Climate Targets to 2030, the Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) and the harmonization of electricity transmission tariff mechanisms - the latter especially within the framework of the dialog process initiated by the Agency for the Cooperation of Energy Regulators (ACER). E.ON also participates intensively in the political debate on the topic of gas supply security: This has a high priority both for European legislators in Brussels and for EU member states due to the conflict between Russia and the Ukraine. In addition, we contribute our expertise to discussions on technological standards such as the current revision of data sheets for the best available technologies for large combustion power plants. For a complete listing of public consultations in which E.ON was involved at an EU level in 2014, please see the PDF available for download.

In Germany, the focus for 2014 was on topics such as the exit from nuclear energy, climate protection and the future configuration of the energy market. For example, E.ON accompanied the development of the National Action Plans for climate protection and energy efficiency, which the German Federal Government published in December; we also participated in debates on implementing the suggested measures. The debate on the future design of the energy market dealt particularly with the question of whether the mechanisms of an optimized energy-only market can be relied on for the long term – where only actual energy deliveries are paid, rather than the provision of services – or whether capacity mechanisms will be necessary in order to safeguard the supply. In this context, E.ON participated in consultations for the Green Paper published by the German Federal Government in October 2014 on energy market reform, and considers a rapid development of the existing system necessary, as well as the introduction of a capacity market in the medium term.

The future of the energy markets also is also busying politicians and the energy sector in numerous European countries besides Germany: E.ON took part in debates in the UK and France on the introduction of a capacity market mechanism, which is already being prepared in both countries. Other topics discussed in 2014 were the announcement by the Dutch government to cease the public financing of international coal projects, as well as an announcement by the British government to carry out annual competition investigations in the sales markets for power and gas.

Maximum transparency about our activities

We are committed to a transparent exchange with citizens and EU institutions. In late 2011 E.ON joined the European Union Transparency Register for organizations and self-employed individuals influencing EU policymaking and implementation. This also means that we are a signatory to the Code of Conduct this contains. We authorize our representatives through the European Parliament's accreditation process for lobbyists. We would welcome the introduction of a similar accreditation process in Germany and support efforts to bring it about.

Advocacy through sector 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, the E.ON Chairman of the Board of Management, was elected President of Eurelectric in June 2013 for two years. As a member of the Magritte Group (formerly the '11 CEOs Initiative', now consisting of twelve large European energy utilities), he advocated for ambitious climate-protection targets and other policies to the European Commission and national governments.

At a national level we work to represent the interests of the energy industry through our membership of organizations such as the German Association of Energy and Water Industries (BDEW), 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 regarding 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.

Clear rules for communications

Our reworked and updated internal Stakeholder Management Policy, which came into force in April 2015, establishes clear rules for our participation in political decision-making processes and the open, consistent topical interaction with our stakeholders. 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, prohibiting the release or distribution of wrong, misleading or excessively selective information: We correct such errors immediately. The new version of the policy also contains additions to sustainability management and communication. It specifically guides the tasks and responsibilities of Group management, as well as our global and regional business units.

Handling benefits

Our Gifts and Benefits guidelines state that we do not make monetary payments or grant non-cash benefits to government officials or political decision-makers. Reciprocally, our employees may only accept non-cash benefits if there is not even a suggestion of a risk that such a benefit could appear as a quid-pro-quo for actions or behavior desired by the giver. In cases of doubt, acceptance requires the explicit agreement of the respective Compliance Officer. Examples of benefits include gifts, invitations to events, or hospitality. We offer regular training courses in order to raise awareness of this topic among our employees.

Content page: Sustainable procurement
URL: http://www.eon.com/en/sustainability/governance-and-integrity/sustainable-procurement.html

Addressing procurement risks foresightfully

Reviewed 2014

Our ability to procure fuels, nun-fuels, and services securely and price-effectively is a key success factor for our business. We must also manage risks foresightfully along our entire supply chain. Appropriately addressing environmental, social, and governance criteria will continue to play an important role in the future – in both energy worlds.

Impact of our business operations on our supply chain

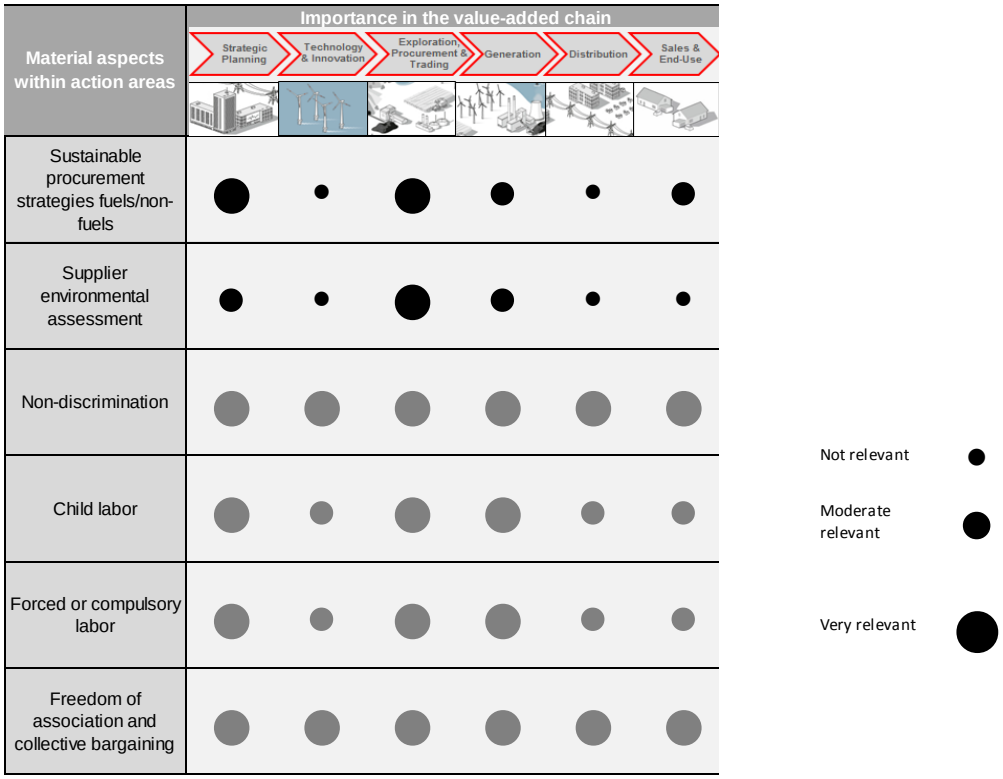
Our value chain and energy mix present our procurement activities with a wide variety of challenges. The procurement of every fuel, every good, and every service is accompanied by potential risks. These risks may result from political uncertainty (as with natural gas), violations of human rights and environmental standards (coal, uranium), threats to biodiversity (biomass), radiation exposure (nuclear fuel), or an insufficient safety performance (contractors).

The absence or inadequate enforcement of labor and anti-corruption standards present us with special challenges, particularly in countries that are not members of the Organization for Economic Cooperation and Development (OECD). Severe accidents at mines and other production facilities can cause grave harm to the environment and to the people who live nearby. Although our relationship with producers is indirect and mediated by our suppliers and subsuppliers, we're aware of the responsibility it imposes on us and of the concerns of some stakeholders. We therefore strive to influence the conditions at production facilities.

Supply interruptions could have far-reaching consequences for our operating business. Consequently, it is our policy to procure fuels and non-fuels from reliable suppliers who meet international standards and to maintain stable relationships with them (value-added stage Generation and Distribution). Supply interruptions could also lead to unflattering media attention, which could pose significant risks to our reputation and thus to our profitability (Sales and End-use).

Sustainable procurement and supplier management are therefore integral components of our risk management (Strategic Planning) and intended to improve living conditions near production facilities.

Relevance along E.ON's value chain [1] [2]



1) This is a simplified graphic representation of the material aspects we identified in our materiality analysis and their impact along our value chain.

2) The information on human rights issues is preliminary. Our forthcoming analysis of human rights risks in our own business operations and along our value chain will enable us to make a final statement (see the targets for this action area).

Drop-Down: Our targets for sustainable procurement

In recent years we've set specific targets for systematically embedding sustainability criteria into our procurement decisions and to address stakeholder concerns and criticisms. Some of these targets are part of our Sustainability Work Program for the period 2012–2015:

- Strategically manage relationships with key suppliers of non-fuels in accordance with sustainability standards and optimize our non-fuel supplier base; we do this through a standardized process for supplier relationship management that was updated in 2014; we also have targets for assessing our suppliers as part of their prequalification.
- Continue to provide financial and human-resources support to the Bettercoal initiative, which aims to promote sustainability along the coal supply chain, and to expand the auditing of coal mines.

We use our Sustainability Work Program to asses our management approach. The current situation indicates that the measures we have taken so far have been insufficient. The subpages contain information about the steps we took in 2014 to improve the management of our fuel and non-fuel procurement from a sustainability perspective.

