



United Nations Global Compact Initiative

Communication on Progress 2013

Declaration of Support for the United Nations Global Compact

For STEAG, as an enterprise with global operations in the constantly changing energy markets, many factors contribute to business success. Beyond profits and growth it is also the path which we have chosen to reach our goals that is an essential precondition for our lasting business success.

This path includes compliance with the applicable laws and legislation, but also responsible action going beyond that.

Ever since we became an independent company again in June 2011, STEAG has participated in the UN Global Compact initiative, and supports the implementation of the Ten Principles. In the last two years we have successfully managed to integrate the Global Compact into our strategies and our operational business in the energy sector.

The Ten Principles form an integral part of contracts and agreements with our business partners. As a matter of principle, we obligate our suppliers and service providers to observe and comply with the Ten Principles, which noticeably facilitates negotiations with our customers.

In December 2012 we published a new, completely revised version of our STEAG Code of Conduct, which is based on the Global Compact's Ten Principles and forms an integral part of our contracts of employment. Furthermore, we inform our employees in compliance training courses about the Global Compact and our commitment in this context. Moreover, in STEAG's annual report and other publications we communicate to our stakeholders and the public at large our participation in and support for the United Nations Global Compact initiative.

We are pleased to hereby submit our second Communication on Progress. We are resolved to continue to integrate the Global Compact into our business processes and corporate responsibility activities and to further step up our commitment.

Joachim Rumstadt
Chairman of the Board of Management

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights and

Principle 2

... make sure that they are not complicit in human rights abuses.

Implementation at STEAG

STEAG respects internationally proclaimed human rights as set out in the United Nations' Universal Declaration of Human Rights and the OECD Guidelines for Multinational Enterprises.

At STEAG, acting responsibly and in compliance with the law forms the core of our corporate culture. STEAG also expects its business partners to act legally and responsibly, and exerts its influence to bring this about.

STEAG ensures health and safety at work.

STEAG cares for its staff as a socially responsible employer.

STEAG takes on broader social responsibility and is committed to supporting its local communities.

Systems, actions and achievements

The international regulations for the protection of human rights are enshrined in the STEAG Code of Conduct which applies throughout the company. The Code is complemented by Group Policies and Directives. The Compliance Management System ensures compliance and sanctions infringement of the laws in force throughout the Group.

Business partners of STEAG are expected to respect and support the general human rights; key suppliers are reviewed in this regard on the basis of inquiries. This obligation is reflected in STEAG's general terms and conditions of business.

To ensure sustainability within the supply chain, STEAG verifies that its business partners respect human rights.

One focus of the investigations in 2012 was on compliance with ILO Convention 169 for the safeguarding of the rights of indigenous people. This included visits to suppliers outside of Europe on certain occasions. Furthermore, as a participant in the UN Global Compact Network, STEAG conducts dialogues with non-governmental organizations on human rights compliance and maintains contact with political foundations in the countries concerned.

Health and safety at work are ensured at all STEAG plants and facilities by an occupational health and safety system. By means of focused health and safety measures and information campaigns, the number of accidents has been further reduced throughout the Group. In 2012, additional certifications pursuant to the OHSAS 18001 standard and according the occupational safety regulations issued by the employers' liability insurance associations were obtained. In April 2013, a health and safety campaign focusing on the topic of "Rescue from confined spaces" was launched at our power plant sites in Germany.

STEAG implements in-house social management to assist employees in addressing social, mental and health issues by means of providing opportunity for occupational rehabilitation and by counseling and facilitating contact with recognized professional bodies.

STEAG's efforts to strengthen local infrastructures both in Germany and abroad reflect the company's commitment to society and contribute to improving the living conditions of the people. STEAG offers development programs and start-up aid for small companies near its power plants. On the Philippine island of Mindanao, for instance, within the scope of the Livelihood and Economic Enterprise Deve-

development Program, STEAG supported the establishment of small businesses by providing training and facilitating business contacts. STEAG also provides a similar service for local small enterprises in Turkey, in the vicinity of the Isken-derun power plant location. Moreover, ecological projects developed there are also designed to support business start-ups and secure the livelihood of the local people.

Furthermore, STEAG has taken various measures to support schools and local education programs. At the Termopaipa location in Colombia, the facilities of local primary schools have been refurbished and maintained for several years. The same applies to our plant site in Turkey, where we are active in the "My School" project. In the Philippines, STEAG through the Social Empowering through Education Program contributes to raising the level of education by sponsoring reading and learning programs for children. In Essen, for many years STEAG Fernwärme has been

supporting the project "Das erste Buch", which aims at arousing children's interest in reading and fostering their creativity. Furthermore, there are local partnerships with numerous schools.

