

RWE

**Our
Responsibility
2019**

Non-financial Report

Non-financial Report

The CSR Directive Implementation Act (CSR-RUG) obliges large capital-market oriented companies to draw up and publish a Non-financial Declaration (NfD) in the Management Report or a separate Non-financial Group Report (NfR). The aim is to provide information that is necessary to understand the business performance, business results, position and also impacts of the activity of the company on the environment and society. RWE has decided to publish a separate Non-financial Group Report as a section in the Corporate Responsibility Report (CR Report).

In the Non-financial Report, we have used the GRI Standards 2016 (Global Reporting Initiative) as a framework for the description of the concepts.

Up until September 2019, innogy SE and its subsidiary companies (innogy or the innogy Group) were part of the RWE Group. As a result of the transaction announced in March 2018, the shares held by RWE in innogy SE were transferred to E.ON on 18 September 2019. A part of innogy – the sections for electricity generation from renewable energy – are being transferred back to RWE in the course of 2020. “innogy – continuing operations” will therefore remain part of our (financial) reporting, although from a legal perspective they will temporarily belong to E.ON. The sections remaining with E.ON will be designated as “discontinued innogy operations”. Where possible from a systems perspective, we will recognise innogy – continuing operations for the complete reporting year 2019 in the non-financial reporting of the RWE Group. The designation “RWE stand-alone” relates to the RWE Group without the renewable energy business. Contrary to the situation in the RWE Annual Report 2019, we will also recognise in the Non-financial Report the discontinued innogy operations for the first three quarters of 2019 as far as possible. This relates to time-dependent indicators. As far as the management approaches are concerned, we refer to the key differences between the approaches adopted by RWE and innogy on the corresponding topics. Furthermore, we are reporting Operations acquired from E.ON with effect from 1 October 2019. In the case of data relating to a defined reference date, we report in accordance with the group of consolidated companies as at 31 December 2019.

The components of the Non-financial Report are based on the performance indicators relating to Corporate Responsibility (CR), which are reflected in the performance-related remuneration of the Executive Board. Owing to the transition phase in the Group restructuring, in the course of which the renewable energy business of E.ON has already been transferred to RWE and the Renewables business of innogy is to be

transferred to RWE in 2020, the activities of renewable electricity generation have not been reflected in the performance-related compensation of the Executive Board.

The Non-financial Report was audited and approved by the Supervisory Board of RWE AG. The audit was carried out by professional services firm PwC, see [▶ Assurance Report on page XVII](#).

Business model

We report on our business model and our markets in the review of operations in the [▶ RWE Annual Report 2019 in section 1.1 Strategy](#).

Over recent years, RWE has reinvented itself from the ground up. Up to now, we have covered all stages of the value chain in the energy sector through our Group companies (including innogy). The new RWE will concentrate on electricity generation from conventional and renewable sources, and on energy trading. The platform for this is the transaction with E.ON, which both companies agreed in March 2018 and which is being implemented in the years 2019 and 2020. On 18 September 2019, E.ON acquired 76.8% of the shares in innogy, which up to then had belonged to RWE AG. On 18 September 2019, RWE took over the renewable energy business from E.ON and the non-controlling interests of E.ON in the nuclear power plants Emsland and Gundremmingen operated by RWE. The takeover of the renewable energy business of innogy and its holding in the Austrian energy utility Kelag will follow in 2020. Furthermore, RWE has also taken a 16.7% shareholding in E.ON.

Non-financial risks

Identifying, assessing and managing risks at the earliest possible stage are the function of the Risk Management Department at RWE AG. This includes our Group-wide reporting and controlling systems. It also encompasses our guidelines on handling risks, and risk analysis within the scope of strategic, planning and controlling processes. The activities of the Risk Committees and Internal Auditing are also fundamental tenets of this work alongside reporting on the basis of the Act on Control and Transparency of Enterprises (KonTraG).

Internal Auditing ensures compliance with the RWE Code of Conduct in the course of the audits carried out. The principles of the Code of Conduct are included in the audit criteria. The Chief Compliance Officer regularly reports on this matter to the Executive Board of RWE AG and to the Audit Committee of the Supervisory Board.

Potential risks were discussed for the relevant non-financial aspects of environment, employee, and social concerns, and human rights and corruption/bribery additionally arising from sustainability perspectives. These risks could result from our own business activity or from business relationships and for the company itself, as well as for the company environment and its stakeholders, and which extend beyond reporting on the basis of the Act on Control and Transparency of Enterprises (KonTraG), see [▶ Risk Report in the review of operations, page 84](#). In the course of reporting, no significant risks were identified by the Corporate Responsibility Team for the fiscal year 2019.



Development of the Corporate Responsibility Strategy of RWE

We can only be successful over the long term if we uphold our corporate responsibility and as a result ensure our acceptance within society. The importance of Corporate Responsibility is greater today than ever before. It relates to various environmental, economic and social aspects and therefore extends significantly beyond the reduction of greenhouse gas emissions. Environment, employment, human rights, the new RWE – these are only some of the aspects that are particularly relevant for our stakeholders and were topics of conversations or themes at events. The findings from these dialogues are also channelled into the ongoing development of our new corporate responsibility strategy.

Aspects

(GRI 102-47)

The components of the Non-financial Report were selected on the basis of the performance indicators relating to Corporate Responsibility (CR), which are reflected in the performance-related remuneration of the Executive Board. This means that meeting CR targets exerts a direct influence on the compensation of the Executive Board of RWE AG.

The selection of the topics for the Non-financial Report was carried out in consultation with the Executive Board and the Supervisory Board, and it also reflects the assessments of the stakeholders.