Drop-Down: **How we address risks in our supply chain**

To prevent, as much as possible, the social, environmental, and human rights risks posed by our procurement activities, we have in place comprehensive policies that are binding throughout our company. We use a multi-stage management process and audits to help our suppliers comply with industry-wide and E.ON standards. In areas where we have less influence we participate in industry initiatives. Several E.ON departments and entities – the Corporate Responsibility and Risk Controlling departments, the Center of Competence for Procurement, and the Global Commodities unit – work together closely and share information so that we can identify new potential risks as early as possible. In 2014 we revised the processes for how we manage supplier relationships. The purpose was to make sure that we adequately address issues like working conditions, occupational safety, environmental protection, and fair business practices right from the start.

Comprehensive procurement policies

The purpose of our binding, company-wide procurement policies is promote compliance with social, environmental, and human rights standards in the regions where we, our suppliers, and our subsuppliers are active. These policies are based primarily on our Code of Conduct and our commitment to the principles of the United Nations (UN) Global Compact. Our Human Rights Guidelines state our endorsement of the UN General Declaration of Human Rights and the International Labor Organization's Fundamental Principles and Rights at Work.

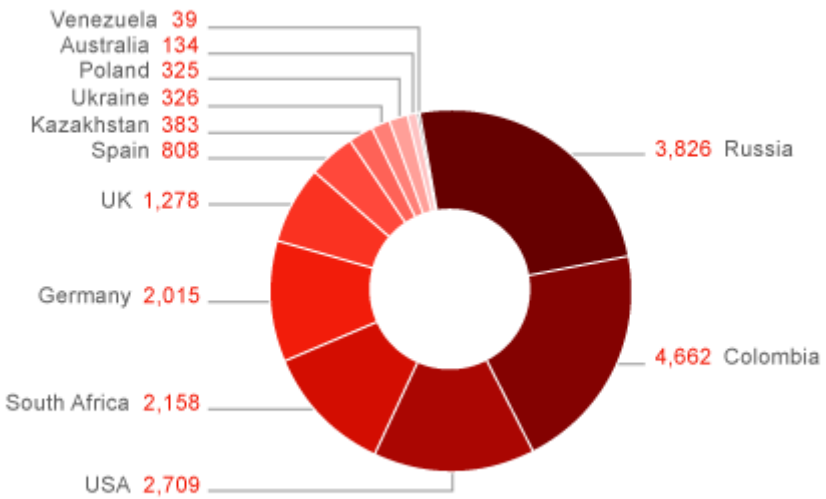
- Our contracts concluded with suppliers include our **Standard Terms and Conditions**, which contain clauses pertaining to health, safety, and environment performance, quality assurance, and the obligation to comply with the E.ON Code of Conduct. They also incorporate the principles of the UN Global Compact and our own Responsible Procurement Policy.
- Our **Responsible Procurement Policy** is binding for our entire company. It defines our standards for human rights, working conditions, environmental protection, and ethical business practices. It applies to all our non-fuel suppliers and to all our suppliers of uranium and solid biomass (with the exception of our biomass suppliers in Sweden).
- The **Business Governance Group Policy Procurement** defines the operating principles as well as the processes and roles that govern non-fuel procurement for our entire organization. We revised the policy in 2014; the new version took effect in the fall of 2014.
- Most of E.ON's biomass activities involve solid biomass like wood pellets and wood chips. E.ON procures biomass in conformance with the **Group-wide Biomass Policy**, which has been in place since 2009 and serves as the basis for all contracts with biomass suppliers. In particular, it addresses issues relating to sustainable forest management.
- The **Principles for the Sustainable Procurement of Nuclear Fuel**, which took affect at the start of 2014, defines how we select and monitor our uranium suppliers. It obliges them to comply with standards for the mining, conversion, enrichment, transport, usage, and storage of nuclear fuel.
- In 2013 the Bettercoal initiative issued the **Bettercoal Code**, which defines social, environmental, and ethical standards for coal mining as well as the first industry-wide standards for mine audits. It was developed in a consultation process involving a wide variety of stakeholders and draws on the International Labor Organization's Fundamental Principles and Rights at Work and the UN's Respect and Remedy Framework. E.ON is a founding member of Bettercoal and was involved in the code's development.

***Drop-Down*: Key figures**

Some countries, such as those that are not part of the Organization for Economic Cooperation and Development (OECD), harbor increased risks for corruption, inadequate environmental and labor standards, and political instability. To provide a better overview, the table below shows our fuel procurement figures by country.

Hard coal procured for E.ON power stations by source country[1]

t in thousands (Total: 18,665)



1) Figures are rounded, which can result in slight deviations in their sum.

Together, Russia and Columbia provide more than 45 percent of our hard coal, making them by far our largest suppliers. Neither country is a member of the OECD; both are therefore potential sources of the risks described above. We address these risks primarily through the Bettercoal initiative. Going forward, the initiative aims to use mine audits, self-assessments by mine operators, and the resulting measures to reduce risks in the coal supply chain.

Russia, Norway, the United Kingdom, Germany, and the Netherlands were our key supplier countries for **natural gas** in 2014. We ensured access to about 370 billion kWh of natural gas using long-term supply contracts in 2014. Our total trading volume of natural gas was 1,790 billion kWh (2013: 1,961 billion kWh).

The largest **uranium** reserves are in politically stable countries like Canada and Australia. Deliveries from Canada (40 percent), the United States (17 percent), and Russia (17 percent) meet most of our needs for natural uranium in 2014. We also sourced uranium from Kazakhstan, Malawi, and Australia. The uranium was enriched in Europe and Russia. We also have our own stock of natural uranium, more than 70 percent of which was procured from Canada, the United States, and Australia. In 2014 we sourced a total of roughly 1,000 metric tons of natural uranium for our nuclear power stations in Germany and Sweden (2013: 930 metric tons).

Content page: Human rights and labor practice in the supply chain
URL: http://www.eon.com/en/sustainability/governance-and-integrity/sustainable-procurement/human-rights-and-labor-practice-in-the-supply-chain.html

Protecting human rights in the supply chain

Protecting human rights is important to us at every E.ON site, and this extends to our business partners in the supply chain in the same way. Our guidelines and the underlying management processes are aimed at excluding child labor, ensuring appropriate working conditions, and utilizing ethical business practices. The greatest challenges in our effort to protect human rights arise out of procurement processes, meaning our supply chain.

High standards of occupational safety as a basis

Occupational safety is fundamental to E.ON's core business, the generation and sale of power. We require that our contractors share this understanding, so we include them in both the E.ON Health, Safety and Environment Policy Statement and in the Management Group Policy HSE. We have integrated environmental and safety standards even more strongly into our procurement processes through the Business Governance Group Policy Procurement, which was reviewed in 2014.

Differentiation by product group

Our approach towards protecting human rights differentiates between product groups and their corresponding risks. We have set up contractual guarantees ensuring adherence to human rights and working condition standards through our policies for goods and services (non-fuels), uranium and biomass. In particular, this means excluding child and forced labor, excluding discrimination and harassment, ensuring freedom of association and the right to collective bargaining. Likewise, they regulate particular cases such as maintaining land rights in the production of biomass and in uranium sourcing.

In our non-fuels supplier relationship management, the audit of the human rights situation is integrated into the supplier qualification process. Before the start of any business relationship, we use a questionnaire to collect corporate responsibility data from our potential business partners. In addition, we require written confirmation that our Responsible Procurement Policy and the International Labour Organization (ILO) standards on the exclusion of child labor are acknowledged. For longer-term business relationships, we carry out regular supplier audits as part of our risk assessments.

We apply the Bettercoal Code to our coal procurement activities. The Bettercoal Code is the independent standard for the evaluation of coal mines. The core principles to respect and support human and labor rights are also based on international standards (United Nations Declaration of Human Rights, ILO Declaration) and international humanitarian law. Furthermore, they require of companies that they shall contribute to the long-term regional development of communities in which they operate.

The social and human rights principles are broken down into 68 verifiable criteria, including for example statements on enforcing a minimum age in the hiring process and limiting overtime. As a member of the Bettercoal initiative, E.ON consults the results of the audits and self-disclosures in the evaluation of our own suppliers.

Content page: Supplier management
URL: http://www.eon.com/en/sustainability/governance-and-integrity/sustainable-procurement/supplier-management.html

Partnerships with our suppliers

We aim to build long-term relationships with our suppliers and reduce outages and reputation risks. There is a diagram of the interlocking procurement guidelines on our introductory page. In the following, we present the procedures for purchasing goods and services (non-fuels) as well as uranium in more detail.

Four-step management process for non-fuel procurement

Our supplier relationship management, which was developed further in 2014, helps us to manage key supplier relationships strategically and optimize our supplier base. It fulfils the intention of our Sustainability Work Program 2012-2015 and contains four important building blocks:

Drop-Down: Supplier qualification

In 2010, we made it our goal that at year-end 2015, almost 100 percent (as measured by spending volume) of our critical non-fuel suppliers should be evaluated as part of our supplier qualification. 80 percent of these assessments were to be concluded by end of 2014.

However, due to the persistently difficult market environment, we had to change the priorities in our supplier relationship management for 2014. In the reporting year, the main focus of our procurement activities was on implementing measures to realize the savings targets set for the Group. In this context, all existing supplier relationships were bundled; they are now being managed centrally. Qualification for new suppliers is carried out locally, as before, and documented there. A higher-level process for following up on qualification results has not yet been implemented as planned.

