

**Combined
Non-financial
Report 2017**

e.on

Editorial note

This separate Combined Non-Financial Report complies with the reporting requirements of the German CSR Directive Implementation Act (§289b-e and 315b-c of the German Commercial Code). It applies to both the E.ON Group and E.ON SE (hereinafter: E.ON). In addition to the description of our business model and general information, the report contains information on the five aspects: the environment, employees, social matter, human rights, and anti-corruption. This information is for the reporting period from 1 January to 31 December 2017. The report encompasses all subsidiaries that are fully consolidated in its Consolidated Financial Statements. Any deviations from this are indicated.

Business model

E.ON is an investor-owned energy company that operates internationally. Adapting to the ongoing evolution of the energy market, since 2016 we have focuses on three core businesses: energy networks, customer solutions and renewables. In addition to our core businesses, our portfolio includes a nuclear power business in Germany. This is not a strategic business for E.ON and is managed by a separate operating company, PreussenElektra.

Our three core businesses promote the sustainable development of the energy industry. Renewables, for example, are indispensable ingredients of a climate-friendly power mix. With more and more power coming from distributed sources, smart distribution grids are needed to bring this power to consumers. In addition, our innovative solutions help our customers use energy more efficiently and reduce their carbon emissions.

More information about E.ON's business model can be found in our → [2017 Combined Group Management Report](#).

General information

As a responsible company, we monitor all material impacts of our business operations. We consider not only financial aspects but also environmental and social issues along our entire value chain. The systematic consideration of non-financial issues enables us to identify opportunities and risks for our business development early. Risks not only represent the possibility of a negative deviation from a financial target. In addition to the expectations of investors, E.ON takes into account the expectations of other key stakeholders.

The following sections address sustainability issues that are of particular importance to us. These are the issues that are essential for understanding E.ON's business performance, financial results and situation as well as the impact of our business operations. In these sections we explain our approach to each issue and our progress in 2017. E.ON takes a comprehensive approach to health and safety (Aspect 2: employee matters) and the environment (Aspect 1: environment), which is explained on page 3.

Our description of these approaches is guided by the most recent version (2016) of the Global Reporting Initiative's Sustainability Reporting Standards, in particular GRI standard 103: Management Approach 2016.

The approaches described below address our stakeholders' expectations as well. As a result, there are no material reportable risks for the material issues contained in this report. This means that there are no deviations from expectations regarding the material issues that are likely to have a serious adverse impact on the aspects. Information about our financial risks and opportunities can be found in the Risk and Chances Report in the Combined Group Management Report.

E.ON's material topics subsumed under the five mandatory aspects

Environmental matters	<ul style="list-style-type: none"> • Climate protection
Employee matters	<ul style="list-style-type: none"> • Occupational health and safety • Diversity
Social matters	<ul style="list-style-type: none"> • Security of supply • Customer loyalty
Human rights	<ul style="list-style-type: none"> • General significance of human rights
Anti-corruption	<ul style="list-style-type: none"> • General significance of compliance

The policies mentioned below set minimum standards, assign responsibilities and define management tools for the various non-financial topics. These policies are binding throughout E.ON. They issue instructions and are reviewed on an ongoing basis. Group policies are binding for all companies in which E.ON holds a majority stake and for projects and partnerships for which E.ON has operational responsibility. Our contractors and suppliers are also required to meet our minimum standards.

Our sustainability efforts are guided by internationally recognised standards, which provide orientation and help ensure that we consider all essential aspects of responsible corporate governance. We have been committed to the ten principles of the United Nations Global Compact since 2005. Our Sustainability Report, which we have published annually since 2004, serves as our annual Communication on Progress to the Global Compact. The report has been based on GRI standards since 2004.

Information on E.ON's sustainability strategy can be found in the Strategy section of our → [2017 Sustainability Report](#). The Corporate Governance section contains detailed information on our overarching sustainability organisation. In this section we also report on topics not included in this report for reasons of materiality.

Approach to health, safety and the environment (HSE)

E.ON's HSE organisation, which has developed over the course of many years, manages all our HSE activities centrally. Our HSE policies set minimum standards, assign responsibilities and define management tools and reporting pathways. These policies are binding across E.ON.