In relation to the aspects of the Non-financial Report, the topics of Emissions (greenhouse gas emissions) and Compliance (environment) constitute the contribution to the aspect environmental concerns, occupational accidents from the overarching topic of Occupational Health and Safety constitute the contribution to the aspect of employee concerns, and the topic of Procurement deals with a number of areas including the aspect of protecting human rights. Anti-corruption and combatting bribery are also addressed in the eponymous section of the Non-financial Report. Social concerns such as dialogue with our local stakeholders were not taken account of in the CR components of remuneration for the Executive Board and are not a constituent element of the Non-financial Report, see [▶ Non-financial Report, page II](#). Owing to the requirements of the CSR Directive Implementation Act (CSR-RUG) for reporting on the aspects required in this act, we explain that no concept is being pursued for social concerns because this aspect is currently not classified as material.



Topics for the Non-financial Report	
Statutory aspects pursuant to Article 289c Section 2 German Commercial Code (HGB)	Topics
Respect for human rights	Procurement practices
Anti-corruption and combatting bribery	Anti-corruption
Environmental concerns	Greenhouse-gas emissions, environmental compliance
Employee concerns	Health and safety
Social concerns	The aspect of social concerns is currently not material for RWE in accordance with the materiality provision in the German Commercial Code (HGB).

Respect for human rights

Procurement practices

Ethical and lawful procurement is an important topic for us. In order to comply with this principle, we align our supply chain taking into account local framework conditions, national or pan-national regulations and international standards. The procurement practices at RWE are essentially divided into two categories. This relates on the one hand to the procurement of energy sources, i.e. combustion fuels such as hard coal and gas. On the other hand, we also procure goods, plant components and services. These two categories are presented separately below in order to provide a better overview.

Procurement of goods, plant components and services

Challenges

Up to now, we have sourced a substantial proportion of goods, plant components for conventional power plants and services from our business partners who – like us – are based in the European Union. These businesses therefore operate within the robust legal framework that is in place in the EU. We have also implemented management and controlling instruments in order to ensure the best possible compliance with legislation and safeguarding standards relating to environmental, labour and social concerns, human rights, and prevention of corruption. Nevertheless, we are ultimately unable to fully guarantee that all possible negative impacts are completely excluded as a result of our efforts. We are therefore working continuously on improvements and we cooperate in this process with other companies and organisations to address the challenges.

National and international standards are becoming increasingly concrete in relation to the expectations for sustainable supply chain management. For example, national action plans for business and human rights are already in place, or such plans are being prepared. These regulations relating to the duty to respect human rights refer in particular to the UN Guiding Principles on Business and Human Rights. The Modern Slavery Act in the United Kingdom requires us to do everything possible to prevent modern slavery occurring in our supply chains. We are committed to upholding human rights throughout RWE.

Organisation and management

Group Procurement manages the procurement relationships centrally. Group Procurement is assigned organisationally to RWE Power AG and reports to its Chief Financial Officer. The platform for procurement activities is provided by our Group Procurement Guideline. This defines uniform principles applicable throughout the Group for carrying out procurement.

The compliance rules and principles must be complied with for all procurement transactions alongside the RWE Code of Conduct. The supplier or service provider is obliged to adhere to these regulations. We review business relationships with business partners if it becomes known in the public domain that they have breached the principles of the UN Global Compact. We then take appropriate measures that we consider necessary and put them into action.

A key factor relates to compliance with our regulations on occupational health and safety especially when we commission third parties to carry out aspects of the maintenance work on our plants or to handle hazardous substances.

Up until September 2019, innogy SE and its subsidiary companies (innogy and the innogy Group) were part of the RWE Group. During the year under review, innogy operated independently of RWE also in relation to the management of material topics for non-financial reporting. However, the standards applied for the procurement of goods and services in relation to respect for human rights are similar. Consequently, innogy ensures that suppliers acknowledge their own Code of Conduct and like RWE uses coverage for the procurement volume as an indicator. Re-integration of procurement processes for innogy – continuing operations in Central Group Procurement has commenced and it is projected for completion at the beginning of 2020. Central Group Procurement has been responsible for the procurement of indirect requirements for Operations acquired from E.ON since 1 October 2019. The procurement of direct, business-specific requirements for the renewable energy business is carried out by a separate Purchasing Department, which is situated within the organisation of the renewable energy business and procures in accordance with the same principles as Central Group Procurement.

Code of Conduct as a constituent element of all contractual relationships of the central Purchasing Department

The production of goods and the provision of services in our supply chains should take place under comparable conditions to those prevailing in our own company. We expect partners in a business relationship with RWE to accept the principles of our Code of Conduct as a basis for cooperation. This is implemented by integrating the RWE principles for behaviour. These principles address issues including the topics of human rights, labour standards, the environment, anti-corruption, and money laundering. The principles for behaviour are part of our Code of Conduct.

Supplier management is a key building block within the tactical procurement process for Group-wide procurement. One of the objectives of supplier management is safeguarding and improving the supplier service and identification and management of supplier risks. If there are any problems in relation to the business relationship, we involve our suppliers and work together with them to generate improvements. For example, we have implemented an escalation process for incidents in the area of occupational safety in order to develop suppliers. Suppliers can also be suspended if there is a repeat and depending on the severity of the incidents.

Measures and performance measurement

Code of Conduct as a constituent element of all contractual relations

Central Group Procurement bears responsibility for procurement procedures of RWE stand-alone and since 1 October 2019 it has also been responsible for the indirect requirements of Operations acquired from E.ON. More than 9,000 suppliers are registered in our supplier portfolio for procurement of goods, plant components and services within the framework of business and plant operation. Some 300 of these suppliers are strategically relevant. Around 15,000 suppliers were registered for the procurement processes of innogy which were carried out independently by innogy.

We use an initial appraisal of potential suppliers based on a self-assessment to gather information on matters including environmental protection, occupational safety and compliance. We are in regular and close communication with strategically relevant suppliers.