It became apparent in 2014 that in view of our cost-reduction targets we would not be able to achieve our sustainability targets for procurement. To enable us to gradually make progress in this area, in the second half of the year Procurement worked with Health, Safety & Environment and Corporate Responsibility to optimize and standardize our supplier qualification process. We have already tested this process with several new suppliers and confirmed that it is both practicable and effective. In the first quarter of 2015 we began training the employees who will implement the process, which became mandatory for all units at the E.ON Group effective April 2015. This will significantly enhance the standardization of our procurement practices. Going forward, the percentage of our suppliers for which we have conducted HSE risk assessments will increase steadily. However, it will take some time for us to conduct assessments for all of our critical suppliers. Our next Sustainability Work Program will contain a realistic supplier-qualification target.

Our new process for supplier qualification:

Our suppliers undergo several process steps on the way to successful qualification. New suppliers with an expected trading volume of at least EUR 100,000 (services) or EUR 500,000 (products) as well as – independent of trading volume – those with a medium to high risk potential in the areas of Health, Safety & Environment (HSE) are subject to prequalification before participating in a tender, regardless of the location of the work or delivery.

For this, we initially survey them extensively on aspects of their social and economic performance (prequalification questionnaire). We also developed and tested a Compliance Check in 2014, with which we audit new suppliers' anticorruption measures, as well as their alignment with the requirements of antitrust and criminal law. During 2015, this Check too will be introduced in the Group as an obligatory part of prequalification, further minimizing reputation and liability risks. After the prequalification step, further process elements follow, depending on risk levels such as product and service tests, audits of production sites and/or supplier locations, and trial orders. The higher-level ESG topics, such as environmental protection and human rights, will be expanded in the coming years.

Drop-Down: **Risk assessment**

As a second step, suppliers with a projected order volume of more than EUR 5 million, and therefore of strategic importance to E.ON, are subject to a risk assessment in the areas of finance, market, performance and corporate responsibility/compliance. This process is repeated every two years from the start of the contract.

Drop-Down: **Supplier evaluation**

For orders with a volume above EUR 500,000, a supplier evaluation must be carried out after delivery of the products/services. We assess our suppliers under twelve criteria, such as adherence to safety requirements, product or service quality, and meeting delivery deadlines.

Drop-Down: **Supplier development**

We use the results of self-assessments, audits and supplier evaluations to support our suppliers in focused development efforts. Together with them, we identify improvement potential and agree measures and deadlines for their implementation. If suppliers do not implement agreed measures, we reserve the right to end our business relationship. This did not occur in 2014, however.

End of Drop-Down

✓ Reviewed 2014

We obtain the majority of our goods and services (non-fuels) from the countries in which we are active. The current data from 2014 back this up: Preliminary figures show that over 90 percent of our order volume for non-fuels was placed with suppliers based in countries where our eleven regional units do business, as well as with suppliers in Russia, Norway and the USA where our global units are additionally active on a material level. To itemize local procurement more precisely in future we plan to develop our data analysis further over the coming years.

Uranium – dealing proactively with challenges

We source uranium exclusively from established suppliers with production primarily in politically stable countries. As far as we know, there are no companies among them that fail to meet government regulations or permit requirements. Should this situation change, then the respective suppliers would be excluded from our procurement group.

Drop-Down: **Nuclear Fuel Policy covering the whole value chain**

In 2014, we agreed a Nuclear Fuel Policy which describes how we source nuclear fuels, what standards our suppliers must adhere to, and how we check this. It is supplemented with our Nuclear Fuel Purchasing Amendment, which specifies the application of our Responsible Procurement Policy to nuclear fuels. Both documents are components of our contracts with new suppliers of nuclear fuels for our German and Swedish facilities. The Responsible Procurement Policy is already part of existing supply contracts for uranium.

Drop-Down: **Review of key suppliers**

As part of our tender processes, all long-term suppliers in the supply chain for nuclear fuels are required to carry out an extensive self-assessment. We review and document the resulting risks and take account of them in our decision-making. We also analyze the situation in our procurement regions on the basis of independent reports, such as those by the United Nations Human Rights Council, as well as Transparency International and Amnesty International.

Currently, we only carry out reviews and on-site audits for new suppliers, or in cases of justified suspicion. Since our demand for uranium, especially in the German E.ON facilities, will fall in the coming years, no new contracts were agreed in 2014, nor were any uranium mines or processing plants audited. In the 2014 reporting period there were no incidents leading to a termination of business relationships.

Content page: Sector initiatives
URL: http://www.eon.com/en/sustainability/governance-and-integrity/sustainable-procurement/sector-initiatives.html

Sector initiatives for a sustainable fuel supply chain

Purchasing fuels carries various conflict potentials with at times significant risks, requiring us to act with particular foresight. In dialog with our stakeholders, we are continuing to develop our own environmental and social standards and are committed to establishing sector standards. This allows us to expand our control over the supply paths step by step, and lowers reputation risks. The following initiatives provide examples of this:

Drop-Down: **Bettercoal initiative – initial progress in audits and self assessments**
One of our key priorities is to improve the working and environmental conditions in the coal supply chain through our collaboration in the Bettercoal initiative. The Bettercoal Code, developed in close cooperation with external stakeholders, offers a globally recognized set of standards. Agreed in 2013, it describes social, environmental, and ethical minimum standards for coal mining. It also serves as a basis for supplier self-assessments. Since 2014, 14 coal suppliers submitted the Self-Assessment Questionnaire to the database established for this purpose. The results are evaluated by the Bettercoal initiative's Secretariat, which afterwards works out specific improvement options together with suppliers, and reviews their implementation.

Expanding audits in the coal supply chain
As part of our work program we as members of Bettercoal have set ourselves specific targets for the expansion of audits and self-assessments among our coal suppliers, and have continued these in 2014. Accordingly, four coal mines are to be audited by 2016, as well as 20 self-assessments under the Bettercoal Code. The first audit, initiated by the Bettercoal Secretariat, was carried out in Colombia in 2014 by a team of independent external auditors. In total, E.ON's coal supply chain encompasses 203 approved counterparties and suppliers.

Mines which do not yet adhere to the given standard are given target values for improving their processes and structures. All audit and self-assessment results are also contained in a database by the Bettercoal initiative, to which all member companies have access.

Drop-Down: **Sustainable Biomass Partnership**
A variety of different legal guidelines and framework conditions characterize the European market for solid biomass. This not only makes it difficult to establish a functional European trading market, it also damages social acceptance of solid biomass. With the aim of developing a consistent European sustainability certificate, we have joined together with other European energy utilities, pellet producers, audit organizations and other stakeholders to form the Sustainable Biomass Partnership (SBP). In March 2014, the SBP published its first framework and invited comments from interested parties. The revised document entered the test phase at the industry partners in September 2014 and is scheduled for publication in 2015.

Drop-Down: **Lobbying in the Natural Gas Future association**

As a founding member of Natural Gas Future, a German natural gas industry association, as well as through new partnerships in the natural gas sector, E.ON will continue to promote the use of gas as fuel. Natural gas plays a significant role in the context of the change in energy policy in Germany, since it is an efficient, climate-friendly and affordable solution for heating, electricity and fuel. In the initiative, E.ON currently holds the office of Chairman of the Supervisory Board.

Content page: Supply security
URL: http://www.eon.com/en/sustainability/governance-and-integrity/supply-security.html

Maintaining supply security amid increasing challenges

Reviewed 2014

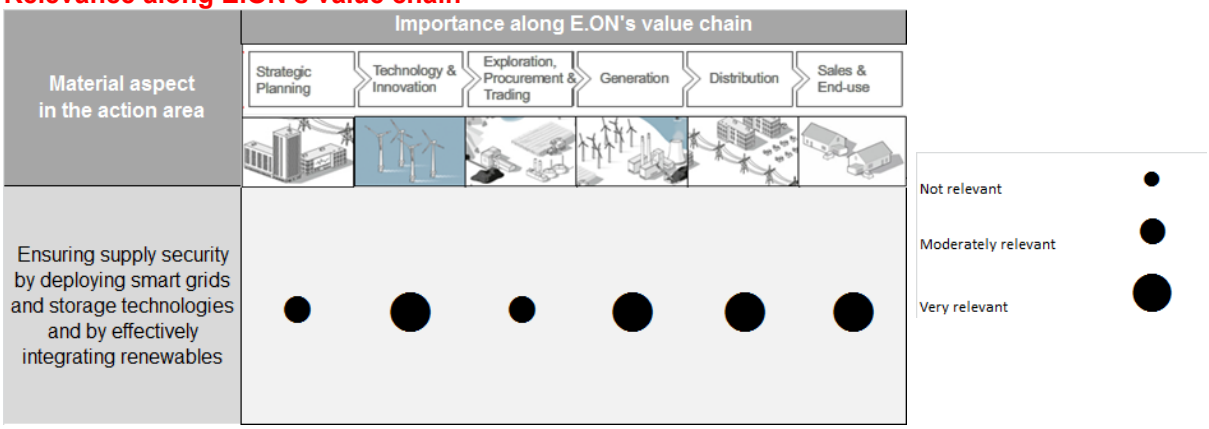
We supply energy and operate distribution systems. This makes us responsible for providing our customers with a continuous supply of power and gas. A generally uninterrupted energy supply is in the interest of all our customers and is crucial for industrialized countries. But the energy industry is changing dramatically and is sometimes impacted by international political crises. For example, the current situation in Eastern Europe exposes interdependencies in the gas supply chain. In this environment, supply security takes on a special significance.