The E.ON Management Board and the management of our units are responsible for our HSE performance. Their task is to set our strategic objectives and to achieve continual improvement. They are supported and advised by the HSE division at Group Management and by our HSE Council. The Council is composed of senior executives and employees representatives from a variety of countries where we operate. The committee meets at least three times a year and is chaired by the member of the Management Board responsible for HSE. Our units have HSE committees and expert teams as well. They draw up framework specifications to ensure that their unit meets our standards. Our units also design HSE improvement plans (HSE-IP), which contain specific HSE targets for one or more years. The degree to which HSE-IP targets are met has been factored into our executives' variable compensation since 2014.

We expect our HSE standards to be met further up the value chain as well, for example by our suppliers. New suppliers must first undergo a qualification process if there is an increased risk that their business activities could have a negative impact on HSE. Depending on their size, we sometimes also require them to be certified to international environmental and social standards (ISO 14001, EMAS III or OHSAS 18001) or we conduct HSE audits of them.¹

¹Going forward, OHSAS will be superseded by ISO 45001.

Aspect 1: Environmental matters

We comply with all environmental laws and regulations. In addition, our HSE management systems, which are certified to ISO 14001 and ISO 50001 (see HSE Management), define our own environmental standards. Our objective is to minimise environmental impacts as much as possible and to prevent environmental damage from occurring.

Climate protection

For an energy company like us, climate protection is a particularly important environmental matter. The generation and use of conventional energy are accompanied by greenhouse gas (GHG) emissions. Low-carbon energy generation and the efficient use of energy therefore play key roles in reducing emissions and limiting global warming. Many countries, communities, and companies have already embraced climate-friendly energy production and energy efficiency to achieve their carbon-reduction targets. Our strategic focus on renewables and energy-efficient customer solutions is fully in line with these global trends.

Continuing to expand our renewables business helps society move toward a climate-friendly energy supply. This business is managed by E.ON Climate & Renewables (EC&R). Founded in 2007, EC&R develops, builds and operates large offshore and onshore wind farms as well as solar farms and energy-storage projects. Its Chief Executive Officer reports directly to our Chief Operating Officer – Networks & Renewables, a member of the E.ON Management Board. She informs him of EC&R's key financial and technical performance indicators, which can be found in our → [Combined Group Management Report](#). In 2017 EC&R was active in the United States, the United Kingdom, Germany, Denmark, Sweden, Italy and Poland. In addition to these large-scale projects, we also deliver solutions that enable medium-sized companies and residential customers to generate their own climate-friendly electricity. Each regional unit has a team responsible for marketing and delivering such solutions in its market.

GHG emissions can be reduced not only by low-carbon generation technologies but also by energy conservation. That is why our energy-efficiency solutions are designed to help customers use less power and gas. We offer distributed-generation as well as energy-efficiency solutions, such as the optimisation of lighting and air conditioning. We also market digital energy-management solutions for business and residential customers. These solutions make energy consumption transparent and help customers identify potential savings. E.ON Connecting Energies provides these solutions to industrial and commercial customers in Germany, the United Kingdom, France, Italy, Belgium, the Netherlands, Sweden, the Czech Republic, Romania and Hungary. Our regional units provide them to residential customers.

The activities of our core businesses help protect the earth's climate. But we also want to shrink our own carbon footprint. We measure the annual carbon emissions from our power and heat generation and from our business activities that are not directly related to energy generation. We disclose these figures in our sustainability reporting. We factor in upstream and downstream emissions as well. We calculate emissions using the globally recognized WRI/WBCSD Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol).

Following the successful operational spinoff of Uniper SE on January 1, 2016, the E.ON Board of Management set new climate targets for 2030 in June 2017. We now aim to reduce our carbon footprint by 30 percent and that of our customers (their carbon emissions per kWh of power we sell them) by 50 percent, both relative to a 2016 baseline. Indirect carbon emissions (Scope 3), which arise primarily in connection with the procurement and use of power and gas in our energy sales business, account for most of our carbon footprint. To meet these targets, we have defined measures to reduce our emissions in all three scopes of the GHG Protocol. We intend to reduce our direct emissions (Scope 1) by updating and optimising our gas networks and our indirect emissions (Scope 2) by conserving energy ourselves and reducing line loss in our network business. Our Scope 3 objective is to increase the share of renewable energy we offer our customers.