All the business partners accredited for our trading operations were reviewed for compliance with our Code of Conduct before engaging in business relationships. The following individual trading processes are based on standard contracts usual in the market.

During the year under review, Group Procurement purchased goods, services and plant components with a volume of around € 1.9 billion (2018: € 1.7 billion, data for RWE stand-alone). At innogy, the procurement volume of goods and services for innogy – continuing operations in 2019 amounted to € 0.5 billion and for discontinued innogy operations for the period Q1–Q3/2019 amounted to some € 2.5 billion. We regularly monitor the proportion of the purchase volume in which the requirements of our Code of Conduct are a constituent element of the contractual relationship. During the year under review, the corresponding level of coverage of RWE Group Procurement met its target value of 100% in relation to the procurement volume for goods and services. In 2019, the proportion of the purchase volume for innogy – continuing operations covered by acknowledgement of the innogy Code of Conduct was 100%. In the first three quarters of 2019, the level of coverage for discontinued innogy operations was 97.5%.

Declarations on the UK Modern Slavery Act

Our Group companies RWE Supply & Trading GmbH and RWE Generation SE also operate in the United Kingdom. They therefore regularly publish a Statement of Compliance relating to the UK Modern Slavery Act on their national Internet pages.

Procurement of fuels

Challenges

The challenge is also to exclude the possibility of money laundering or financing terrorism when procuring fuels and derivatives in trading markets. The challenges of complex value chains and corresponding supplier relationships are also present for the procurement of fuels – similar to the procurement of goods, plant components and services. The standards already referred to in respect of the duty to respect human rights are also applicable here.

Regarding the renewable energy business of innogy and E.ON, the procurement of fuels is not material because electricity generation is based on renewable energy sources and these resources do not come under the procurement procedures addressed here. In 2019, the procurement volume for energy sources purchased by RWE Supply & Trading for the operation of conventional power plants was some € 4.1 billion (2018: € 4.2 billion).

Organisation and management

Review of trading partners on the wholesale markets

Key elements of our value chain are the procurement of hard coal, gas, liquefied natural gas (LNG) and biomass, as well as trading in combustion fuels. Raw materials are traded as standardised products with defined quality attributes on international wholesale markets. These markets are the most important source of procurement. Raw materials traded in these markets often change ownership several times after they have been first offered for sale by the producers. Generally, it is only possible for us to identify the immediate upstream owner, while the precise geographical origin of the raw material is not known when a transaction is concluded. There are therefore only limited direct supplier relationships between RWE and the producers. This means we are only able to exert indirect influence on the production conditions.

Before we enter into any business relationships in the wholesale market, we review all potential trading partners. The review takes place in a standardised and multistage process. All business partners are expected to accept and follow the RWE Code of Conduct, or if they have their own equivalent Code of Conduct to comply with this. We use international databases and information systems in order to see whether there is any potential misconduct. A review of trading partners is carried out independently of the purchase volume. The Code of Conduct for the RWE Group defines our expectations for our own working practices, the standards for cooperation with contractual partners and the joint basis for establishing contractual relationships. Each supply company is evaluated using a fixed procedure in the form of the "Counterparty Approval Process" (CAP). Each supplier is reviewed for negative reporting about the company in the media and more in-depth investigations are then carried out as necessary. The audit and further investigations are performed by the

Compliance Team of RWE Supply & Trading. A date for the next audit is also defined in the course of this process. The timing depends on the risk identified with the party investigated. This is a continuous process which ensures that audits are carried out on a regular basis and not just at the beginning of a business relationship. Since 2014, we have also had access to the information garnered in the Bettercoal Initiative for the procurement of hard coal.

Promotion of standards in the hard-coal supply chain

In the context of procurement of energy sources, the conditions for extraction of the hard coal imported for our power plants are a top priority alongside their impacts on the local population.

In order to support sector-wide development of standards, RWE already joined forces with other large purchasers of hard coal to launch the Bettercoal Initiative in 2012. The objective of Bettercoal is continuous improvement of the conditions under which hard coal is produced and transported. To this end, Bettercoal developed a globally recognised standard for production of hard coal and uses it as a basis for audits. The high aspirations of Bettercoal do not simply relate to environmental standards but also to social standards. They are likewise expressed in the principles established in the Bettercoal Code. The aim of Bettercoal is to bring about significant improvements and to ensure compliance with standards in all the important production countries through cooperation with local producers.

Measures and performance measurement

Promotion of standards in the hard-coal supply chain

Bettercoal uses a central database to provide its member companies with information about coal producers who are committed to Bettercoal. The names of the producers and summaries of the assessments are published on the Bettercoal website. A self-assessment by the coal producers is complemented by regular Bettercoal audits carried out on-site by independent experts. The audits result in binding improvement measures, in order to close the gaps identified in the audit compared with the Bettercoal Code. Their implementation is monitored by expert assessors. This process is repeated at regular intervals and this guarantees a

continuous improvement process for environmental and social conditions. RWE plays an active role in all the committees of Bettercoal – from the Executive Board to the working groups specific to each country.

Bettercoal pursues a country-based approach of including the majority of producers in the improvement process. Focus countries are currently Colombia, South Africa and Russia. In 2018, additional working groups were set up for Colombia and Russia. The aims are to prepare for the audits, support implementation of potentials for improvement identified at

the producers and communicate with all the relevant stakeholders. RWE's role included being part of a delegation that visited Russia in September 2019.

Furthermore, RWE managers meet with representatives of coal producers and critical stakeholders in civil society – independently of Bettercoal and concrete supply relationships – in order to identify additional terms of references for establishing an approach to positive development. The talks on imported coal in Germany and the Netherlands were continued.