Voluntary active commitment and initiative of employees likewise forms part of STEAG's commitment to society. With an extraordinary project on the topic of energy in September 2012, apprentices from the STEAG locations in Essen, Lünen and Duisburg-Walsum involved themselves actively in "neighborly help". A total of 40 fourth-graders from two classes of the Adolf Reichwein Primary School in the Altenessen district followed their invitation to take part in an exciting project day on the neighboring youth farm. The STEAG apprentices jointly with the fourth-graders who came with their teachers built up a miniature energy world and familiarized the children playfully with renewable energies.

Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; ...

Principle 4

... the elimination of all forms of forced and compulsory labour; ...

Principle 5

... the effective abolition of child labour; and ...

Principle 6

... the elimination of discrimination in respect of employment and occupation.

Implementation at STEAG

STEAG puts the principles of the eight ILO core labor standards into practice and also expects them to be implemented by its business partners.

STEAG facilitates Works Council activities and trade union activities by its employees.

STEAG promotes the health of its employees, also in the light of the ongoing demographic change.

STEAG offers flexible working hours, supports the compatibility of family life and career, and strives for a balanced relationship between work and private life.

STEAG offers its employees opportunities for further development and promotion, by implementing modern HR development programs for various target groups.

STEAG trains people both for its own needs and for employment by third parties.

Within the scope of its corporate suggestions system, STEAG provides a framework for staff initiatives, so as to generate continuous improvement in working practices.

STEAG supports equal opportunities in employment.

Systems, actions and achievements

The STEAG Code of Conduct and the supporting Directives constitute an internal control system which obligates the employees to comply with the eight ILO core labor standards. STEAG's business partners are bound by general terms and conditions and contractual obligations to comply with the ILO core labor standards, so as to ensure a sustainable supply chain.

Within the STEAG Group, committees with broad responsibility such as the Group and General Works Councils and the Works Councils at each individual location ensure that the interests of the employees are represented. As decision-making bodies within the STEAG organization, they are in continuous and constructive contact with the Group's executive boards. Trade union activity is broadly based in the STEAG Group, as is demonstrated by the existence of a separate STEAG local group in Essen.

Aimed at long-term promotion of individual responsibility, STEAG's company health program LIFE is appreciated by employees, executives and works council members alike and also recognized outside of the company; in the

last year, the program was an important element of a new demographic management system. For this purpose, rehabilitation and therapeutic measures, as well as information campaigns, for instance on a healthy diet based on the “LOGI” principle, were used.

STEAG offers its employees flexible working hours to suit the situation and plans of the individual. The focus here is on family-friendliness and the compatibility of family life and career. STEAG has part-time working arrangements to support parents and single parents, and employees with elderly dependents and dependents in need of care. This is ensured by local partnerships, such as a cooperation project developed jointly with the Arbeiterwohlfahrt workers’ welfare organization which provides childcare and counseling on the care for dependents. STEAG employees have access to a total of six places in a daycare facility for children aged between four months and three years, which is located near the company headquarters.

In order to further support and promote the personal development of our employees we have continued our “High Potentials Network” program. In networking meetings, the participants design and conduct their own events on topics such as the turnaround in energy policy or leadership culture at STEAG and thereby explore internal and external potentials and risks.

Furthermore, a first group has successfully finished STEAG’s internal personnel development program known as the Energy Development Program (EDP). This program is designed to help the participants from various departments and business lines of the STEAG Group to build up their professional networks and develop and improve their skills.

In addition, reflecting an open feedback culture, employee interviews are conducted with all STEAG employees as a central management tool providing guidance and contributing to personal development.

STEAG’s tradition has always been to provide training for more people than it needs itself. Initial professional training ensures a continuous supply of qualified employees for the company. In training workshops at the power plants, first steps have been made towards integrative vocational training for physically handicapped people.

Moreover, STEAG also supports sandwich courses for junior employees in cooperation with local colleges and universities. In the technical disciplines course participants can earn a Bachelor of Science in Energy Engineering, and in business administration they can graduate as Bachelors of Business Administration. Outside Germany too, STEAG has a trainee program in the operation and maintenance of power plants for young engineers.

STEAG’s corporate suggestions system has been honored by two awards in 2012 from Deutsches Institut für Betriebswirtschaft. As the best performing company in the energy industry, measured by the number of suggestions implemented in practice, the number of people submitting suggestions and the total savings achieved through the implemented suggestions, STEAG companies in 2012 realized a measurable annual benefit of almost 6 million euros.

Trainees at STEAG likewise rank among the best suggestion makers in Germany. In the “Germany’s Best Trainee’s Idea” competition of the Deutsches Institut für Ideen und Innovationsmanagement, STEAG trainees ranked first with their idea of developing a protective sleeve for milling heads designed to improve safety when working with milling machines.

