RWE – A Sustainable Investment

Company Presentation
June 2007
RWE is strongly committed to corporate responsibility (CR)

Our Commitment

- Responsible business practice towards society and the environment is critical to sustaining the business success of RWE
- RWE continually strives to act as a living part of the community on an international, national, regional and local level and seeks out dialogue with all relevant stakeholder groups
- RWE has a special responsibility to promote the development of the regions and communities in which it operates
- RWE fully supports the principles of the United Nations Global Compact initiative, particularly with respect to human rights, labour standards, the environment and anti-corruption

RWE Code of Conduct

Our targets

- Recognize and prevent intangible and long term risks
- Adapt Group strategy to changing business environment
- Safeguard and enhance corporate reputation
- Ensure our license to operate
Our sustainability strategy defines six areas of action

- We make a key contribution to protecting our climate
- We assume responsibility for our employees and society
- We seek open dialogue with our stakeholders
- Transparent action and responsible governance are fundamental Group-wide principles
- We secure our future through the efficient use of resources
- We believe nature and landscape conservation is a key element
The well-balanced application of target criteria ensures sustainable, pro-active climate protection.
Key issue: Climate protection

**RWE’s power generation:** No. 2 in Europe using a broad mix of energy sources

**Germany: Power produced in 2006 in TWh (own plants only)**

<table>
<thead>
<tr>
<th>Energy Source</th>
<th>TWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydro, other</td>
<td>3.4</td>
</tr>
<tr>
<td>Gas</td>
<td>9.9</td>
</tr>
<tr>
<td>Hard coal</td>
<td>19.7</td>
</tr>
<tr>
<td>Nuclear energy</td>
<td>47.3</td>
</tr>
<tr>
<td>Lignite</td>
<td>67.9</td>
</tr>
</tbody>
</table>

Total: 148.2 TWh

**CO₂ emissions in 2006**

117.7 million tonnes

**UK: Power produced in 2006 in TWh**

<table>
<thead>
<tr>
<th>Energy Source</th>
<th>TWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil, other</td>
<td>1.3</td>
</tr>
<tr>
<td>Gas</td>
<td>14.4</td>
</tr>
<tr>
<td>Gas²</td>
<td>20.8</td>
</tr>
</tbody>
</table>

Total: 36.5 TWh

**CO₂ emissions in 2006**

24.7 million tonnes

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1 Excluding electricity procured from power plants not owned by RWE that we can deploy at our own discretion on the basis of long-term agreements, totalling 31.1 TWh (hard coal) and 2.5 TWh (hydro, other).

2 Including combined heat and power.
**RWE’s contribution to climate protection comprises a package of measures**

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
</table>
| Energy efficiency       | Increasing energy efficiency ...  
                           | ... invest in best available technology: lignite, hard coal, gas, CHP  
                           | ... strong R&D: develop new technologies e.g. fluidised bed drying, increasing steam parameters                                                |
| Renewable energies      | Invest about € 700 million over the next five years                                                                                                  |
| JI/CDM                  | € 150 million budget for developing international projects  
                           | for the reduction of greenhouse gas emissions                                                                                                    |
| CO₂ free power plant    | Industrial scale with coal gasification, CO₂ capture and storage; integrated project; 450 MW; expected commissioning 2014                            |
RWE’s contribution to climate protection comprises a package of measures

**Energy efficiency:**
Construction of new power plants using the best available technology / R&D

**Renewable energies:**
Invest about €700 million over the next five years

**CDM / JI:**
€150 million budget for developing international projects for the reduction of GHG emissions

**Zero-CO₂ power plant:**
Industrial scale with coal gasification, CO₂ capture and storage
### Modernising and expanding existing power stations

**Key issue: Climate protection**

#### Commissioning

<table>
<thead>
<tr>
<th>Year</th>
<th>Today</th>
<th>Tomorrow</th>
<th>Beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>Exploitation of existing efficiency potential</td>
<td>Increased efficiency due to new power plant technology</td>
<td>Virtually CO$_2$-free power plant with CO$_2$ capture and storage</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>Efficiency increases</td>
<td>CO$_2$ capture and storage</td>
<td></td>
</tr>
</tbody>
</table>
Key issue: Climate protection