CO₂-emissions (total CO₂ equivalents in million metric tonnes)

	2017 ¹	2016	2015 ²
Scope 1: Direct emissions from our own business operations	5.04	5.37 ³	79.99
Scope 2: Indirect emissions associated with our electricity and heat consumption ⁴	3.34	3.36	3.69
Scope 3: Indirect emissions from all other business operations	71.02	74.02 ³	116.51
Total	79.40	82.75³	200.19

¹Change in data-collection method and in the scope of consolidation.

²Figures not adjusted for discontinued operations (that is, not adjusted for the Uniper spinoff).

³Prior-year figures were adjusted.

⁴For reasons of materiality, the calculation does not include internal consumption by district heating, however it does include relevant transmission and distribution losses from electricity. These result in the largest percentage of Scope 2 emissions.

Our direct and indirect carbon emissions totalled 79.40 million tonnes of CO₂e in 2017, what represents a slight decline compared to previous year. This was mainly due to the lower Scope 3 emissions. Lower purchasing volumes, the purchase of less carbon-intensive materials and lower sales volumes of electricity and gas led to reductions.

2016 marked the starting point of measures and initiatives that will help us achieve our new climate-protection targets for 2030. However, year-on-year comparisons can be affected by fluctuations. A period of several years is necessary to determine whether our measures are effective and where we stand with regard to our targets. We will therefore assess the trend every three years, for the first time after year-end 2019. If these findings indicate that corrections are necessary, we will work with our units to define measures to ensure that we meet our targets.

Aspect 2: Employee matters

A dedicated, healthy and diverse workforce is crucial for our success. Our new strategic course and the Phoenix restructuring programme began a process of change for our employees. We address this process through HR management and take the interests of our employees very seriously. We actively involve them in all upcoming changes and work closely with employee representatives. More information about Phoenix and employee matters can be found in the Employees section of our → [Combined Group Management Report](#).

In addition to the approaches presented below, our approaches to compliance and human rights are relevant for employee issues. For example, our Code of Conduct includes guidelines for occupational health and safety. Employees can report suspected violations such as discrimination by using our Group-wide whistleblower hotline. More information on this can be found in this report in the section on anti-corruption and human rights.

Occupational health and safety

Our employees' health and safety (H&S) are essential for their performance and thus for our company's success. Some of our employees do potentially dangerous work, such as on power distribution networks. Strict safety standards are therefore of particular importance to us. Accidents not only endanger our employees, but may also cause property damage, lead to downtime and harm our reputation. Demographic change presents additional challenges: we need to address the needs of an aging workforce and maintain our people's ability to work.

Our approach to H&S is preventive, and we have zero tolerance for accidents. Consequently, our overriding objective is to prevent accidents from ever happening. By signing the Düsseldorf Statement on the Seoul Declaration on Safety and Health at Work and the Luxembourg Declaration on Workplace Health Promotion in 2009, we pledged to promote a culture of prevention.

To live up to our commitment to our employees' H&S, our HSE management assigns responsibilities clearly and sets minimum standards (see HSE Management below). These apply not only to our employees but also to contractor employees who do work on our behalf. With few exceptions, all E.ON units are required to have an H&S management system certified to OHSAS 18001, a globally recognised standard for such systems. Certification requires an annual management review.¹ The reviews are conducted by the units themselves and are a prerequisite for certification to be renewed. If necessary, Corporate Audit and HSE at Group Management conduct HSE audits to determine whether our standards are being met. To decide whether an audit of a unit is necessary, we analyse its accidents from the previous year as well as current risk assessments. In addition to audits, performance indicators for lost time, accidents and dangerous situations also help us investigate accident causes and conduct comprehensive risk analysis. The E.ON Management Board is informed about severe accidents, developments relating to accidents, and related measures and programmes by means of monthly reports from HSE and periodic consultations with the Senior Vice President for Sustainability & HSE.