The changing energy world's impact on supply security

The transformation of energy systems, often referred to by the German term Energiewende, is altering the landscape of power generation. And making it more challenging to ensure an uninterrupted power supply. The rapid growth of renewables and distributed generation places significant burdens on the supply infrastructure. The output from renewables fluctuates, and the feed-in points are numerous and widely dispersed. These factors increasingly push distribution grids to the limits of their stability (value chain stage: Distribution). In addition, with more and more customers generating their own power, our network operators have to develop new energy services to meet their needs (Sales & End-use). Finally, we need to continue to ensure that our supplier portfolio and energy mix avoid excessive dependency on individual energy sources or suppliers (Strategic Planning).

Interruptions in the power and gas supply can impose costs on us. But addressing the challenges described above can also create opportunities. To ensure supply security under these altered circumstances, it's particularly important for us to develop new smart solutions (Technology & Innovation). This deepens our knowledge about distributed and flexible energy supply, which can help us achieve a competitive advantage on international energy markets.

Relevance along E.ON's value chain[1]



1) This is a simplified graphic representation of the material aspects we identified in our materiality analysis and their impact along our value chain.

Drop-Down: E.ON's efforts to enhance supply security

We do everything we can to prevent power and gas supply outages from happening and, in the rare instances they do, to restore service promptly. Our aim is to ensure an uninterrupted energy supply at all times. Our new strategy is based on complementary approaches to achieving this aim: in the new energy world, smart grids are the key to innovative solutions for integrating renewables and distributed generation; in the conventional energy world, conventional power plants provide backup to ensure system stability when renewables output is lower.

Broad generation mix

We ensure supply security by having a broad and balanced generation mix encompassing coal, natural gas, nuclear, and renewables. Our conventional power plants, which are available 24/7 regardless of the weather, help maintain grid stability amid the fluctuations in renewables output. We strive to foster an energy supply that's secure, balanced, and as climate-friendly as possible. We accept the accelerated phaseout of nuclear power in Germany as the majority political will. Nevertheless, nuclear power will remain in our energy mix in Germany for about seven more years. During this time it will help ensure supply security while the country transforms its energy system.

Avoiding overdependence through diversified procurement

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 much of the natural uranium we need from politically stable countries like Canada and Australia. The section of this report on sustainable procurement provides an overview of the regions from which we procure fuel. Our Exploration & Production global unit helps secure the energy supply for the future. Its operations focus on the U.K. and Norwegian North Sea and Russia.

Over the past several years, the dynamic market for liquefied natural gas (LNG) has become another source of gas. LNG helps reduce the risk of Europe relying too heavily on a relatively small number of large gas producers. It has the advantage of greater flexibility: LNG can be transported globally in tanker ships and therefore isn't dependent on pipelines. We own a stake in, or have booked capacity at, five regasification terminals in Europe. Here, LNG is transformed into gaseous natural gas, which is injected into the pipeline system. This regasification capacity, which is located on the North Sea and

the Mediterranean, gives us the ability to supply LNG to many European markets. In May 2014 we expanded our LNG activities by concluding a flexible, medium-term procurement contract with RasGas Company Limited of Qatar, the world's second-largest LNG producer.

Helping integrate renewables and distributed energy through smart grids

One of our primary objectives is to ensure that our networks operate efficiently and reliably. By making our power grids smarter, we make it possible to harness more energy from renewable and distributed sources.

Grid expansion is often costly and burdensome. To reduce the need for it, in 2013 we began using voltage-regulated distribution transformers (VRDTs) in our grids in Germany. They automatically recognize voltage fluctuations and balance them out by altering the transmission ratio between low and intermediate voltage while under load. This enhanced flexibility means that more renewable power can be fed into the grid. At year-end 2014 we had earmarked 233 VRDTs for our distribution networks in Germany. Most are already operational.

Other advanced technology – from control-energy management systems and technologies like operationally flexible gas-fired power plants to embedded cogeneration units and new energy storage devices – will also help balance out fluctuations in supply and demand and make our distribution networks even more efficient and reliable .

Drop-Down: **Key figures**

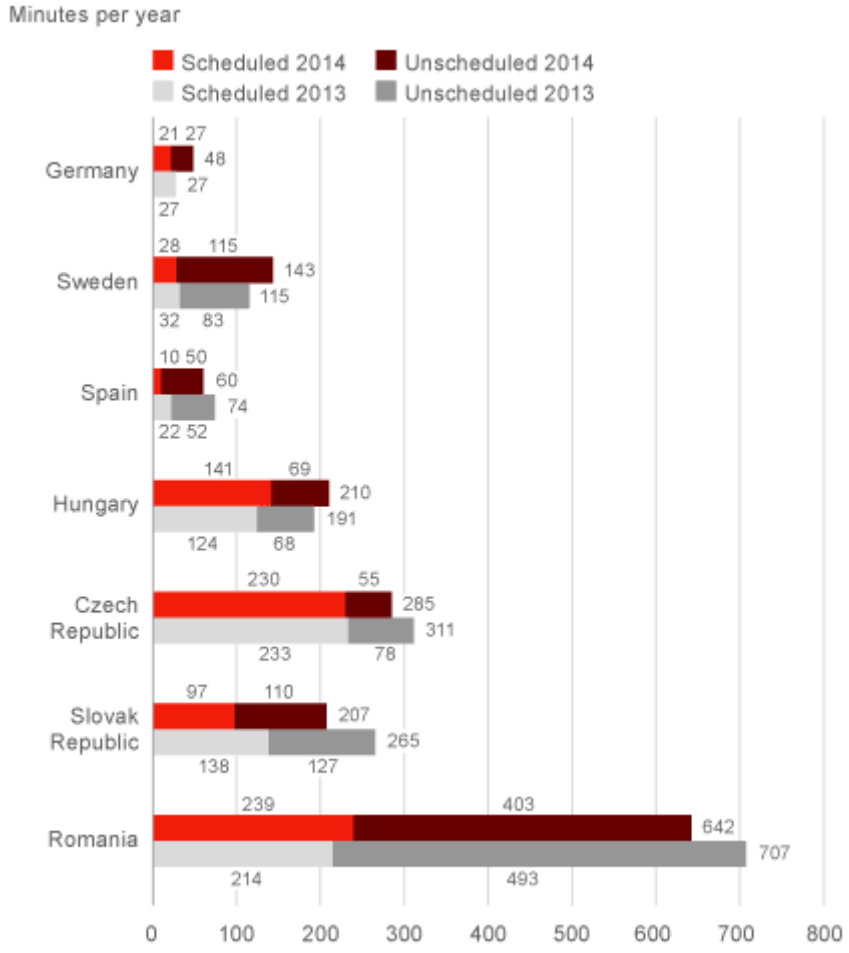
E.ON operates about 822,000 kilometers of power lines and more than 102,000 kilometers of gas pipelines. They deliver power and gas to around 18 million network customers across Europe.

Power and gas distribution systems by country (2014)

Length in km	Power	Gas
Germany	383,000	57,000
Sweden	135,000	1,900
Spain	31,000	-
Hungary	84,700	17,900
Czech Republic	65,900	4,500
Slovak Republic	37,400	-
Romania	85,000	20,300

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 for power



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. Our SAIFI (system average interruption frequency index) in Germany was less than 1. This means that on average we had one outage per customer in 2014 and were able to restore service within one hour.

Content page: ESG facts & figures
URL: http://www.eon.com/en/sustainability/esg-facts-and-figures.html

ESG facts & figures

Measurable, meaningful, and valid indicators are a basic requirement in enabling us to evaluate our progress in implementing our projects and strategies. Standardized indicators from the areas of Environment, Social, and Governance (ESG) are gaining in importance in the capital market for evaluating companies.

This is why we have structured the reporting of our sustainability performance in line with material ESG criteria for several years now.

Our selection of indicators is based on reporting standards significant for the capital market. These include the third generation of ESG KPIs from the European Federation of Financial Analysts Societies (EFFAS) and the German Association for Financial Analysis (Deutsche Vereinigung für Finanzanalysten – 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. We also report our water and carbon figures and strategies to the CDP.

These measures are intended to improve the comparability of our reporting activities and make ESG information more easily accessible to financial analysts.

The subpages of the chapter ESG facts and figures include a summarized overview of our ESG KPIs and a complete listing of our current reporting information for 2014. If you require additional information or figures, please first take a look at our Q&A list, which is continually expanding.