**Technology of today:** Optimizing the generation fleet through state-of-the-art power plants

<table>
<thead>
<tr>
<th></th>
<th>150 MW units</th>
<th>300 MW units</th>
<th>600 MW units</th>
<th>1,000 MW BoA unit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>η</strong></td>
<td>33%</td>
<td>35%</td>
<td>36%</td>
<td>&gt; 43%</td>
</tr>
<tr>
<td><strong>CO₂</strong></td>
<td>1.2 t/MWh</td>
<td>1.1 t/MWh</td>
<td>1.1 t/MWh</td>
<td>0.9 t/MWh</td>
</tr>
</tbody>
</table>

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Key issue: Climate protection

**Technology of today:** Reduction of CO₂ emissions by more than 13 million tonnes p.a. through planned investment in new power plants

<table>
<thead>
<tr>
<th>Project</th>
<th>Capacity in MW</th>
<th>Location</th>
<th>Projected construction-phase</th>
<th>Capital expenditure</th>
<th>Efficiency of new plant</th>
<th>Efficiency of replaced plant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Topping gas turbines</td>
<td>2 x 190</td>
<td>Weisweiler</td>
<td>2005 – 2007</td>
<td>€ 150 m</td>
<td>56%</td>
<td>36%</td>
</tr>
<tr>
<td>Lignite-fired plant</td>
<td>2,100</td>
<td>Neurath</td>
<td>2006 – 2010</td>
<td>€ 2.2 bn</td>
<td>43%</td>
<td>32%</td>
</tr>
<tr>
<td>Hard-coal fired plant</td>
<td>1,530</td>
<td>Hamm</td>
<td>2008 – 2012</td>
<td>€ 2.0 bn</td>
<td>46%</td>
<td>36%</td>
</tr>
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<td>Hard-coal fired plant</td>
<td>1,530</td>
<td>Ensdorf</td>
<td>2008 – 2012</td>
<td>€ 2.0 bn</td>
<td>46%</td>
<td>36%</td>
</tr>
<tr>
<td>CCGT plant</td>
<td>875</td>
<td>Lingen</td>
<td>2007 – 2009</td>
<td>€ 0.5 bn</td>
<td>58%</td>
<td>36%</td>
</tr>
<tr>
<td>UK</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CCGT plant</td>
<td>1,650</td>
<td>Staythorpe</td>
<td>2007 – 2010</td>
<td>€ 0.9 bn</td>
<td>58%</td>
<td>-</td>
</tr>
<tr>
<td>Hard-coal fired plant</td>
<td>1,600</td>
<td>Tilbury</td>
<td>2010 – 2013</td>
<td>&gt; € 1.5 bn</td>
<td>46%</td>
<td>36%</td>
</tr>
<tr>
<td>Netherlands</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hard-coal fired plant</td>
<td>1,560</td>
<td>Eemshaven</td>
<td>2007 – 2012</td>
<td>€ 2.2 bn</td>
<td>46%</td>
<td>-</td>
</tr>
</tbody>
</table>
Key issue: Climate protection

**Technology of tomorrow: Increase in efficiency – the priority development target for CO₂ reduction**

### 700°C power plant (hard coal & lignite)
- Efficiency increase of 4%pts possible
- Projects: COMTES700 – Component Test Facility for a 700°C Power Plant – initiated by a group of major European power generators (incl. RWE) and material tests in existing power plants of RWE and others
- Budget: € 22m

### Lignite pre-drying plant at Frechen

### Lignite pre-drying/ALPC (Advanced lignite pulverized coal)
- Efficiency increase of 4%pts possible
- Technology successfully proven, since 1993, at an RWE pre-drying plant in Frechen
- To introduce this technology on a commercial scale, RWE has started the construction of a lignite pre-drying prototype plant at the BoA 1 plant (Niederaussem). Operations will start at the end of 2007
- Budget: € 50m for construction and operation

Extra investment will lead to significantly improved efficiency rates and lower fuel consumption, so that electricity production may be kept constant and CO₂ output be reduced.

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**Key issue: Climate protection**

**Technology of the Future: RWE to gain leadership in Europe in virtually CO₂-free power plant technology**

1. RWE Power plans to develop and build a virtually **CO₂-free 450 MW-coal-fired IGCC**\(^1\) plant including CO₂ transport and storage in Germany to demonstrate the whole CCS\(^2\)-chain. Commissioning is scheduled for 2014.

2. In parallel, **CO₂ scrubbing for lignite and hard coal** will be developed further for advanced conventional power plant technology, also as a retrofit option.

