

Biomass Purchasing Amendment to the E.ON Responsible Procurement Policy.

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The E.ON Responsible Procurement Policy is the Umbrella document for responsible purchasing at E.ON. For further clarity specific amendments, such as this document for Biomass purchasing, are needed to highlight the relevant considerations for Biomass.

Objectives of this Biomass Purchasing Amendment

E.ON increasingly uses Biomass for the generation of energy, thereby offsetting the use of coal or other non-renewable resources.

Biomass is defined as non-fossilized and biodegradable organic material originating from trees, plants, animals and micro-organisms. This includes also products, by-products, residues and waste from agriculture, forestry and related industries as well as the non-fossilized and bio-degradable organic fractions of industrial and municipal wastes. Biomass also includes gases and liquids recovered from the decomposition of non-fossilized and biodegradable organic material (Definition Biomass of UNFCCC).

E.ON uses biomass in its dedicated biomass energy generation facilities and as a product for co-firing in its coal fired power stations. In addition, biomass is used to generate biogas which can be upgraded to biomethane with a quality comparable to natural gas.

Biomass purchasing is a key element in our fuel mix and is increasingly adding value to our business. This policy amendment has the objective to guide biomass purchasing in line with our broader corporate responsibility agenda. Whilst biomass as a fuel provides clear business opportunities we also recognize the need to manage social, environmental and reputational risks related to biomass purchasing and trading. We thereby aim to achieve an optimal balance between commercial opportunities and minimising risk.

Scope and Context

This Biomass Purchasing Amendment applies to E.ON AG. It includes all Market Units and its operating companies (Business Units), its domestic and international majority shareholdings and where E.ON is responsible for management and operation of the company. It is directed at the management of those companies and at the functional areas that are involved in creating and supporting the business processes. It may also apply to minority shareholdings. Application must be authorized by the respective supervisory board of that minority shareholding.

This document provides guidance for the purchasing of these alternative fuels and raw materials with the objective to safeguard:

- Environmental quality and biodiversity
- Human rights and labour rights
- Living conditions for communities and people impacted by the production of these biomass fuels.

This Biomass Purchasing Amendment is a specification under the Responsible Procurement Policy and in addition has clear linkages with the E.ON:

- Group Environmental Policy, and
- E.ON Human Rights Policy Statement

The "E.ON Energy from Waste"-operations are covered by the existing national regulatory frameworks specifying the biomass conditions in waste streams.

Purchasing conditions

We will purchase biomass fuel across the Group in line with the conditions outlined in this document.

1. Our Biomass production, transport and use will be undertaken in such a manner as to significantly reduce carbon dioxide emissions relative to coal [& gas] fired generation.
 2. Biomass production projects shall be designed and operated under appropriate, comprehensive, transparent, consultative, and participatory processes that involve the relevant stakeholders.
 3. Biomass production shall be undertaken in such a way as to contribute to the social and economic development of local, rural and indigenous peoples and communities.
 4. We will not use human food as a biomass fuel.
 5. Animal feed, crops grown for energy use and agricultural residual products, can only be used as a biomass fuel if:
 1. the use of such biomass is in line with respective Government (and / or EU) regulations or programs, and
 2. local and global food prices and security will not be distorted from utilising such biomass.
- Virgin wood (incl. forest residues) used as biomass will be from sources managed in accordance with FSC, PEFC or equivalent global standards or produced in accordance with national laws and regulations stipulating sustainable forest management principles similar to the requirements of the accepted global standards mentioned above. If legal compliance with these requirements can not be substantiated, or if such requirements do not exist, a sustainability audit must be undertaken by an independent and accredited auditor.
 - Biomass production shall avoid negative impacts on biodiversity, ecosystems, and areas of High Conservation Value.
 - Biomass production shall optimize surface and groundwater resource use, including minimizing contamination or depletion of these resources, and shall not violate existing formal and customary water rights.
 - We will only use biomass grown from Genetically Modified seeds when the risks for spread of GM material to the surrounding environment during transportation or at our energy generation facilities can be mitigated. GM material can only be used if it complies with applicable laws and regulations.
 - Biomass production shall not violate land rights.

The implementation of this Biomass Purchasing Amendment has the following elements:

1. E.ON will maintain a running list of optional biomass products eligible for purchasing and trading. E.ON Energy Trading leads the process for the revision of that running list and includes all relevant E.ON parties handling biomass for energy generation. The basis for that running list is a so called Biomass Scoping Matrix in which all traded and used biomasses need to be assessed.
2. This Biomass Purchasing Amendment is part of the Terms & Conditions in the contracts with our suppliers
3. The E.ON Corporate Center as owner of this Biomass Purchasing Amendment may undertake audits (internal or external) and site visits to monitor and control the standard of performance in relation to the requirements and expectations as set out in the above listed policies.
4. All relevant purchasers and traders will receive basic training relevant for the effective implementation of the responsible procurement policy and its Biomass purchasing amendment.
5. Non-compliance to this Biomass Purchasing Amendment by our suppliers can lead to sanctions.

Status: 31 October 2009; Revision: 0

E.ON AG Board authorization: 23.09.2009

Valid from: 1 November 2009

First revision: November 2010

Further revision cycle: two years

Owner: E.ON AG; Department Corporate Sustainability