Hard coal by supply countries		
Proportion in %	2019	2018
Germany	7.0	23.1
United Kingdom	1.2	1.0
Colombia	2.0	2.2
Russia	61.1	42.4
South Africa	1.6	6.1
USA	23.1	23.5
Other	4.0	1.7

Anti-corruption and combatting bribery

Anti-corruption

Challenges

Integrity and compliance with the law are fundamental principles defining the entrepreneurial actions of RWE. The RWE Code of Conduct forms the platform for our interpretation of compliance and it is binding on all employees. The goals and principles to achieve this are anchored in the RWE Code of Conduct. The Code prohibits any form of corruption and it is given concrete form by other Group guidelines.

The prevention of corruption is a top priority for RWE. The focus of the Compliance Management System is therefore on identification of potential structural corruption risks and the avoidance of corruption within the RWE Group. This is because apart from the risk of reputational impairments for the Group, corruption can restrict economic growth, reduce equal opportunities and contribute to an increase in poverty. RWE therefore bases all its activities and business decisions on established internal rules for compliance. The company does not tolerate any corruption or other breaches of the regulations. Compliance requirements are also factored in when making decisions about entering into business relationships with suppliers or business partners and in the administration of donations, sponsorship measures and memberships.

The energy industry is a sector defined by regulatory decisions, continuous change and projects with high order volumes. This also impacts to a greater or lesser extent on the value chain of RWE. The corruption risks described above cannot be excluded in our supply chain. However, RWE AG has implemented comprehensive systems for avoidance of corruption within the framework of the Compliance Management System in order to ensure the best possible compliance with statutory legislation.

Organisation and management

We want to avoid corruption completely in all our processes and we are committed to raising the awareness of our employees and managers throughout the company.

Management of the Compliance Management System to prevent corruption at RWE AG, RWE Generation SE, RWE Power AG, and RWE Supply & Trading GmbH is carried out by

the Chief Compliance Officer of RWE AG. Compliance officers inside Germany and in other countries ensure uniform implementation of compliance principles for prevention of corruption at these Group companies.

innogy SE also has a Compliance Management System and has its own Chief Compliance Officer. After the transfer of innogy – continuing operations from E.ON to RWE, this will be integrated into the existing Compliance Management System of RWE.

The integration process into the Compliance Management System of RWE has commenced for Operations acquired from E.ON by RWE.

Organisational regulations such as the double-checking (four eyes) principle, separation of functions, authorisation concepts and licensing regulations provide support for compliance with the Group guidelines which give concrete form to the principles set out in the Code of Conduct. The appropriateness of the underlying internal controlling system is regularly reviewed by the Internal Audit Department.

The Chief Compliance Officer of RWE AG regularly reports to the Executive Board and the Audit Committee of RWE AG on issues relevant to compliance.

Measures and performance measurement

The Chief Executive Officer of RWE AG writes personally to each manager with a request to report on the implementation of the Code of Conduct in their area of responsibility. This management survey is carried out once a year in order to create transparency in relation to compliance with the Code of Conduct and provide an overview of compliance awareness at RWE.

The feedback rate for the management survey in the previous RWE Group structure (RWE stand-alone) provides an indicator for compliance awareness. We strive to generate a feedback rate of 100% and this was achieved in 2019 and 2018.

During the year under review, the topic of anti-corruption was also material for innogy. The number of employees with attendance training courses on anti-corruption is used as the indicator.

The further review of the Compliance Management System was started by a professional services firm at the end of 2018. The review was extended to cover the topic areas of prevention of money laundering and compliance with foreign trade/export control. In 2019, the conceptual audit was successfully completed. The concept for risk assessment was confirmed during the course of the conceptual review. The risk assessment of RWE companies selected on the basis of risk indicators is being commenced in 2020. The results of the risk assessment will be evaluated over the course of 2020. The subsequent efficacy audit will complete the overall review in 2020.

Internal media within the Group inform our employees about behaviour that conforms with compliance guidelines and also highlight potential risks if compliance is breached. Our employees also receive compliance training each year on a web-based training programme with a changing focus topic. Participation in this programme is obligatory for all employees. Employees without any PC access receive instruction from their supervisors. In addition, the employees also take part in attendance training sessions that are organised by the Compliance Department. These are calibrated according to the risk of corruption associated with the relevant activity. The Executive Board is also integrated in this training concept. The rollout of the new training concept for the RWE companies was commenced in 2018/2019.

Environmental concerns

Greenhouse gas emissions

Challenges

In December 2015, virtually all the countries in the world joined together in the Paris Climate Agreement (COP 21) to make a commitment to limiting the global rise in temperature to significantly below 2 degrees Celsius compared with the pre-industrial level, and to work towards a limitation of less than 1.5 degrees Celsius. The countries signed up to national reduction commitments to achieve this aim. Consequently, the European Union made a commitment to reduce the emission of greenhouse gases by at least 40% by 2030 compared with the baseline year of 1990. In the course of her nomination for the new EU Commission, the Commission President and the Commissioner responsible for climate protection announced that the reduction target would be tightened and a reduction to 50% would be examined. A decision on this matter will be reached at the earliest in 2020.

The Netherlands wants to achieve a 49% reduction compared with 1990 in their greenhouse gas emissions by 2030. The emission reduction in the UK envisages a fall of 37% by 2020 and 57% by 2030, in each case by comparison with 1990.

Additional countries in which we also operate have likewise defined their own targets – Turkey, for example, has made a voluntary commitment under the Paris Climate Agreement.

Political pressure to tighten the defined goals is coming not only from the Paris Climate Agreement but primarily also from a large number of initiatives generated by civil society, organisations such as Fridays for Future, protest movement for climate justice “Ende Gelände” and Extinction Rebellion. They have ensured that climate protection is being made a much bigger priority in the political discussion.