3. In addition, **the planned high efficiency supercritical 1,600 MW hard coal fired power plant** of RWE npower at Tilbury will be designed to accommodate carbon capture and sequestration technology.

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\(^1\) IGCC: Integrated gasification combined cycle

\(^2\) CCS: carbon capture and storage

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Key issue: Climate protection

**Technology of the Future: Electricity generation with CO₂ capture and storage – RWE drives IGCC technology forward**

![Diagram showing IGCC process](image)

- **Oxygen**
- **Coal**

**Gasification**

- **Hydrogen**

**Gas and Steam turbine**

Also usable as H₂, or for SNG, methanol, fuel generation

**CO₂ capture**

**Pipeline for CO₂ transport to storage**

**Electricity** 450 MW<br>

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**Technology of the Future:** Operation start-up by 2014 requires parallel development of power plant and CO₂ storage

- **2006**
  - Power plant: Project development
  - CO₂ storage: Screening, exploration, licence

- **2007**
  - Power plant: Planning, approval
  - CO₂ storage: Construction, start-up

- **2010**
  - Power plant: Licence, decision on construction
  - CO₂ storage: Licence, decision on construction

- **2014**
  - Power plant: Start of operation
  - CO₂ storage: Start of operation

The geological conditions prevailing in the depository will determine the quantities of CO₂ stored at the start and how the volume can be increased.
**Key issue: Climate protection**

**CO₂ avoidance costs through building new power plants** *(€/t CO₂)*

### Today

- Nuclear power: 11 – 15
- Hard coal: 21 – 23
- Lignite (BoA): 21 – 23
- CCGT: 34 – 38
- Wind: 40 – 67
- Hydro: 35 – 85
- Photovoltaic: 525 – 670

### Tomorrow

- ALPC (pre-drying): 26 – 28
- IGCC without capture: 29 – 35
- BoA with scrubbing: 28 – 34
- Oxyfuel: 32 – 38
- IGCC with capture: 37 – 43

### Beyond

- Nuclear power: 11 – 15
- Hard coal: 21 – 23
- Lignite (BoA): 21 – 23
- CCGT: 34 – 38
- Wind: 40 – 67
- Hydro: 35 – 85
- Photovoltaic: 525 – 670

*Calculation of costs:
- Related to old lignite units
- Allocation of CO₂ certificates is not taken into account
- Subsidies for renewables are not considered
- Rough estimation of costs of sequestration*
Key issue: Climate protection

**CDM/JI projects give RWE access to cost-effective reduction of greenhouse gas emissions**

**Clean Development Mechanism (CDM):**
Emission reductions through investment by an industrialized country in a country without reduction commitments are credited to the emission account of the investor country

**Joint Implementation (JI):**
Emission reductions through investment by one industrialized country in a second industrialized country are credited to the emission account of the investor country

- Germany/UK Emission rights
- China
- Germany/UK Emission rights
- Russia

- South America
- China
- India
- Rest of Asia
- Africa
- Brazil

- In 2006, the CDM/JI business was on a high level compared to 2005. Since 1999, certificate contracts with a total volume of 800 million tonnes have been closed
- Much of the volumes contracted are accounted for by Chinese projects. India and Latin America are leading in the number of projects
- Meanwhile, the UN has approved more than 660 projects that are expected to supply more than 900 million CERs by 2012
Key issue: Climate protection

**RWE:**

1.4 GW renewable capacity in Europe

<table>
<thead>
<tr>
<th>MW (as of Dec 2006)</th>
<th>Hydro</th>
<th>Wind</th>
<th>Biomass</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>599</td>
<td>49</td>
<td>68</td>
</tr>
<tr>
<td>UK</td>
<td>59</td>
<td>400&lt;sup&gt;1&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain/Portugal</td>
<td>28</td>
<td>123</td>
<td></td>
</tr>
<tr>
<td><strong>Total&lt;sup&gt;2&lt;/sup&gt;</strong></td>
<td>731</td>
<td>572</td>
<td>68</td>
</tr>
</tbody>
</table>

<sup>1</sup> Thereof 60 MW offshore

<sup>2</sup> Consolidated or 100% contracted power plants. In addition RWE is engaged in 3,177 MW renewables generation via minority holdings
RWE’s approach to the CDM/JI market

CDM/JI from RWE’s perspective

- RWE is the biggest emitter in the EU emissions trading system and will face a substantial under-allocation of certificates in 2008-12 according to actual NAP drafts. Therefore, RWE actively pursues the CDM and JI market.