The STEAG Code of Conduct prohibits discrimination against employees and job applicants on the basis of origin or race, gender, religion or philosophy, disability, age or sexual identity. STEAG safeguards equality of opportunity in personnel development for male and female employees. The proportion of female participants in the program for high potentials was about 25 % in 2012.

Principle 7

Businesses should support a precautionary approach to environmental challenges; ...

Principle 8

... undertake initiatives to promote greater environmental responsibility; and ...

Principle 9

... encourage the development and diffusion of environmentally friendly technologies.

Implementation at STEAG

STEAG develops projects and operates distributed facilities in numerous fields of renewable energies.

STEAG invests in environmental protection measures and improvements of efficiency at the existing power plants.

STEAG is one of the leading operators of district heating networks and trunk line systems in Europe.

STEAG Power Minerals recovers and recycles power plant by-products as substitute raw materials for the construction industry and thereby helps to avoid CO₂ emissions.

STEAG implements active environmental management at its plants.

STEAG implements active environmental protection in the vicinity of its plants and locations.

STEAG fosters public acceptance for energy facilities.

Systems, actions and achievements

Since 2012, STEAG's Renewables business line has grown by installing many new distributed generating facilities on the basis of biomass, mine gas, geothermal energy and wind power. STEAG also acquired a share in a solar-thermal power plant in Arenales, Spain. In addition, partnerships with municipal utilities were also expanded in the renewables field. Projects to develop wind farms in Romania and Turkey were continued in 2012. In Poland,

wind power and biomass projects are an integral part of STEAG's operative business. In 2012, work was started to install a biomethane-fired combined heat and power plant in Essen. For the current year, construction of additional facilities is in the feasibility verification stage.

In order to contribute to the stabilizing of distributed power networks, STEAG participated in 2012 in the EU-sponsored project LESSY (Lithium Electricity Storage System), which aims at the development of a large-scale battery. This project is being continued.

In 2012, STEAG continued the ongoing optimization of the instrumentation and control systems of its power plants. This was accompanied by a further reduction of nitrogen oxide emissions in the SNCR process. Combined heat and power generation in power plants and distributed generating facilities ensures high efficiency and thereby contributes to preserving the environment. By providing environmentally friendly district heating through newly built transfer stations, e.g. at the Herne CHP power plant, STEAG also contributes to local energy supply near its plant locations.

For decades, STEAG has been one of the leading operators of district heating networks and trunk line systems. In this context, STEAG continues to contribute to the feasibility study initiated by the state government of North Rhine-Westphalia which deals with an integration of the district heating systems in the Rhine/Ruhr region. STEAG also developed and financed the heat supply system for the Bottrop campus of the Ruhr University of Applied

Sciences. The cornerstone ceremony for the new campus took place in the last year and heat supply will be based on a hybrid system that combines heat recovery from waste water with district heating.

The power plant by-products fly ash, FGD gypsum, bottom ash and slag-tap granulate are recovered and used as secondary raw materials for the construction materials industry. In that way STEAG makes an important contribution both to the management of such residues and to their sustainable recycling. Using fly ash in cement production instead of clinker saves significant amounts of CO₂ emissions. The product quality of the by-products and the associated quality management procedures are regularly inspected by independent inspection bodies.

At all of its locations, STEAG has an Environmental Management System in place which covers the areas of pollution control, procedures in the case of plant incidents, protection of natural water courses, transport of hazardous materials, and waste. This aims at constantly and foresightfully assessing potential impacts on the environment and mitigating such impacts where possible.

Technically sophisticated industrial plants like the STEAG plants rely on acceptance by the people living nearby. Such acceptance is fostered by manifold ecological measures in the immediate vicinity of the industrial plants. Around the plants and power plants in Germany and abroad, STEAG demonstrates its ecological expertise.

At its foreign locations, STEAG actively promotes ecological restoration in the surroundings of the large-scale plants. At the Mindanao location in the Philippines, STEAG State Power Inc. and the Environment Contribution Program jointly implement reforestation and mangrove area restoration projects. At the Iskenderun location in Turkey, STEAG supports the local olive farming project by providing agricultural training and supplying fertilizers. Moreover, STEAG continues to support a project for sustainable fishing in the maritime region near the power plant.

At the Paipa power plant site in Colombia, STEAG likewise offers educational and training programs for youth and adults on ecological farming and gardening and on environmental protection and waste prevention.