Investors include the topic of climate protection in their company assessment. In their procurement processes, our customers too are increasingly taking into account the sustainability aspects and the carbon intensity of the electricity we generate. Non-government organisations (NGOs) and initiatives are continuously stepping up their efforts to promote short-term shutdown of older coal-fired power plants in order to achieve climate targets, both against the background of greenhouse-gas emissions and against that of other emissions. We are pursuing a long-term strategy. This is oriented towards the currently applicable legal framework conditions and those anticipated in the future, and the expectation of reducing CO₂ emissions..

Organisation and management

We are consistently reducing our CO₂ emissions and simultaneously massively expanding our renewable energy in order to achieve a sustainable alignment of our business model and as a contribution to limiting the consequences of climate change. This also encompasses the transaction between RWE and E.ON, see [▶ Non-financial Report, page I](#). 

Our European fossil-fuel power plants are subject to the European Emissions Trading Scheme (EU ETS). Reporting on CO₂ emissions from these power plants is made to the national emissions trading offices, which in turn report to the responsible EU authorities. Rights and obligations of the emitters are regulated in detail at the level of the member states so that additional corporate regulatory standards are rendered obsolete. The European Emissions Trading Directive is one of the regulations applicable for this area at European level. In Germany, the Netherlands and the United Kingdom, the relevant national regulations based on this directive are applicable, which are now being amended by national lawmakers following the current ETS reform.

The CO₂ data relevant for reporting are calculated in the opencast mines, at the relevant power-plant locations, and when combustion fuel is purchased. They are then collated centrally in the course of reporting. The Group Management is integrated in the course of reporting for the audit of the financial statements.

The emissions generated by RWE are determined in operational terms by the use of our power plants in association with development in the energy markets. RWE Supply & Trading is primarily responsible for commercial optimisation to enhance utilisation of power plants. The prices for combustion fuels and CO₂ certificates determine the costs at which power plants are able to offer the electricity they produce on the wholesale market. The demand for electricity determines when and which power plants are used. More expensive power plants are correspondingly only deployed when there is high demand in the electricity market and they emit correspondingly lower levels of greenhouse gases and harmful air pollutants owing to the lower number of operating hours. The additional expansion of renewable energy, which has priority feed-in in Germany, for example, means that the operational hours and the associated emissions for all other power plants are continuously declining.

Climate protection and climate-protection measures constitute key elements of our corporate strategy. In this connection, the coordination of decision-making and preparing the groundwork are in the hands of Group Strategy, which integrates all the relevant divisions and generating segments, and reports to the Executive Board of RWE AG. For the organisational position of environmental compliance, see [▶ Non-financial Report, page XII/ XIII](#).

We also use appropriate risk management to safeguard the financial risks associated with emissions trading, see [▶ Reduction of financial risks, page XI](#).

In relation to the renewable energy business, Operations acquired from E.ON and innogy – continuing operations make a positive contribution to the emissions footprint of RWE because direct CO₂ emissions in this segment are not material. Rather, the emissions of the upstream and downstream value chain are of key importance here. The expansion of the renewable energy business is relevant for innogy and in future also for RWE, and the Renewables business is responsible for this area. During the course of the year under review, innogy made a contribution to decarbonisation and transformation of energy supply under its own responsibility within this business and other activities in the divisions of Retail and Grid & Infrastructure.

Measures and performance measurement

The expansion of the renewable energy business is a constituent element of the RWE reduction strategy because it is part of the transformation of RWE. Under the umbrella of RWE, the merger of the Renewables business of E.ON and innogy will empower us to become one of the leading European electricity generators from renewable energy sources. RWE has defined ambitious targets in relation to reduction of our greenhouse gas emissions. From 2012 to 2019, RWE already reduced its annual CO₂ emissions by 51%. A reduction of 75% is projected by 2030. The gradual exit from coal-fired electricity generation plays a key role. By 2040, we want to have converted the electricity production of the RWE Group such that the aspiration of climate neutrality is fulfilled. Our corresponding corporate decisions in this area are significantly influenced and defined by the regulatory and social framework. With our goal of carbon neutrality, we are being more ambitious compared with the objective of the European sector association eurelectric, which had announced climate neutrality for the electricity industry “significantly before 2050”. We are therefore also significantly ahead of the targets of carbon neutrality by 2050 currently under discussion in Germany and at European level.

In Germany, our main electricity generation market, the stage is now set for an early phaseout of coal-fired power production. In January 2019, the Growth, Structural Change and Employment Commission (Structural Change Commission), which was appointed by the Federal Government, made a concrete proposal to achieve climate protection goals within the energy sector. The panel, made up of representatives from industry, trade unions, science, associations, citizen groups and environmental organisations, called for a coal phaseout by no later than 2038. In addition, the Commission presented a roadmap for plant closures and voted in favour of power plant operators being allocated appropriate compensation. The amount of compensation is either to be determined by auction (hard coal) or via negotiations (lignite). Redundancies for operational reasons as well as inappropriate social and economic disadvantages to employees are to be avoided as much as possible. The Commission also requested that the Hambach Forest should be preserved. We published a detailed overview of the panel’s recommendations on [▶ page 33 of the RWE Annual Report 2018](#).

The suggestions of the Structural Change Commission were predominantly well-received by policymakers and other stakeholders. After they were published, the government, the affected federal states and the power plant and opencast mine operators started negotiating the implementation of the recommendations in the lignite industry. These talks led to a consensus in early 2020. On this basis, the Federal Cabinet published a draft Coal Phaseout Act on 29 January 2020, thus launching the parliamentary procedure. Once it has been completed, the government will be authorised to conclude public-law contracts with operators of lignite assets which protect their legitimate interests.