We created the Centre of Competence for Global Learning in 2013 to provide our employees with H&S training. Since that time, E.ON as well as contractor employees have been able to choose from a uniform catalogue of training courses and seminars. There are country-specific approaches and training centres as well. We place great emphasis on continually providing our senior managers with training to enable them to live up to their responsibility for H&S and to ensure that the workplaces for which they are responsible are healthy and safe. In 2017, for example, we developed a new training course for senior managers at our operating businesses. The course was already held at some of our facilities in Germany in 2017 and will be offered throughout the Group in 2018. It trains managers to recognise safety risks early and to motivate their employees to work safely and responsibly. For health issues, our employees have access to health advisers. In Germany, this advice service is a central component of the Group Works Agreement "Health," which was concluded between management and the Group Works Council in 2015. In addition to training courses and seminars, we raise our employees' H&S awareness by a number of other means, such as our SafetyFIRST safety campaign. The campaign has been conveying important rules for safe working since 2011.

The findings of our 2017 audits show that our H&S management systems are largely effective. In some cases, however, we identified room for improvement. We initiated training courses for employees and managers at these units and took steps to eliminate weaknesses in their processes.

¹"Exceptions are allowed if the level of risk borne by a management unit in performing routine and non-routine activities / work processes is low." (Business Governance Group Policy HSE Management, page 7). Going forward, OHSAS will be superseded by ISO 45001.

Total Recordable Injury Frequency (TRIF) is our key performance indicator for safety. It measures the number of recordable work-related injuries and illnesses per million hours of work. We include contractor employees' in our safety performance since 2011 (combined TRIF). The HSE improvement plans of many of our units set annual targets for combined TRIF, which helps us reach our goal of zero accidents. Our most direct influence is on reducing the number of accidents involving our own employees. We therefore present below our employee TRIF performance for the past three years.

Employee TRIF^{1,2}



¹Total recordable injury frequency: the number of work-related accidents and illnesses per million hours of work, including fatal accidents, workplace and business travel accidents, with and without days lost, which required medical treatment or where work was only possible in an alternative position or where only a limited amount of work was possible.

²Unlike the rest of our reporting, our safety reporting includes companies in which E.ON holds less than a 50 per cent stake but over which E.ON has operational control.

³Figures from our Combined Group Management Reports, adjusted for discontinued operations (that is, adjusted to exclude Uniper).

In 2017 the E.ON Group reduced its employee TRIF to 2.3 from 2.5 in 2016. However, this indicator has changed little in recent years. That is why we are working hard to reduce accidents and thus employee TRIF.

Regrettably, despite our extensive safety measures, four of our employees and one contractor employee died in 2017. We immediately investigate all fatal accidents to determine the exact chain of events that led up to them. In addition, within 24 hours a report must be submitted to the Management Board of the unit where the accident occurred and to the member of the E.ON Management Board responsible for H&S. The aim is to identify accident causes and to take all necessary steps to prevent similar accidents in the future.

We do not have a key performance indicator for health maintenance.

Diversity

The diversity of our workforce fosters creativity and innovation. It helps us better understand our customers' needs and expectations. Studies show that heterogeneous teams perform better and generate higher returns than homogenous teams. In addition, we believe that diversity is an important facet of an employer's attractiveness and can therefore help us recruit talented junior staff and seasoned professionals.

We take a targeted approach to promoting diversity. Our joint "Diversity and Inclusion" statement formulates our pledge to create a work environment in which every employee can develop his or her potential. The declaration was issued jointly by the E.ON SE Board of Management and the SE Works Council in 2016 and is based on a policy document from 2006. E.ON signed the German Diversity Charter in 2008, affirming our public commitment to a tolerant, inclusive corporate culture.