Options presently pursued

- Direct involvement in CDM/JI projects with:
  - Financial investment
  - Technology contribution
  - CDM/JI regulatory process

- Purchasing carbon credits from third-party projects:
  - Direct transaction with sellers
  - Tendering
  - Participation in carbon funds (e.g. Prototype Carbon Fund of the World Bank since 2000)

Targets

- Full utilization of the amount of CERs/ERUs admissible under the NAPs
- Securing 50 million certificates by 2007
- Extending precursor role and initiating market development

Budget: €150 million
Key issue: Social responsibility

Social responsibility is about much more than promoting fine arts and culture …

Code of Conduct

Our Code of Conduct sets Group wide standards for responsible action and forms the basis for other internal regulations which take into account aspects specific to the industry and country concerned.

Our Values

- Trust
- Forward Thinking
- Reliability
- Performance
- Customer Focus

Areas of social responsibility:

- Environment
  We are committed to improving our environmental performance and ensuring that environmental factors are integrated into our business.

- Workplace
  We are committed to supporting staff development, providing young people with the opportunity to begin a career, promoting equal opportunities, ensuring a safe working environment and the prevention of work-related ill health.

- Community
  Our operations have the potential to affect the local residents and wider communities where we operate. We believe that it is right to give something back to these communities, either directly or through our employees.
We are strongly committed to enhancing our human resources

- We adhere to the principles of the International Labour Organisation (ILO).
- Appointment of a Group diversity officer in 2006.
- Occupational health and safety is a key issue for RWE:
  - In August 2006, the Executive Board adopted a uniform occupational health and safety policy. It calls on all our divisions to determine further steps en route to improving safety at work.
  - Launch of a comprehensive campaign to inform our workforce of issues pertaining to occupational safety
  - In 2006, we recorded 8.2 accidents for every 1,000 staff members (2005: 10.6). Within five years, we succeeded in nearly halving our accident rate.
- Group-wide HR management to attract and retain highly qualified staff.
- Heavy investment in training and promoting young people:
  - In 2006, a total of 2,845 young adults were in a professional training programme at RWE. This is ten times more than the Group needs.
  - International Graduate Programme for graduates with exceptional qualifications who are just beginning their careers in the Group.
Key issue: Social responsibility

*We are a reliable partner in the communities around us*

**Mutual benefits drive our community engagement projects**

<p>| | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>RWE Youth Foundation</td>
<td>We help young people at risk to escape from a downward spiral to poverty and exclusion</td>
</tr>
<tr>
<td>&quot;I Can Do It! &quot;</td>
<td>We prepare disadvantaged young people for an apprenticeship and job</td>
</tr>
<tr>
<td>&quot;Health Through Warmth&quot;</td>
<td>We tackle fuel poverty, associated with cold-related illness</td>
</tr>
<tr>
<td>Education</td>
<td>We offer our knowledge and training material to school and partner with universities</td>
</tr>
<tr>
<td>Volunteering</td>
<td>We support a steadily growing number of our employees in their engagement for the communities they live in</td>
</tr>
<tr>
<td>Charitable donations</td>
<td>We support charitable fund raising of our employees and of the Group</td>
</tr>
<tr>
<td>e8 group of utilities</td>
<td>We foster sustainable energy supply in Third World countries</td>
</tr>
</tbody>
</table>
Key issue: CR management

Structure of CR management at RWE

Executive Board of RWE AG

- Objectives
- Recommendations

CR Coordination Committee of Executive Board Members

- Targets
- Reporting

Group Public/Environmental Affairs & Group Communication

Staff of CR representatives of operating companies

- RWE Power
- RWE Dea
- RWE Gas Midstream
- RWE Trading
- RWE Energy
- RWE npower
- RWE Systems

Strategic decisions

- Uptake of relevant developments
- Assessment of RWE position recommendations
- Coordination
- Controlling

Operational decisions
We attach great importance to effective and transparent corporate governance