If you have any questions, please contact us directly. Our ‘Investor Relations’ Team will be pleased to assist. ►Investor Relations

Content page: DVFA/EFFAS KPIs
URL: http://www.eon.com/en/sustainability/esg-facts-and-figures/dvfa-effas-kpis.html

DVFA/EFFAS KPIs

Since 2010 we have reported our indicators in line with 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).

DVFA/EFFAS KPIs

		2014	2013	2012
E02-01	Carbon emissions scope 1 (million metric tons)	97.9	117.2	129.9
	Carbon emissions scope 2 (million metric tons)	3.9	3.5	4.4
	Carbon emissions scope 3 (million metric tons)	128.7[1]	148.6[1]	149.6
E03-01	Total carbon emissions (million metric tons)	95.7	114.3	125.8
	Total NO_x emissions (kilotons)	94.1	116.3	131.9
	Total SO_2 emissions (kilotons)	41.5	57.6	111.6
E03-03	Specific carbon emissions (kilograms of CO_2 per MWh)	430	450	460
	NO_x emissions (kilograms of NO_x per MWh)	0.44	0.47	0.50
	SO_2 emissions (kilograms of SO_2 per MWh)	0.19	0.23	0.42
E04-01	Total waste (kilotons)[2]	209	282	355
E05-01	Share of total amount of waste recycled (percentages)[3]	77.7	62.4	54.1
E06-01	Total amount of hazardous waste (kilotons)	32	76	104
E08-01 **E08-02**	Low and intermediate-level waste (tons)	3,298.7	2,306.1	3,407
E08-03	High-level waste (tons)	157.8	225.2	245.9
E11-01	EU carbon allowances received (€ in millions)	1.3[4]	2.0[4]	83.5
E12-05	Reserves for future environmental remediation (€ in millions)[5]	871	871	937
E26-01	Generation portfolio (percentages)			
	Lignite	5	6	6
	Hard coal	22	26	26
	Nuclear	26	23	22
	Natural gas/oil	33	33	34
	Hydro	6	6	7
	Wind	6	5	4
	Other (incl. biomass and solar)	1	1	1
E28-01	Total water withdrawal (million cubic meters)	10,495.9	11,672.1	13,844.0
E33-01	Number of sites with ISO 14001 certification[6]	See here	386	See here
S01-01	Turnover rate (percentages)	3.3[1]	3.5[1]	3.6
S02-02	Training expenditure per employee (€)	1,044	1,047	1,047
S03-01	Average employee age (percentages) < 30 31–50 > 50	 17 55 28	 17 56 27	 18 55 27
S08-03	Consideration of ESG performance in target agreements	yes, see here		

V02-01	Corruption risks: Share of revenue in countries with CPI under 60 points (percentages) [LINK Compliance]	10.6	9.5	7.5
V04-01	Total R&D expenditure (€ in millions)	99	119	126
V04-03	Total R&D expenditure on research to external partners, suppliers or academic research (€ in millions)	24	33	32
V06-01	Customer satisfaction (development) (percentages)	see Customer orientation		
V11-02	Customers equipped with smart meters (million)	2.1	2.0	1.5
V28-04	Supply chain: Key performance narrative	see here		
G01-01	Contributions to political parties (percentages)	No contributions		

1) Indicator calculation as per the Consolidated Financial Statement, excluding discontinued activities (regional units in Spain and Italy).

2) Comprises: Radioactive, hazardous, and non-hazardous waste.

3) Comprises: Recycled share of hazardous and non-hazardous waste.

4) Contains only carbon allowances from production of heat.

5) Provisions for environmental remediation refer primarily to redevelopment and water protection measures as well as to the rehabilitation of contaminated sites. Also included here are provisions for other environmental improvement measures and for land reclamation obligations at mining sites.

6) Data also includes sites with EMAS certification.

Content page: Figures of the report
URL: http://www.eon.com/en/sustainability/esg-facts-and-figures/figures-of-the-report.html

Key figures

In the following we present an overview of our key Environment, Social, and Governance (ESG) figures. Selected figures from our CS reporting in 2014 were verified by external auditors as part of our assurance engagement. They are reported in the following tables as well as within our action areas ("Reviewed 2014"), where we also provide more detailed information and break the information down, for instance by region or segment.

Drop-Down: **Environment**

Carbon emissions

	Reviewed 2014	2014	2013	2012
Carbon emissions from power and heat generation (million metric tons)	yes	95.7	114.3	125.8
EU carbon allowances received (million)		1.3[2]	2.0[2]	83.5
E.ON Group carbon intensity (metric tons of CO_2 per MWh)	yes	0.43	0.45	0.46
E.ON Group carbon footprint (million metric tons)				
Scope 1 emissions	yes	97.9	117.2	129.9
Scope 2 emissions	yes	3.9	3.5	4.4
Scope 3 emissions	yes	128.7[1]	148.6[1]	149.6

1) Indicator calculation as per the Consolidated Financial Statement, excluding discontinued activities (regional units in Spain and Italy).
2) Contains only carbon allowances from production of heat.

→ For a further breakdown of carbon emissions, see: Carbon reporting.

Energy

	Reviewed 2014	2014	2013	2012
Energy consumption within the organization (million GJ)	yes	768.8	n. d.	n. d.
Average efficiency of generating fleet (percentages)				
Coal		38	36	n. d.
CCGT		54	49	n. d.

→ For a further breakdown of energy consumption, see: Q&A.

Technology and innovation

	Reviewed 2014	2014	2013	2012
Total R&D expenditure (€ in millions)		99	119	126

→ For a further breakdown of R&D expenditure, see: Technology development and subpages.

Environmental management

	Reviewed 2014	2014	2013	2012
Number of environment-related incidents (according to mandatory reporting within 24 hours)				
Severe	yes	0	1	1
Medium		16	32	15
Number of incidents as measured on the seven-level International Nuclear Event Scale INES		0	0	0
Provisions for environmental protection measures and similar liabilities (€ in millions)				
Short-term	yes[1]	75	87	101
Long-term	yes[1]	796	784	836

1) Adapted from the audited part of the Annual Report.

→ For further information, see: Environment & crisis management.

Air emissions

	Reviewed 2014	2014	2013	2012
SO_2 emissions (kilotons)		41.5	57.6	111.6
SO_2 intensity (kilograms per MWh)		0.19	0.23	0.42
NO_x emissions (kilotons)		94.1	116.3	131.9
NO_x intensity (kilograms per MWh)		0.44	0.47	0.50
Particulate emissions (kilotons)		3.2	4.0	6.2
Mercury emissions		0.7	0.9	1.4

→ For further information, see: Air emissions.

Resource efficiency

	Reviewed 2014	2014	2013	2012
Ash and slag (kilotons)				
Recycled		2,081.7	2,484.0	3,480.8
Disposed		151.7	586.4	1,147.7
By-products		1,855.5	1,698.0	1,658.2
Gypsum (kilotons)				
Recycled		64.3	289.8	432.5
Disposed		46.0	69.6	62.2
By-products		1,601.0	1,823.6	1,646.4

→ For further information, see: Waste and decommissioning.

Waste

	Reviewed 2014	2014	2013	2012
Non-hazardous waste (kilotons)				
Recycled		141	155	164
Disposed		32	49	87
Hazardous waste (kilotons)				
Recycled		21	21	30
Disposed		11	55	74
Nuclear waste (tons)				
Low and intermediate-level waste		3,298.7	2,306.1	3,407.0
High-level waste		157.8	225.2	245.9

→ For further information, see: Q&A.

Water management

	Reviewed 2014	2014	2013	2012
Total water withdrawal (million cubic meters)	yes	10,496	11,672	13,844
Fresh water consumption (million cubic meters)	yes	282	286	337
Inflow of fresh and seawater (million cubic meters)	yes	10,211	11,373	13,512

→ For further information, see: Water management.

Drop-Down: Social

Employee figures

	Reviewed 2014	2014	2013	2012
Group employees (year-end)	yes	58,503[1,2]	61,327[1]	72,083
New hires	yes	5,251[1]	n. d.	n. d.
Employees with full-time or permanent employment contracts				
Full-time contracts (percentages)	yes	93[1]	93[1]	92
Permanent employment contracts (percentages)	yes	95[1]	96[1]	95
Part-time contracts (number)	yes	4,413[1]	4,605	6,305
Collective-bargaining agreements (percentages)		82	82	83
Personnel costs				
Wages and salaries (€ in millions)	yes[4]	3,212[1]	3,622[1]	4,043
Social security contributions (€ in millions)	yes[4]	506[1]	572[1]	645
Pension costs (€ in millions)	yes[4]	403[1]	410[1]	471
Average length of service (years)	yes	14.3[1]	14.2[1]	13.9
Turnover rate (percentages)	yes	3.3[1]	3.5[1]	3.6
Average employee age (years)	yes	43	43	42
Apprenticeship share in Germany (year-end) (percentages)[3]	yes	5.9	6.1	n.d.
Training spend per employee (€)		1,044	1,047	1,047

1) Indicator calculation as per the Consolidated Financial Statement, excluding discontinued activities (regional units in Spain and Italy).
2) Pursuant to IFRS; does not include Board Members/Managing Directors (2014: 181) or apprentices (2014: 1,400).
3) Average share of apprentices, i.e. the proportion of apprentices in Germany to employees, including apprentices in Germany. Does not include Board Members/Managing Directors.
4) Adapted from the audited part of the Annual Report.