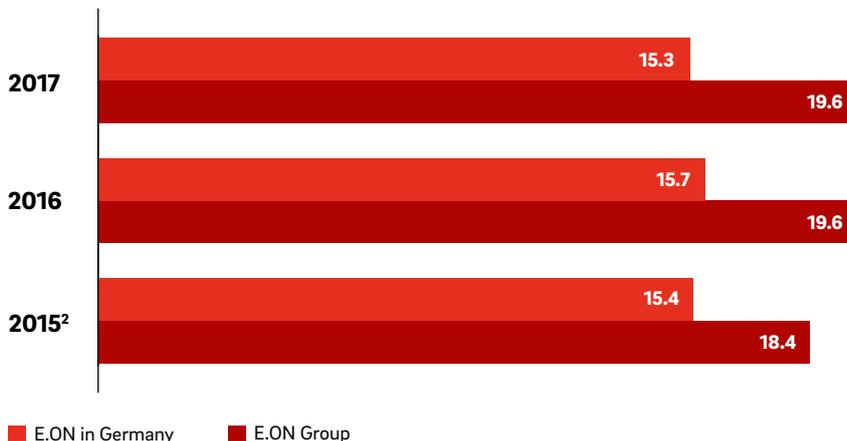
We place a special emphasis on gender diversity. E.ON SE and E.ON companies in Germany must comply with the German Law for the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector, which took effect on 1 May 2015. We meet all of the law's requirements. Pursuant to the law, we set gender-diversity targets for leadership positions for 30 June 2017. We partially achieved these targets. The proportion of women in the second level of management below the E.ON Management Board rose to 26.5 percent by this date, well above our target of 17 percent. The proportion of women in the first level of management was 19 percent, which means that we unfortunately failed to meet our target of 23 percent. We set new targets for the next five-year period, which ends on 30 June 2022: our targets are 30 percent women for the first level of management and 35 percent women for the second level. In addition, the Supervisory Board resolved that 20 percent of the E.ON Management Board's members should be women by December 2021.

More information about our diversity strategy can be found in the Management's Statement in the Combined Group Management Report.

Beyond statutory requirements, we voluntarily set a Group-wide target of further increasing the proportion of women at all levels of management. Women accounted for 32 percent of the E.ON Group's workforce in 2016. The E.ON Management Board resolved that women should also account for this same percentage of management positions by the end of 2026. In order to meet the Group-wide target, each unit works toward its own target. The HR department monitors progress twice a year and reports it to the E.ON Management Board. We disclose the status at year-end in the Combined Group Management Report.

To achieve our targets of increasing the proportion of women in management positions, we systematically create career opportunities for female next-generation leaders. For example, a Group-wide policy has been in place since 2015 that requires that the short list for a vacant management position must include at least one woman. We have targeted, ongoing measures to prepare women for these positions and to support their career development. This includes mentoring programs for junior managers, training, and opportunities for sharing experiences, such as Group-wide networks of women managers and engineers. Our talent-management mechanisms ensure on a quarterly basis that our talent pool is balanced with regard to gender. In addition, a uniform Group-wide process promotes equal opportunity in the filling of management positions. Its main element is a placement conference at which HR representatives from different units discuss vacant positions and potential candidates.

Percentage of women in management positions¹



¹Includes Management Board members and managing directors.

²Figures from our Combined Group Management Reports, adjusted for discontinued operations (that is, adjusted to exclude Uniper).

Women held 19.6 percent of management positions at the E.ON Group at year-end 2017, unchanged from the previous year. At E.ON in Germany, the proportion of 15.3 percent was almost at the previous year's level of 15.7 percent.

Aspect 3: Social matters

By providing our customers with a reliable supply of energy, we are meeting a fundamental need of modern societies: uninterrupted and secure access to electricity and gas, for industrial enterprises and for households. If we were at times unable to ensure a reliable electricity supply, this could have not only economic but also social consequences in the areas affected by the outage. In addition to security of supply, we also consider customer loyalty as a socially relevant aspect. We only maintain our customers' loyalty if we treat them fairly and understand what they expect from us.

Security of supply

Our task as an energy company and distribution grid operator is to ensure that our customers have a secure supply of electricity. A reliable electricity supply is essential for industrialized countries to be able to maintain their infrastructure and meet their inhabitants' needs. For example, industrial customers that operate a high-precision production facility require a constant network frequency. If the frequency fluctuates, machinery can break down, resulting in higher costs. A power outage can have serious consequences, and not just for industrial customers. Whether at companies, government agencies or households, most processes are no longer possible without electricity. One of the challenges in energy supply is that, increasingly, electricity comes from distributed sources. As a result, electricity is fed into our networks at many different points. Moreover, renewables feed-in fluctuates because it depends on the weather and other factors beyond our control.