- RWE complies with all recommendations of the German Corporate Governance Code in the version dated July 24, 2006. As a result, RWE’s latest compliance declaration dated February 21, 2007 contains no restrictions.
- RWE was one of the first DAX companies to comply with the Code’s July 2003 recommendation to provide a breakdown of Executive and Supervisory Board compensation by member (since 2004).
- Ca. 1,500 management staff incentivized by a high proportion of variable pay that can reach 50% of targeted total cash compensation depending on management level (and country), comprising two building blocks:
  - company bonus 2007 (50% based on value added of the operating company, 50% based on value added of the group)
  - individual bonus that depends on achievements versus individual targets, agreed once a year.
- Regulations and control mechanisms to prevent corruption.
- Directors’ dealings disclosed on the Internet.
- High transparency and fair disclosure, e.g. investor conferences and the annual general meeting are broadcast live on the Internet and can thus be followed by the public at large, investors and analysts simultaneously.
Key issue: Stakeholder dialogue

*Transparency is a key element of our stakeholder dialogue*

- We supply SRI investors and analysts with detailed information and answers mainly by questionnaires, company reports, road shows, and one-on-ones
- We supply the Carbon Disclosure Project, WWF, German Watch etc. with information on our greenhouse gas inventory and discuss with them on our generation strategy
- We are lobbying our interests in an open and responsible way
- We work together with all kinds of non-governmental organizations in the regions of our operations
- We extensively consider interests of neighbours and local authorities at our sites and works
- We are in constant discussion with the representatives of our employees and the unions
We assist customers in increasing energy efficiency

- **Contracting**
  Contracting is a growing business case. Taking over the energy supply of industry and communities we implement the most efficient techniques and operations (e.g. Guinness Breweries, heat supply for Berlin Gropiusstadt and in Czech Republic)

- **Energy efficiency initiative launched**
  Since the beginning of 2006, together with other companies, RWE has been supporting the energy efficiency initiative of the German Energy Agency (dena). At the same time, we built up a broad efficiency initiative of our own to support both industry and households in using energy efficiently.

- **Promoting heat pumps**
  The RWE programme to promote heat pumps has been well received by our customers. With a market share of 25% RWE is Germany’s leading provider. Each of the 32,500 heat pumps that have meanwhile been installed reduces CO₂ by 2-4 tons per year compared to conventional heating.

- **Energy Efficiency Commitment (UK)**
  - To achieve the energy savings required under the UK Energy Efficiency Commitment, RWE npower has developed a number of schemes to promote thermal insulation, heating systems and low energy lighting and appliances.
  - Our energy saving target for the first programme (April 2002 – March 2005) of 8,117 GWh has been reached
  - New target for the second phase (April 2005 – March 2008): 16,000 GWh
Key issue: Biodiversity

Protection of nature and enhancing biodiversity is a key element to maintain acceptance and trust

- **Recultivation of open-cast lignite mines:**
  - We completely recultivate the mined-out areas in close cooperation with local inhabitants. We give back a reshaped landscape of highest standards.
  - Rhenish opencast mines have used 290 km² so far. Of this, some 200 km² have been reclaimed (103 km² arable land, 77 km² forests, 20 km² water and others)

- **Biodiversity action plans:**
  Through biodiversity plans we minimize the impact of our operations on new and existing sites

- **High voltage transmission lines:**
  Our concept of biotope management sets standards for enhancing biodiversity when maintaining transmission lines. Our bird protection programme has been accepted by NGOs

- **Offshore oil production in German coastal waters:**
  More than 15 years of operation without any incident demonstrates our care and experience
In 2006, RWE has spent €690m on environmental protection

- Water protection (mainly wastewater treatment) 26%
- Clean air (e.g. operation of fluegas desulphurisation systems) 31%
- Landscape conservation (e.g. recultivation projects at Rhenish opencast mines) 11%
- Restoration of contaminated sites 2%
- Noise abatement 2%
- Waste disposal 28%

Total: €690m* (2005: €984m)

*The decline compared to 2005 is mainly due to the deconsolidation of Thames Water.
CR pays off

**Ratings underpin successful CR strategy of RWE**

- Since the launch in 1999 RWE has been listed in Dow Jones Sustainability Indexes. For 2006/07 we are selected
  "Sustainability leader in multi utilities"

- Member of **Climate Leadership Index** of CDP4 with a best-in-class ranking

- Our **open reporting** scored excellent rankings in Germany and Internationally:

<table>
<thead>
<tr>
<th>No. 2</th>
<th>No. 6</th>
<th>No. 20</th>
<th>A+</th>
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</thead>
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