→ For further information, see: Workforce challenge and HR management.
→ For a further breakdown of hirings and employee turnover, see: Q&A.

Diversity

	Reviewed 2014	2014	2013	2012
Proportion of women among total workforce (percentages)	yes	28.8[1]	28.6[1]	28.4
Proportion of women among management (percentages)	yes	15.8[1]	13.9[1]	12.9
Number of employees with a severe disability in Germany (percentages)[2]	yes	6.2	6.4	5.8
Nationalities	yes	103	103	106

1) Indicator calculation as per the Consolidated Financial Statement; excludes discontinued activities (regional units in Spain and Italy).
2) Excludes Board Members/Managing Directors, includes apprentices.

→ For further information, see: Workforce challenge and HR management.

Occupational safety

	Reviewed 2014	2014	2013	2012
TRIF of E.ON and contractor employees [1] (injuries per million hours of work)		2.3	2.8	3.0
E.ON employees' LTIF [1] (injuries per million hours of work)	yes	1.7[2]	2.0[2]	1.9
Contractor employees' LTIF [1] (injuries per million hours of work)		1.9	2.0	2.0
Number of fatal accidents involving E.ON and contractor employees		1	4	6

1) 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.
2) Indicator calculation as per the Consolidated Financial Statement, excluding discontinued activities (regional units in Spain and Italy).

→ For further information, see: Preventative safety management.

Community investment

	Reviewed 2014	2014	2013	2012
Use of net value added (€ in millions)				
Wages, salaries, benefits	yes	4,121[1]	4,604[1]	5,166
Income and other taxes[3]	yes	304[1]	1,760[1]	194
Interest payments[4]	yes	1,683[1]	1,705[1]	1,772
Minority interests' share of income from continuing operations	yes	30[1]	368[1]	424
Total CI investments (€ in millions)		23.0[2]	28.1	36.4
Involvement of E.ON employees (number of volunteer hours)		11,301[1]	14,664[1]	14,319

1) Indicator calculation as per the Consolidated Financial Statement, excluding discontinued activities (regional units in Spain and Italy).
2) Adjusted for discontinued activities in the regional unit of Spain.
3) Adjusted for deferred taxes; this item does not include additional government levies such as concession fees.
4) Does not include the accretion of non-current provisions; includes capitalized interest.

→ For further information, see: Societal interaction.

Drop-Down: Governance & integrity

Operating figures[3]

	Reviewed 2014	2014[1]	2013[1]	2012
Sales (€ in millions)	yes	111,556	119,615	132,093
EBITDA (€ in millions)	yes	8,337[2]	9,191[2]	10,771
Electricity sales (billion kWh)	yes	735.9	696.9	740.9
Gas sales (billion kWh)	yes	1,161.0	1,219.3	1,162.1
Net income (€ in millions)	yes	-3,130	2,459	2,613

1) Indicator calculation as per the Consolidated Financial Statement, excluding discontinued activities (regional units in Spain and Italy).
2) Adjusted for extraordinary effects.
3) Adapted from the audited part of the Annual Report.

Customers[1]

	Reviewed 2014	2014	2013
Power and gas customers		22.9[2]	24.4[2]
Installed smart meters		2,112	1,981
Power distribution network (kilometers)		822,000	752,000
Gas distribution network (kilometers)		101,600	104,000

1) Figures in Sustainability Report included since reporting year 2013.

2) Indicator calculation as per the Consolidated Financial Statement, excluding discontinued activities (regional units in Spain and Italy).

→ For further information, see: Customer orientation and Security of supply.

Generation

	Reviewed 2014	2014	2013	2012
E.ON Group-owned generation (billion kWh)	yes	215.2	245.2	263.1
E.ON Group-owned generation renewables (billion kWh)	yes	29.3	30.8	30.2
Share of renewables of total own generation (percentages)		13.6	12.6	12.0
Renewables generation capacity (Accounting View) (GW)		9.8	10.4	10.0
Energy mix (percentages)				
Lignite	yes	5	6	6
Hard coal	yes	22	26	26
Nuclear	yes	26	23	22
Natural gas/oil	yes	33	33	34
Hydro	yes	6	6	7
Wind	yes	6	5	4
Other (incl. biomass and solar)	yes	1	1	1
Average age of generating fleet (years)				
Coal		33	36	n. d.
CCGT		22	21	n. d.

→ For further information, see: Climate protection.

Procurement

	Reviewed 2014	2014	2013	2012
Hard coal procured for E.ON power plants (kilotons)	yes	18,665	23,982	24,900
Average annual need of natural uranium for E.ON power plants (tons)		1,000	930	1,450
Gas traded (billion kWh)		1,790	1,961	n. d.
Share of local suppliers (percentages)		> 90	n. d.	n. d.
Bettercoal audits		1	0	0
Uranium audits		0	n. d.	n. d.

→ For further breakdowns of our procurement figures, see: Sustainable procurement.
→ For information on supplier relationship management for non-fuels and uranium, see: Supplier management.
→ For information on Bettercoal initiative activities, see: Sector initiatives.

Content page: External recognition
URL: http://www.eon.com/en/sustainability/esg-facts-and-figures/external-recognition.html

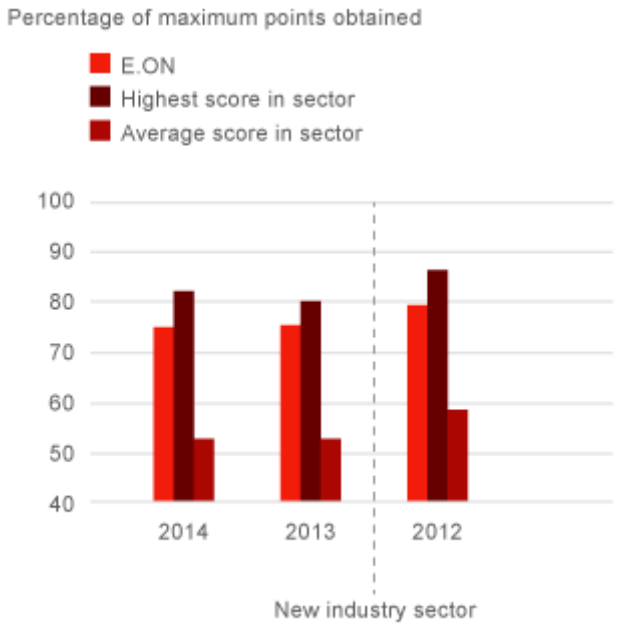
Awards, ratings and rankings

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 our 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. In 2014, E.ON missed its target of being included in the DJSI Europe and World by only one point, even though we achieved major improvements in the Environment and Social categories. These were not sufficient to make up for lost ground in the economic dimension, however. It is our goal for E.ON to be included in both indices again in the coming year.

RobecoSAM evaluation 2012 to 2014[1]



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 E.ON’s significant revenue from its gas and electricity businesses.

Ten-year participation in CDP

On behalf of more than 822 institutional investors the independent, not-for-profit organization CDP calls upon companies worldwide every year to disclose their CO_2 emissions and strategies for handling climate change and water resources. The results are published online. The CDP rating also assesses the transparency and comprehensiveness of companies' CO_2 reporting.

As part of its participation in CDP, E.ON has published data on CO_2 emissions annually since 2004. Since 2011, we have also published extensive data on our water management as established by the CDP Water Program (CDP Water Response). We use this platform to communicate our responsible corporate management to investors and other stakeholders and to benchmark ourselves in a direct comparison with our competitors. We also aim to increase awareness within our company for the importance of water and climate protection. With a result of 87 out of 100 points, E.ON's CDP Rating for CO_2 reporting improved once again by several points compared to the previous year (83 points).

We additionally participate in five further investor ratings and rankings, in which our statements on CO_2 emissions as well as our strategies and specific measures to decrease CO_2 emissions further are evaluated.

E.ON remains in the Euronext Vigeo Index

The 'Euronext Vigeo - Eurozone 120' by French rating agency Vigeo lists 120 companies in the euro zone that have achieved the best performance in the areas of environment, social and governance. The evaluation is based on up to 330 indicators covering 38 sustainability criteria. The index is updated every six months. E.ON is once again included in the current listing from December 2014.

Good assessment result of our environmental and supplier management by oekom

oekom research AG, a globally leading ratings agency in the sustainable investment segment, assessed E.ON with a ranking of C+ in its latest index from December 2013, placing us in the upper mid-range in the Multi Utilities industry group. We received particularly good ratings in the Environmental Management and Employees and Suppliers categories.

Top 100 Green Utilities – E.ON again in the Top Ten

In October 2014, E.ON again won a Top Ten place in the Top 100 Green Utilities Ranking by Energy Intelligence, a leading publisher on energy topics – improving by one place to ninth compared to the previous year. The Green Utilities Ranking assesses worldwide leading electricity utilities based on their portfolios for renewables and their CO_2 emissions.