Part of our corporate strategy is to adapt our distribution grids to the emerging distributed energy world. They form a crucial link between electricity producers and consumers. Only if our distribution grids function properly and we equip them to meet the challenges of the new energy world can we continue to ensure a reliable electricity supply in the future. For this purpose, we are upgrading our existing infrastructure with smart-grid technology. This will enable us to better manage energy generation, distribution and storage.

Our regional network companies are responsible for the safe and reliable operation of our distribution network. Their network control centres oversee network operations. They are also responsible for resolving unforeseen outages in their network territory. In case of widespread outages, our crisis management system stipulates responsibilities and processes in accordance with the instructions contained in our Incident and Crisis Management Policy.

We have in place an investment and maintenance plan to maintain our grids and, where necessary, expand them. Our regional network companies are responsible for implementing these plans, which encompass one or more years. The amount of these investments is approved centrally. It is a Group-wide requirement that a portion of investments go toward making our grids smarter. The increasing use of smart-grid technologies makes it possible for us to avoid or delay cost-intensive investments in conventional networks by, for example, using this technology to maximise the transmission capacity of existing overhead lines. Investment decisions always focus on efficiency as well as security of supply. We choose the solutions that make the most technical and economic sense. This is because grid investments affect the grid fees included in the electricity price paid by customers.

We record all planned and unplanned outages at our distribution networks. We use these data to calculate the System Average Interruption Duration Index (SAIDI), which measures the average outage duration per customer per year. Although this figure is not relevant for management purposes, it provides us with information on the quality of our electricity distribution networks. Some countries where we operate have strict legal thresholds for SAIDI. If we do not meet these requirements, we may have to pay fines or compensation. Some of our regional units therefore set their own SAIDI targets on an annual basis. At regular intervals, the unit managing directors inform the member of the E.ON Management Board responsible for network operations about their achievement of these targets. The SAIDI of all regional units are included in our quarterly performance report to the E.ON Management Board.

SAIDI power (minutes per year)¹

	2017			2016		
	scheduled	unscheduled	total	scheduled	unscheduled	total
Germany	14	20	34	13	25	37
Sweden	32	89	120	30	91	121
Hungary	126	63	189	121	57	178
Czech Republic	162	70	232	179	44	223
Romania	262	481	742	178	426	604
Slovakia ²	91	176	267	106	79	185

¹Totals may deviate due to rounding.

²49-per cent minority stake.

In 2017 our customers in Germany and Sweden were affected by power outages for fewer minutes on average than in 2016. Planned outages increased in Hungary, the Czech Republic, Romania and Slovakia because we had to de-energise sections of the grid to conduct repairs and upgrades. Unscheduled outages in these countries were longer in 2017 due to storms, particularly in Romania where our grids consist mainly of overhead lines which are much more likely to be affected by bad weather.

Like the reliable operation of our distribution networks, the high availability of our renewables facilities helps ensure security of supply. In 2017 Onshore Wind/Solar achieved an availability factor of 94.6 percent (2016: 94.2 percent); Offshore Wind/Other, 97.6 percent (2016: 96.7 percent).

Customer loyalty

Our ability to acquire new customers and retain our existing ones is crucial for the success of our business. Global trends like climate protection and digitisation are not only altering the energy landscape. They are also creating new customer needs. Only by adapting our products and services to meet these needs and by continually improving our performance will we remain successful in the marketplace.

We put our customers at the centre of everything we do. This pledge is an E.ON corporate value. Our objective is to continually enhance customer loyalty and to become a customer-led business and the energy-solutions leader in our markets.

We measure customer loyalty by means of Net Promoter Score (NPS), which we introduced in 2013. NPS indicates our customers' willingness to recommend us to their family and friends. It also helps us identify which issues are currently of particular importance to our customers. This enables us to adapt our activities to current customer needs. We distinguish between three types of NPS. Strategic NPS or top-down NPS compares our performance to that of our competitors and is based on feedback of customers regardless of if they have had an interaction with us. Bottom-up NPS is based on the feedback of customers who have had a specific interaction with us, like talking to a call centre agent. Journey NPS measures the loyalty of customers who have completed a journey with us, such as transferring their energy service to their new residence when they move. NPS is now used by our units in all our markets (Germany, the United Kingdom, Italy, Romania, Sweden, the Czech Republic and Hungary). Our internal NPS (iNPS) programme aims to sensitise employees who have no contact with customers to the importance of customer loyalty. iNPS was rolled out across the Group in 2014. It has been implemented in IT, human resources, supply chain management, finance and other support functions.