The draft act envisages that RWE will bear most of initial burden for exiting from lignite-fired electricity generation. By the end of 2022, additional generation capacity from lignite amounting to 3 GW should have been removed from the market. Out of this, we will take over 2.8 GW. On the basis of the current planning, the first 300 MW unit is already scheduled for removal from the grid in the Rhineland Lignite Mining Region by the end of 2020. In the following year, three additional 300 MW plants will be switched off. In 2022, another 300 MW unit and two 600 MW units will also be shut down. The main sites affected are the power plant locations Neurath and Niederaußem, and to a lesser extent Weisweiler. In 2022, we will also cease production of lignite briquettes at the Frechen location and hence also operation of electricity generation capacity amounting to 120 MW. By the end of the decade, we will continue to significantly reduce our lignite-fired generation capacity. Already in the year 2025, a

300 MW unit will stop operating in Weisweiler. The two 600 MW units at this site will follow in 2028 and 2029. The lignite from the Inden opencast mine is used exclusively at Weisweiler and this facility will then be closed down. Out of the other two 600 MW units, one is scheduled for shutdown at the close of 2029 and the other will be transferred to legally-mandated security standby for four years on 1 January 2030. From 2030 onwards, only our three most advanced lignite-fired units in the 1,000 MW class will remain in the market. They are projected to keep operating until the end of 2038.

Emissions over the medium and long term at RWE can be influenced by the ongoing development of the power plant portfolio. This relates to a range of potential measures including modernisation and efficiency enhancement of existing power plants, replacement or shutdown of existing power plants, and a change in fuel, for example from coal to biomass. Since 2012, measures such as decommissioning of coal-fired power plants or a reduction in the capacity utilisation of coal-fired power plants have facilitated a significant decrease in CO₂ emissions of 51%. Additional planned measures are presented under [▶ Reduction of our own CO₂ emissions](#), page XI.

Reduction of financial risks

Financial risks associated with CO₂ emissions from our power plants are reflected in our risk management, see [▶ review of operations](#), page 84. We reduce these risks by concluding appropriate hedging transactions. Furthermore, we sell most of the electricity from our power plants in forward transactions and hedge the prices for the fuels and emission allowances required. The Commodity Management Committee (CMC) is

responsible for concrete implementation of the hedging strategies within a framework approved by the Executive Board of RWE AG based on a number of factors including limits.

Most of the emissions are hedged by the purchase of European Emission Allowances (EUAs) on different exchanges. Furthermore, we only use a very small amount of Certified Emission Reduction units (CER), which originate from our own CER projects or are purchased on different exchanges. In 2019, we emitted 87.1 million metric tons of CO₂ from our plants in accordance with EU ETS. This was covered by an estimated 86.0 million EUAs, in addition to 1.1 million certificates allocated free of charge.

Reduction of our own CO₂ emissions

We use CO₂ emissions from plants subject to the European Emissions Trading Scheme (EU ETS) as an indicator for greenhouse gas emissions. We report on emissions from our gas-fired power plant in Turkey together with the EU ETS emissions as the total CO₂ output for the RWE Group.

The operation of our lignite-fired power plants and the associated CO₂ emissions are limited due to the restriction on lignite mining in the opencast mines. The State Government of North Rhine-Westphalia took the key decision about future lignite mining at the Garzweiler II opencast mine in July 2016 and reduced the lignite stocks of Garzweiler II licensed under planning legislation by approximately one third. In terms of planning law, this decision still has to be implemented by a lignite planning amendment procedure.

Emissions balance in million metric tons of CO₂

	CO ₂ emissions		Free allocation of CO ₂ certificates		Shortage of CO ₂ certificates	
	2019	2018	2019	2018	2019	2018
Lignite & Nuclear	57.7	79.4	0.6	0.7	57.1	78.7
European Power of which:	30.4	38.6	0.5	0.6	28.9	36.9
Germany ¹	7.4	13.0	0.5	0.6	6.9	12.4
Netherlands/Belgium	9.1	12.1	-	-	9.1	12.1
United Kingdom	12.9	12.4	-	-	12.9	12.4
Turkey ²	1.0	1.1	-	-	-	-
innogy - continuing operations	-	-	-	-	-	-
Operations acquired from E.ON	-	-	-	-	-	-
RWE Group	88.1	118.0	1.1	1.3	86.0	115.6

1 Including figures for generation capacities of plants which are not owned by RWE but we can deploy at our discretion on the basis of long-term agreements. In 2019, these power plants emitted 1.3 million metric tons of CO₂ (previous year: 2.0 million metric tons).
 2 Since Turkey does not participate in the European Emissions Trading Scheme, we do not need any emissions allowances for the CO₂ emissions there.

We carry out systematic reviews and adopt the available options for optimisation of the power plant portfolio. In the past, we have significantly increased the efficiency of our power plants and expanded the proportion of gas-fired generation. In the case of generation from hard coal, we succeeded in removing around 70% of the installed capacity in 2013 from the grid or in converting the capacity to biomass consumption. In 2019, these measures were continued.

Carbon capture and utilisation or storage is one course of action available for the reduction of greenhouse gas emissions. While alongside the cost-effectiveness of Carbon Capture and Storage (CCS) projects is as yet unproven, an appropriate legal framework is also not in place and there is currently no acceptance for this technology. Meanwhile, RWE continues to carry out further research into Carbon Capture and Utilisation (CCU) technologies because they are an important option for covering the supply of carbon required by industry. At the same time, the application of these technologies can reduce CO₂ emissions of fossil-fired power plants. Other sources of carbon, such as biomass, waste and sewage sludge, are also being investigated with the aim of establishing closed carbon cycles.

Environmental compliance

Challenges

The operation of nuclear and conventional power plants and plants for generating electricity and the production of lignite inevitably result in our impacting on natural ecosystems. In the regions where we are operating, strict environmental legislation and licensing regulations define the framework for our operating activities. Our objective is to avoid the risk of serious negative impacts on ecosystems. Our activities here partly extend beyond the obligations arising from legislation or licences for the operation of opencast mines and power plants.