Successful sustainability reporting online

In a comparison by Lundquist, a Milan-based communication agency, E.ON achieved ninth place in the CSR Online Awards Germany 2014, placing us once again among the top ten of all German *DAX*-30 companies for online sustainability reporting. With this award, Lundquist acknowledges E.ON's exemplary sustainability communication via the internet.

E.ON is a popular employer

In 2014 E.ON received several awards as a top employer. In rankings by both the trendence research institute and the Universum consulting company, we are among the top 100 best and most popular employers respectively in Germany.

In addition, E.ON received the Total E-Quality award for the second time from the organization of the same name for equal-opportunities excellence in HR and organizational policies. This award is supported by the German Federal Ministry of Family Affairs, Senior Citizens, Women and Youth; we received the award in 2013 for a period of three years.

Corporate investor of the year

At the sixth Global Cleantech 100 Summit in Washington DC in October 2014, E.ON received the Corporate Investor of the Year award. The event was organized by the Cleantech Group, which runs a professional innovation platform to network large companies with sustainability-driven start-ups. With this award the Cleantech Group recognizes our commitment as an investor in start-ups that develop and provide especially climate-friendly and environmental technologies.

Award for environmentally-friendly technologies

At the tenth Cleantech Forum in Stockholm in May 2014, E.ON received the 'European Cleantech Corporation of the Year' award for our utilization of environmentally friendly technologies and the introduction of corresponding products and services. In its award speech, the Cleantech Group highlighted our speed, endurance and will, as well as the bandwidth of the measures with which E.ON has fulfilled its strategic goal as innovation leader and has invested in research and development – even in difficult times.

Transparency International corporate ranking

In 2014, the non-governmental organization Transparency International assessed the transparency of corporate reporting of the 124 largest listed companies in the world. With 5.7 of 10 points, E.ON ranked eighth. The assessment focused on transparency practices with regard to anticorruption programs, shareholdings, and country-specific financial information, in which E.ON rated above average in the first two categories.

Content page: Reporting approach
URL: http://www.eon.com/de/nachhaltigkeit/berichtsprofil/berichtsansatz.html

Reviewed 2014

An overview of our reporting approach

E.ON SE publishes its annual Sustainability Report exclusively in an online format and has done so since 2008. All content is available in the “Sustainability” channel of eon.com, which can be found on the navigation bar of the homepage. Previous reports are available in the Download Center as pdf documents.

We strive to present balance reporting of the environmental, social, and economic aspects of our business activities. We select reporting topics on the basis of a materiality analysis that assesses which topics are most important to us and our stakeholders. These topics are directly relevant to our business. Our reporting aims to be transparent. It presents not only our strengths but also setbacks.

Drop-Down: The report and its preparation
The Sustainability Report published in early May 2015 is E.ON SE’s eleventh successive report. It covers the period from January 1 to December 31, 2014, and is available in German and English. The copy deadline was March 31, 2015. Our next Sustainability Report will be published in the second quarter of 2016.

Our Sustainability Report is aimed at the following stakeholders:

- customers
- investors
- rating and ranking agencies
- Sustainability opinion leaders such as policymakers, civic leaders, and researchers
- current and future employees.

We continually evaluate their feedback and, if necessary, adjust our sustainability and reporting processes accordingly. For example, over the past several years we’ve met our stakeholders’ request for our key performance indicators (KPIs) to focus more on the environmental, social, and governance (ESG) aspects of our performance.

We prepare our Sustainability Report in accordance with the Global Reporting Initiative’s Sustainability Reporting Guidelines and have done so since 2005. Our Sustainability Report fulfills our commitment as a signatory of the United Nations Global Compact to issue an annual Communication on Progress.

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

Drop-Down: Overall structure of our online report
The chapters “Strategy and management”, “Environment”, "Social", “Governance and integrity”, “ESG facts and figures”, and “Reporting profile” form the core of our 2014 Sustainability Report. Our report is

organized into ten action areas. For each area, we report on the progress we made during the reporting period, the relevant key performance indicators (KPIs), and the activities we plan for the future. Our report focuses systematically on ESG aspects that are material for the energy sector.

Stories offer a lively format for presenting our sustainability activities along the value chain. We intend to use this format to report continuously about these activities and will therefore update the stories periodically. It's important to remember that the stories don't necessarily reflect the materiality principle.

The symbol on the right is used to indicate the sections of the report that describe how we manage the material aspects identified in our materiality analysis. The Q&A section of the "ESG facts and figures" chapter presents those aspects that our materiality analysis deemed to be less relevant as well as all KPIs and other figures.
The regional activities section provides a brief overview of the sustainability activities of our regional units and our joint ventures outside Europe.
The Sustainability channel of our webpage is the platform on which we report on our sustainability activities in detail. We use links in the text itself and in the margin to indicate how these activities relate to other topics of interest at our company. Our Annual Report also addresses sustainability issues.

Drop-Down: 2014 Condensed Report

We also publish a condensed version of our report that highlights important milestones from 2014. It consists of a series of Q&As about some of the challenges we face in our operating business. It offers a reader-friendly overview of our sustainability activities rather than a comprehensive description. The condensed report is available as a pdf document in our download center.

Drop-Down: Object of the report

The object of our Sustainability Report is E.ON SE, including any share investments it holds directly. The information in the report always refers to all subsidiaries and power plants in which E.ON has a majority stake and that are fully consolidated in the E.ON Group's financial statements. Exceptions – such as our reporting on occupational safety, which also encompasses minority-stake entities over which we exercise operational control – are indicated accordingly. In addition, the regional activities section contains brief profiles of our joint ventures in Turkey and Brazil and our operations in Slovakia.

Our 2014 Sustainability Report describes the progress we made and the measures we took along our entire value chain. In early December 2014 we announced a new corporate strategy, which includes a plan to spin off a significant portion of our business as a separate company. This strategy has no effect on the object or scope of our reporting for 2014.

Pursuant to International Financial Reporting Standards, however, the disclosures on discontinued operations in the E.ON Annual Report – and thus in our reporting systems – are limited. Consequently, not all information for the Italy and Spain regional units was available. This does not apply to our generation operations in Italy and Spain, which are managed by E.ON Generation and E.ON Climate & Renewables. Footnotes addressing these matters explain any deviations from, or adjustments to, prior-year figures.

Our use of key performance indicators (KPIs) is based on a prior analysis. We restrict our data-gathering and reporting to KPIs that are relevant and material to a particular unit's business operations. For example, we only gather data on radioactive emissions for units with nuclear power stations; we only gather customer data for units with sales operations.

Statements about the future development of the E.ON Group and its subsidiaries are estimates based on the information available at the time of reporting. Actual results may vary.

Drop-Down: Audit of the Sustainability Report

As in previous years, PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, carried out a limited assurance engagement on substantial parts of our 2014 Sustainability Report pursuant to the International Federation of Accountants' International Standard on Assurance Engagements 3000. These parts include the contents of the "Strategy & management", "ESG facts and figures ", and "Reporting profile" chapters as well as parts of the ten action areas covered in the "Environment", "Social", and "Governance and integrity" chapters. The Assurance Statement describes the precise extent of the audit.

The audit is based on the German version of the report. Audited content is marked with the label "Reviewed 2014". If an item of content is updated during the year, the label is removed from it. However, the pdf document generated on the cutoff date will remain unchanged.

Content page: Assurance report
URL: http://www.eon.com/en/sustainability/reporting-profile/reporting-approach/assurance-report.html

Independent Assurance Report

To E.ON SE, Düsseldorf

We have been engaged to perform a limited assurance engagement on the description of the necessary materiality analysis for a sustainability report as well as selected information of the Sustainability Report 2014 of E.ON SE, Düsseldorf, (hereinafter: the Company) for the business year from 1 January to 31 December 2014.[1)[Footnote marker for Footnote No. 1]] The sustainability information, which was selected by the Company and reviewed by us, is marked as “Reviewed 2014” in the Sustainability Report.

Management’s responsibility

The company’s Board of Managing Directors is responsible for the proper preparation of the Sustainability Report in accordance with the criteria stated in the Sustainability Reporting Guidelines Vol. 4 of the Global Reporting Initiative (GRI).

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.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA-Codex), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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 description of the materiality analysis marked as “Reviewed 2014” which is necessary for a sustainability report to determine its content and the boundaries of its aspects is not in accordance with the criteria “Stakeholder inclusiveness”, “Sustainability context”, “Materiality”, and “Completeness” of the GRI’s Sustainability Reporting Guidelines Vol. 4 and that they were not used during the Sustainability Report’s preparation,

- the management approaches marked as “Reviewed 2014” in the Sustainability Report are not in accordance with the requirements of the standard disclosures G4-DMA of the Sustainability Reporting Guidelines Vol. 4 and
- the quantitative information marked as “Reviewed 2014” in the Sustainability Report for the business year 2014 is in material aspects not in accordance with the criteria “Completeness”, “Comparability”, “Accuracy”, “Clarity”, “Timeliness”, and “Reliability” of the GRI’s Sustainability Reporting Guidelines Vol. 4.

It was not part of our engagement to review any product or service related statements, any links to external sources of documentation as well as prospective statements and statements from external experts.