Each unit sets its NPS target in consultation with the Chief Operations Office – Commercial (COO-C), which supports all our units in matters relating to customers. The NPS of each unit is reported to the E.ON Management Board and published Group-wide on a quarterly basis. The Board holds quarterly discussions with the units to evaluate their NPS and, if necessary, to decide what action they should take to achieve their NPS target. Since 2014, a proportion of senior managers' variable compensation has been based on NPS performance. This has gained more importance over time, with NPS accounting for 20 percent of compensation for E.ON executives in 2017. Furthermore we introduced CEO-led signature actions in the reporting year. Each unit has a set of key measures to enhance customer experience and customer advocacy that are initiated and led by the unit CEOs, who are personally responsible for improving their unit's NPS.

Our customer experience teams serve as our ambassadors for customer loyalty in their respective unit. They take the lead on related projects and activities in their sales territory and share information about successful programs and service improvements on a monthly basis. We have customer experience teams in Germany, the United Kingdom, Italy, Romania, Sweden, the Czech Republic and Hungary.

The Customer Immersion programme brings our employees into direct contact with residential and business customers. Its purpose is to bring the customer's voice into our organisation and enhance our employees' customer orientation. The programme, which has been offered in all our markets since 2015, has been managed centrally by COO-C since 2016.

Our average NPS for residential declined in 2017. Although two regions were ahead of their respective competitor baskets four regions were behind their respective competitor baskets. Deeper market analysis indicates that whilst E.ON tended to perform well against traditional competitors a number of challenger brands performed better than market average. Our NPS for small to medium-sized enterprise customers continued to improve, as did that of our competitors. Two of our six regional units are now the loyalty leaders in their markets, and five out of six regions improved their score relative to 2016. Our strategic NPS is calculated by weighting E.ON's top-down NPS in six countries (Germany, UK, Sweden, Czech Republic, Italy and Romania; excluding Hungary) equally.

Aspect 4: Human rights

We are committed to respecting and protecting human rights in all our business processes. Failure to respect people's fundamental rights and needs may have serious consequences for those affected and may damage our reputation. Compliance with social standards also plays an increasingly important role in contract negotiations with our business partners and in our customers' purchasing decisions. In addition, there are the increasing regulatory requirements for corporate transparency and control. For example, the UK Modern Slavery Act obliges us to report on the steps we take to prevent international human trafficking.

To prevent human rights violations, we adhere to external standards and define our own principles and policies. As part of our Code of Conduct (see "Aspect 5: Anti-corruption"), the E.ON Management Board issued a declaration stating that E.ON will not tolerate any violations of the law, including violations of human rights. The E.ON Human Rights Policy obligates employees and business partners to respect human rights. The standards we are guided by include the Universal Declaration of Human Rights of the United Nations, the principles of the UN Global Compact and the conventions of the International Labour Organisation. The E.ON Human Rights Policy encourages employees to inform their supervisor or the Chief Sustainability Officer on the E.ON Management Board if they have concerns or suspect a violation. Under the policy, we include human rights issues in our procurement processes. For this purpose, our Supplier Code of Conduct defines standards that are binding for all non-fuel suppliers; in addition, all our suppliers of uranium and solid biomass are contractually obligated to adhere to these standards. In qualifying and evaluating our suppliers, we systematically assess potential risks relating to corporate social responsibility (CSR), including human rights aspects. An analysis conducted in 2016 by a provider of CSR ratings showed that none of our 100 most important non-fuel suppliers with whom we have a direct contractual relationship has an increased risk of unlawful conduct. Human rights aspects such as discrimination and forced labour played an important role in the analysis.

Our employees can report potential violations of human rights through internal reporting channels or a Group-wide external whistleblower hotline. Group Compliance forwards the information to the relevant department or unit.

Apart from the above-mentioned ongoing measures, we took no additional temporary measures in 2017. We have no key performance indicator for human rights.