Organisation and management

In our RWE Code of Conduct, we describe our aspiration for environmental protection as follows: We are committed to a responsible approach to natural resources and we promote the use of environmentally friendly technologies. The provi-

sions of the RWE Code of Conduct were applicable for the entire RWE Group in 2019. Since the transfer of Operations acquired from E.ON they are therefore also applicable to this segment. innogy has its own Code of Conduct with equivalent provisions.

The Group Guideline Environmental Protection is based on ISO 14001:2015 and defines uniform principles for environmental protection. This applies to all the affiliated companies that are integrated in the consolidated financial statements and have business operations with personnel and/or assets. The renewable energy business is within the scope of application of the Group Guideline. During the transition phase up until the end of 2019 – as a result of the transaction – no environmental data were collected or monitoring audits carried out because the reporting in the CR Report for 2019 did not yet include the renewable energy business. This is projected to occur on a regular basis from 2020. The responsibility for this guideline is with the Chief Environmental Officer of RWE AG. The RWE companies appoint environmental officers in the Executive Management. Furthermore, there are also environmental management officers and central specialist environmental coordinators who regularly review, assess and improve the relevant Environmental Management Systems. As part of integrated compliance reporting, the Chief Compliance Officer also reports on environmental protection topics, or on serious incidents relevant for the environment to the Executive Board and the Audit Committee of RWE AG. We identify environmental topics and associated risks and opportunities, regularly assess our environmental performance and make use of these results in order to initiate systematic improvements on a continuous basis.

Environmental management is additionally accredited and certified in order to manage our key activities with environmental relevance in generation. Owing to the diverse statutory obligations and requirements for management of occupational health and safety, environment, energy and information security, RWE Generation SE and RWE Power AG rolled out an integrated management system for these topics to achieve synergies, which alongside compliance comprise the areas of energy, water, biodiversity, emissions, and effluents and waste.

Anchoring environmental protection in business processes

In the course of Group-wide environmental protection management, the relevant emission data are surveyed and calculated at the individual sites, before being collected and processed in a central department for licences and environmental protection.

Reporting to the Executive Board and the Audit Committee of RWE AG takes place through the Chief Compliance Officer of RWE.

Measures and performance measurement

Necessary or recommended measures for maintaining or improving environmental protection are identified from different sources, including internal audits or monitoring audits of RWE AG in the uncertified companies. These measures include, for example, ensuring qualification of existing and new environmental management officers in the Group companies and supplementing environmental aspects relating to the lifecycle approach after Hall. Their implementation and effectiveness are also systematically reviewed. In this context, we are strengthening the environmental awareness of our employees on the basis of a variety of information formats and in direct dialogue.

Group-wide coverage by environmental management

The level of coverage by our Environmental Management System provides us with a performance indicator. It is comprised of the proportion of the employees covered by the Environmental Management System and the level of implementation. We aim to achieve 100% coverage, either through certification or internal auditing. On 31 December 2019, the level of coverage for environmental management at RWE stand-alone amounted to 100%. 89% of the Environmental Management Systems in the Group were certified. During the reporting year, no serious environmentally relevant events were identified in an internal survey. Equally, no material monetary and no non-monetary sanctions in the environmental area were reported to us in an internal survey.

innogy established its own comparable Environmental Management System. On 30 September 2019, the Renewables Division at innogy SE had a coverage level of 66% through its Environmental Management System (weighted by number of employees), of which 0% were certified. The integration of Operations acquired from E.ON and innogy – continuing operations into the Environmental Management System of RWE is being progressed in the course of 2020.

Employee concerns

Occupational health and safety

Challenges

As an industrial company, occupational safety and maintaining health are the most important topics of concern to our employees. Our workforce and the employees of our subcontractors often carry out their assignments at workplaces that are subject to special requirements for occupational health and safety. In particular, these include activities in the sphere of opencast mining, in technical areas at our power plants, and at wind turbines. These areas of application are subject to particular accident risks and health hazards for our employees and the workforce of subcontractors. So as to protect them, we are committed to sustainable development of occupational health and safety. The further robust development of a respectful management culture in an atmosphere of trust is absolutely essential for strengthening our culture of occupational health and safety – we have recognised that the topics of management and personnel development need to be more tightly dovetailed and we are currently working at improving these interfaces.

Good occupational health and safety generates high levels of quality and demonstrates a good business policy. Sustainable prevention also exerts a positive impact on the motivation of employees, the quality of their work, the image of the company and the satisfaction of the workforce. This is another reason why high standards are maintained, such as OHSAS 18001, and we continually carry out improvements in this area.

Organisation and management

Our objective is for every employee to be healthy and to remain so. We are committed to using all the available opportunities to aid the recovery of sick employees as quickly as possible. This applies equally to occupational safety, in other words the avoidance of accidents and to the promotion and retention of health.

Organisation of Health & Safety

Health & Safety (H&S) is responsible for the management of occupational safety and Company Health Management (CHM). The H&S Department is situated at RWE Power AG and also operates on the basis of a Service Level Agreement for RWE AG, RWE Generation SE and RWE Supply & Trading. Another responsibility of the department is H&S reporting in the RWE Group and in this function it reports regularly to the

Executive Board of RWE AG. A regulated organisational structure ensures that the decentralised occupational safety departments throughout the company are included in H&S reporting. Operations acquired from E.ON have their own Health & Safety Department and this is currently being integrated in the structural and process organisation of the RWE Group. innogy has its own H&S Department. innogy pursues the goal of a vibrant culture of occupational health and safety through overarching framework conditions and company-wide standards. This objective is assisted through support from an overarching management system for occupational health and safety. Implementation of this system was launched in 2018 and continued throughout 2019. As in the case of RWE, innogy also uses the LTI_F as an important indicator for measuring success. This is a measure for the number of accidents with at least one day off work for every one million hours worked.