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 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 concerning the materiality analysis, management approaches and key data – marked as “Reviewed 2014”:

- Inspection of documents and guidelines regarding the company’s sustainability strategy and sustainability management including an understanding of the company’s organizational structure.
- Inquiries of personnel responsible for the preparation of the report regarding the process to prepare the reporting of sustainability information and the underlying internal control system;
- Recording of the systems and processes for collection, analysis, validation, and aggregation of sustainability data and their documentation on a sample basis;
- Performance of site visits as part of the inspection of processes for collecting, analyzing, and aggregating selected data at:
    - E.ON Generation, Germany,
    - E.ON Generation Site Maasvlakte, Netherlands,
    - E.ON Romania, Romania,
    - E.ON Connecting Energies (ECT), Germany
- Analytical procedures on relevant data;
- Comparison with corresponding data in the company‘s Annual Report 2014;

- Gaining further evidence for selected data of the report through inspection of internal documents, contracts, and invoices/reports from external service providers.

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that

- the description of the materiality analysis marked as “Reviewed 2014”, which is necessary for a sustainability report to determine its content and the boundaries of its aspects, is not in accordance with the criteria “Stakeholder Inclusiveness”, “Sustainability Context”, “Materiality”, and “Completeness” of the GRI’s Sustainability Reporting Guidelines Vol. 4 and that they were not used during the Sustainability Report’s preparation,
- the management approaches marked as “Reviewed 2014” in the Sustainability Report are not in accordance with the requirements of the standard disclosures G4-DMA of the Sustainability Reporting Guidelines Vol. 4 and
- the quantitative information marked as “Reviewed 2014” in the Sustainability Report for the business year 2014 is in material aspects not in accordance with the criteria “Completeness”, “Comparability”, “Accuracy”, “Clarity”, “Timeliness”, and “Reliability” of the GRI’s Sustainability Reporting Guidelines Vol. 4.

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 sustainability reporting:

- Strengthen the alignment of the reporting content with the results from the materiality analysis.
- Leverage the GRI G4 concept through use of core indicators relevant for steering as well as for measuring effectivity of management approaches.
- Further develop guidance on documenting controls for non-financial information.

Düsseldorf, 4 May 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Hendrik Fink
Wirtschaftsprüfer
(German public auditor)

Aissata Touré
Wirtschaftsprüferin
(German public auditor)

Content page: Reporting standards
URL: http://www.eon.com/en/sustainability/reporting-profile/reporting-standards.html

Reporting standards

Internationally recognized reporting standards help us present our sustainability performance transparently and, above all, comparatively. We therefore prepare our Sustainability Report in accordance with the Global Reporting Initiative's Sustainability Reporting Guidelines; the 2014 report is our first to apply the new G4 guidelines. Our Sustainability Report fulfills our commitment as a signatory of the United Nations Global Compact to issue an annual Communication on Progress. As with previous reports, it complies with the standards outlined in the German Sustainability Code.

Content page: UN Global Compact
URL: http://www.eon.com/en/sustainability/reporting-profile/reporting-standards/un-global-compact.html

Full support of the UN Global Compact

Since 2005 E.ON has been committed to upholding the ten principles of the United Nations Global Compact. With more than 12,000 participants from over 145 countries, the Global Compact is the world's largest sustainability initiative.

Basis for company policies and standards

As a signatory we affirm our commitment to respect human rights, uphold labor and environmental protection standards, and fight against corruption. Our own policies and standards – as well as our Sustainability Work Program, compliance systems, and prequalification criteria for new suppliers – are based on the ten principles. In addition, we participate in international Global Compact networks as well as in national networks in Germany, Sweden, and other countries. These networks promote collaboration across industries, enabling us to be even more effective in addressing challenges we have in common.

Reporting on the principles of the Global Compact

Participants in the Global Compact commit to issue an annual Communication on Progress (COP) disclosing their progress in implementing the ten principles. We issue our COP as part of this report. The table below specifies which sections of the report address the various principles.

***Drop-Down*: Principle 1: Support and respect the protection of internationally proclaimed human rights**
Protection of human rights
Guidelines
Responsible procurement
Human rights and labor practice in the supply chain
GRI content index (human rights)

Download-documents:

- 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)

***Drop-Down*: Principle 2: Make sure not to be complicit in human rights abuses**
Protection of human rights
Guidelines
Responsible procurement
Human rights and labor practice in the supply chain
GRI content index (human rights)

Download-documents:

- 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)

***Drop-Down*: Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining**

Guidelines
Workforce challenge
GRI content index (human rights)

Download-documents:

- E.ON Code of Conduct (PDF, 429.98 KB)

***Drop-Down*: Principle 4: Elimination of all forms of forced and compulsory labor**

Protection of human rights
Guidelines
Responsible procurement
Human rights and labor practice in the supply chain
GRI content index (human rights)

Download-documents:

- 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)

***Drop-Down*: Principle 5: Effective abolition of child labor**

Protection of human rights
Guidelines
Responsible procurement
Human rights and labor practice in the supply chain
GRI content index (human rights)

Download-documents:

- 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)

***Drop-Down*: Principle 6: Elimination of discrimination in respect of employment and occupation**

Guidelines
Workforce challenge
GRI content index

Download-documents:

- E.ON Code of Conduct (PDF, 429.98 KB)
- Equal Opportunity and Diversity Framework (PDF, 26.71 KB)

***Drop-Down*: Principle 7: Support a precautionary approach to environmental challenges**

Guidelines
Sustainability Work Program 2012-2015
Good governance
Climate protection
Climate polices and emission trading
Environmental protection
Environmental and crisis management
GRI content index

Download-documents:

- Group Management Policy Health, Safety & Environment (HSE) (PDF, 90.83 KB)

***Drop-Down*: Principle 8: Undertake initiatives to promote greater environmental responsibility**

Guidelines
Sustainability Work Program 2012-2015
Climate polices and emission trading
Environmental protection
Environmental and crisis management
Water management
Climate-friendly products and services
Responsible procurement
Knowing our stakeholders
GRI content index

Download-documents:

- Group Management Policy Health, Safety & Environment (HSE) (PDF, 90.83 KB)

***Drop-Down*: Principle 9: Encourage the development and diffusion of environmentally friendly technologies**

Guidelines
Sustainability Work Program 2012-2015
Technology development
Technology development – Renewable energies
Technology development – Conventional generation
Technology development – Infrastructure
Technology development – Sales and end-use
Improved efficiency
Portfolio development
Climate-friendly products and services
Environmental protection

Environmental and crisis management
GRI content index

Drop-Down: **Principle 10: Work against corruption in all its forms, including extortion and bribery**
Guidelines
Compliance and prevention of corruption
Responsible lobbying
GRI content index

Download-documents:

- 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)

Content page: GRI index
URL: http://www.eon.com/en/sustainability/reporting-profile/reporting-standards/gri-index.html

GRI content index

We prepare our Sustainability Report in accordance with the Global Reporting Initiative's (GRI) G4 Sustainability Reporting Guidelines and Electric Utilities Sector Disclosures (dated May 2013). Our 2014 Sustainability Report applies the core option of the GRI guidelines.

Background on the GRI

The GRI was founded in 1997 with the goal of developing internationally recognized guidelines for organizations to voluntary report on their economic, environmental, and social performance. The GRI guidelines are the result of a transparent, multi-stakeholder process and consist of performance indicators for all sectors and all types of organizations.

The G4 version updates some of the guidelines' contents and, most significantly, places a greater emphasis on materiality as the principle by which organizations select and present sustainability-related topics. For a number of sectors, including the electricity sector, the GRI publishes sector disclosures that define sector-specific aspects and additional performance indicators.

GRI content index

In accordance with the GRI G4 guidelines, we selected the contents of this year's report on the basis of a materiality analysis. Our GRI content index indicates how our reporting meets GRI standards. It specifies:

- which aspects we classify as material and therefore report on
- which indicators we use (at least one indicator per aspect) and which indicators were independently audited
- which E.ON-specific indicators we use in addition to, or in place of, GRI indicators
- where indicators and additional information can be found on our company's webpage or in our Annual Report.

Information that is required for fulfilling the indicators is available on the linked pages and in the audited parts of the Annual Report. Where an indicator is not completely covered by this information we have included the relevant data directly in the Index, and have clearly labelled the gaps as "Omissions".

Please find the GRI Content Index available for download here:
http://www.eon.com/en/sustainability/reporting-profile/reporting-standards/gri-index.html

Content page: German Sustainability Code
URL: http://www.eon.com/en/sustainability/reporting-profile/reporting-standards/deutscher-nachhaltigkeitskodex.html

German Sustainability Code

Our 2014 Sustainability Report again includes a Declaration of Compliance with the criteria of the September 2014 version of the German Sustainability Code. You can download the full text of the Declaration of Compliance here. It will be available by June 2015 at the latest.

The DNK Database contains past Declarations of Compliance.

Content page: Contact
URL: http://www.eon.com/en/sustainability/reporting-profile/contact.html

Contact us

Below are the contact people in the sustainability team at E.ON SE in Düsseldorf. They would be happy to answer any questions you may have about sustainability at E.ON.

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