Aspect 5: Anti-corruption

We are committed to combating corruption in all its manifestations worldwide and support national and international efforts directed against it. We reject it as a member of the UN Global Compact as well. Corruption leads to decisions being taken for the wrong reasons. It can thus prevent progress and innovation, distort competition and do long-term damage to companies. Employees, managers and board members guilty of corruption may be subject to fines and criminal prosecution. To secure our stakeholders' lasting trust, we closely monitor compliance with laws and our own policies. If violations occur, we deal with them transparently and, if necessary, take disciplinary action.

The E.ON Management Board must ensure that applicable laws, rules and regulations are complied with and is responsible for monitoring compliance risks. The E.ON Group has an effective compliance management system (CMS) for this purpose. The CMS sets uniform Group-wide minimum standards for certain compliance issues, such as anti-corruption. Pursuant to a Group-wide policy, the Chief Compliance Officer (CCO), the Group Compliance division, and the business units' Compliance Officers are responsible for refining and optimizing the CMS on a continual basis.

The CCO reports to the E.ON Management Board and the Supervisory Board's Audit and Risk Committee on a quarterly basis on the status of the CMS and current developments and incidents. In the event of serious incidents, the Management Board and the Audit and Risk Committee are informed immediately. The same applies to important new laws. Potential violations are investigated centrally by Group Audit and Group Compliance.

The E.ON Code of Conduct, which was instituted in 2013, defines rules for lawful and responsible behaviour at our company. All new employees must take an e-learning program or a classroom course that familiarises them with the Code. As part of the Code, the entire Management Board issued a zero tolerance declaration. It states that violations of laws and company policies will not be tolerated. If employees suspect misconduct or a violation of laws or policies, they can report it anonymously through internal reporting channels or a Group-wide external whistleblower hotline, which we operate with a law firm. Group Compliance forwards the information to the relevant department or unit.

The E.ON Code of Conduct is supplemented by company policies that describe our risk-mitigation measures and processes for certain issues (such as anti-corruption) and thus provide additional guidance for employees and managers.

To determine in which functions the risk for some compliance violations is particularly high, we conduct compliance risk assessments on a regular basis. Based on their findings, we take preventive measures.

We want to ensure compliance standards in our supply chain as well. All non-fuel suppliers and all suppliers of uranium and solid biomass must therefore sign our Supplier Code of Conduct, which contains binding standards for ethical business practices. In addition, we conduct compliance checks to determine whether potential suppliers act in accordance with our values and principles.

The effectiveness of our CMS is the main indicator of our compliance performance for purposes of management control. All compliance measures, policies, processes, controls, and so forth are assessed and guided by this criterion. The CMS's effectiveness is also monitored by the Management Board, the Audit and Risk Committee and Group Audit. As an independent entity, Group Audit is our third line of defence for monitoring the CMS. The criteria we use for monitoring effectiveness include assessing whether and how prescribed measures are implemented across E.ON. The Management Board and the Audit and Risk Committee believe that our CMS was again effective in 2017. Their assessment was based in part on surveys of employees and stakeholders.

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

To E.ON SE, Essen

We have performed a limited assurance engagement on the combined separate non-financial report pursuant to §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of E.ON SE, Essen, (hereinafter the "Company") for the period from 01 January to 31 December 2017 (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 §§ 315b and 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

We 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 documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a 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 to 31 December 2017 has not been prepared, in all material aspects, in accordance with §§ 315b and 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.

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

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
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Inquiries of personnel on the implementation of central management requirements, processes and specifications for data collection at the following subsidiaries: E.ON UK plc, E.ON Sverige AB, E.ON România S.R.L., E.ON Česká republika, s.r.o., Avacon AG, Hansewerk AG, Bayernwerk AG, E.DIS AG
- Evaluation of the presentation of the non-financial information

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 to 31 December 2017 has not been prepared, in all material aspects, in accordance with §§ 315b and 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.

Essen, 06 March 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Markus Dittmann
Wirtschaftsprüfer
[German public auditor]

Hendrik Fink
Wirtschaftsprüfer
[German public auditor]

E.ON SE

Brüsseler Platz 1
45131 Essen
Germany
T +49 201 - 184 - 00
info@eon.com

eon.com