The structural and process organisation of Health & Safety is ensured through acknowledged management systems including international standards and rules. Corresponding regulations are defined in a guideline valid throughout the Group. The guideline includes fundamental provisions for defining occupational health and safety policy and for structural and process organisation. Drawing up RWE workplace safety standards and advance definition of targets in occupational health and safety provide the platform for this. Group programmes directed towards establishing a culture of occupational health and safety will continue to undergo refinement. RWE has defined the target of ensuring that all Group companies have certifiable management systems for occupational safety. On 31 December 2019, external certification (partly accredited) was conferred in 75% of the companies for RWE stand-alone (based on FTE = Full Time Equivalent).

During the year under review, the Renewables Division of innogy SE had a coverage level of 84% as a result of its occupational safety management system (based on the number of employees on the reference date of 3 September 2019), of which 51% are certified.

Continuous improvement of occupational safety

The occupational safety management systems cover the relevant management and business functions including the definition of targets, structures and processes, rules and tools relevant to occupational health and safety. The objective is to make the best possible contribution to achieving the corporate goals. The relevant processes for Health and

Safety are systematically analysed and continuously improved using the Plan Do Check Act cycle. The integrated approach is applied for relevant activities that extend across management systems. These include management reviews, audits, analyses and event notifications.

Measures and performance measurement

Continuous improvement of occupational safety

Since 2017, a uniform classification of all events and accidents relating to all employees throughout RWE has been implemented along an accident pyramid with the intention of ensuring development and alignment with international Health & Safety (H&S) standards. In parallel, an assessment of potential has been carried out using a risk matrix. We want to apply long-term establishment of a probabilistic approach in order to assist our employees in achieving better identification and assessment of safety risks. To this end, we particularly promote independent responsibility in employees and raise their awareness of the issues.

We focus systematically on investigating events and accidents with a high potential for risk. For this purpose, we deploy an independent, interdisciplinary analysis team in order to determine causes and derive suitable measures. In addition, we also support the subcontractors working for us with analysis and implementation of measures.

Our objective is to treat the employees of our subcontractors in the same way at all times as RWE's own employees. We therefore take account of the number of subcontractor accidents in the LTI_F rate, i.e. the number of accidents with at least one day off work for every one million hours worked. Over the course of the past ten years, RWE has established and expanded a reliable system of Workplace Safety Subcontractor Management (WSSM). Apart from reducing the accidents and work-related stresses for our subcontractors, the focus is on joint development of an H&S culture. In order to achieve this, we support our subcontractors from the tender stage to carrying out the work, as well as in the final phase of continuous improvement. In 2019, we also carried out H&S workshops, highlighted specific safety performance and intensified cooperation between the H&S experts at RWE and subcontractors.

In 2017, the Health & Safety Department already developed the "Safety Academy" game. This involves small teams working together and answering questions interactively about Health and Safety. Situations from routine work every day are also trained in action fields. The game has meanwhile become an established and accepted teaching tool in the administrative sector. In November 2019, the "Safety Academy" was awarded the "German Occupational Safety Prize" ("Deutscher Arbeitsschutzpreis") in the "Cultural" category. The campaign "Thinking about Risks" was also continued in 2019. In addition, the campaign "Mission Zero" was launched at RWE Generation in 2019. The objective of the "Mission Zero" campaign is to achieve zero accidents if possible.

The key performance indicator we use for occupational safety is the number of occupational accidents with at least one day off work for every one million hours worked (Lost Time Incident Frequency, LTI_F). This indicator includes colleagues at subcontractors. In the reporting year 2019, RWE stand-alone succeeded in almost keeping to the number of occupational accidents compared with the previous year and it achieved an LTI_F of 2.1 (2018: 2.2). This means that our LTI_F target of 1.8 for 2019 was unfortunately not achieved. Our goal is to bring about a sustainable reduction in LTI_F rate. An important focus for Health & Safety at RWE is therefore also raising awareness for potential causes of accident and the avoidance of accidents. We intend to achieve an LTI_F of 2.0 at RWE by 2020.

The LTI_F for employees at innogy SE and colleagues of subcontractors (partner companies) was 2.3. innogy – continuing operations have an LTI_F of 2.6 and the discontinued operations have an LTI_F of 2.2.

In 2019, there were no fatal occupational accidents at RWE stand-alone. Likewise, there were no fatal occupational accidents at Operations acquired from E.ON. At innogy SE, there was a total of two fatal occupational accidents in 2019 (of which one was at innogy – continuing operations).

Accidents involving at least one day off work in 2019 by division		
	Number of occupational accidents ¹	Number of commuting accidents ²
RWE Generation SE and RWE Power AG	96	43
RWE Supply & Trading GmbH	0	2
RWE AG (other)	0	2
innogy – continuing operations	14	3
Discontinued innogy operations ³	159	94
Operations acquired from E.ON	6	- ⁴
RWE Group	275	144

1 Including employees from subcontractors.

2 Only own employees.

3 The period Q1-Q3/2019 is reported for discontinued innogy operations

4 Commuting accidents are not surveyed for Operations acquired from E.ON.

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting¹

To RWE AG, Essen

We have performed a limited assurance engagement on the separate non-financial group report pursuant to § (Article) 315b Abs. (paragraph) 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of RWE AG, Essen, (hereinafter the "Company") for the period from 01 January 2019 to 31 December 2019 (hereinafter the "Non-financial Report").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 1) – and accordingly maintains a comprehensive system of quality control including docu-

mented 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 limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement, we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 01 January 2019 to 31 December 2019 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report

¹ PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial (group) report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- Evaluation of the presentation of the non-financial information
- Inspection of samples of relevant documents and evidence

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 01 January 2019 to 31 December 2019 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement.

The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt, 28 February 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Michael Conrad
Wirtschaftsprüfer
(German Public Auditor)

ppa. Susanne Klages