In Germany the STEAG Group owns and cultivates land in the vicinity of the Voerde and Walsum power plants. By cultivating this land in the spirit of local recreation, an attractive improvement of the neighborhood has been achieved. The Wohnungswald forest in the vicinity of the Voerde power plant site covers an area of about 220 ha of mixed deciduous forest with old beech and oak trees and a species-rich fauna. Management and cultivation of the land focuses on promoting the positive effect on man and the environment rather than on using the forests for timber production. This biotope is important on the regional level and has a well developed network of hiking trails which permits walks through the forest and sports activities. Another biotope, the Driesenbusch forested area, is located in the direct vicinity of the Walsum power plant in the northern part of the city of Duisburg and is an important habitat for rare bird species. The hiking trails of the two areas are interconnected by the Walsumer Rheinaue floodland, an internationally recognized natural conservation area of about 550 ha, which makes the entire region attractive for ramblers and cyclists. The major areas of this overall biotope are managed and cultivated by STEAG itself. Consequently, the Group has made a major contribution to the ecological development of this natural conservation area which is unique in the region.

Agricultural land owned by the Group near the Voerde and Walsum power plants is cultivated by STEAG's own Scholtenhof farm. As it is an ecological farm, the use of artificial mineral fertilizers and chemical crop protection products is dispensed with. Farming is a cost-efficient and attractive option of landscape design. The agricultural products are successfully sold through the local farm shop.

Nature protection measures are also implemented in the STEAG plants themselves. In power plants and heating plants, nesting boxes are provided for peregrine falcons, which are protected under nature conservation legislation. For several years, now, the birds at the power plant sites have been observed and banded by ornithologists from the German nature conservation organization BUND. Under the motto of the "Green Power Plant", the flora and fauna at the site of the Herne CHP plant was studied in 2012 by the biological research station for the eastern Ruhr region, an institute established by the federal state of North Rhine-Westphalia to develop further nature conser-

vation and urban ecological measures in the west German metropolitan area.

Furthermore, STEAG creates public acceptance for its operations and awareness of environmental protection concerns, accompanied by societal ecological commitment, by implementing the principle of the "Open Power Plant". As in the previous years, the power plants and facilities were pleased to host numerous visitor groups, for instance during the Ruhr Night of Technology which was organized by the VDE technical association in summer 2012. In addition, STEAG cooperates and maintains close contacts with the local authorities and municipal facilities at its plant locations. In particular, there has been long-standing, intense cooperation with municipal fire brigades, reflected in joint fire drills and establishment of a fire simulation container on our plant premises.

Principle 10

Businesses should work against corruption in all its forms, including extortion and bribery.

Implementation at STEAG

STEAG Code of Conduct 2012: Corruption is prohibited at STEAG and is not tolerated.

STEAG implements a comprehensive anti-corruption policy.

The STEAG Compliance Management System is a Group-wide joint task.

STEAG works towards anticorruption throughout the supply chain.

Systems, actions and achievements

The STEAG Code of Conduct and its supporting directives prohibit corruption in any form. Even the impression that decisions might have been influenced by the behavior of STEAG employees must be ruled out.

The STEAG Code of Conduct was completely redesigned and adopted at the end of 2012. Forming an integral part of the employment contracts, the Code regulates the employees' conduct in their day-to-day work and thereby provides guidance to all employees. With a view to corruption prevention, the Code is complemented by a new organizational directive, issued in February 2013, which addresses the issue of gifts and invitations.

In the course of 2013, all employees throughout the group will be instructed on the content of the Code of Conduct, either in training sessions or by means of e-learning modules.

At the same time, the Code of Conduct reflects the corporate culture to the outside world. On the basis of this proposition, the Compliance Department is actively and operationally involved in contract negotiations, project agreements and the design of internal processes throughout the Group, in order to pre-empt and counter the risks of corruption. In contracts with its business partners, STEAG

includes anti-corruption clauses in accordance with the applicable local laws. The contract clauses agreed with the business partners also comply with international regulations, such as the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions or foreign local laws with international relevance, such as the FCPA in the United States or the UK Bribery Act which came into force as recently as in 2011. Consultants or subcontractors of the business partners are likewise bound by these anti-corruption clauses. In negotiations, STEAG also works towards including provisions in the contracts that bind upstream suppliers or external service providers to implementing anti-corruption policies. Thereby, STEAG ensures to the largest possible degree the sustainability of its supply chain with regard to anti-corruption.

Contracts with sales agents, project facilitators or other agents that are especially prone to corruption are completely reviewed by the Compliance department for consistency and the potential contract partners scrutinized for any past criminal corruption activities which they may have engaged in.

Due to the fields of business of STEAG, which are often related to public decision-making processes, special awareness is required in business dealings with office holders. In training sessions and information circulars, the Compliance department regularly and in accordance with latest supreme court decisions points out the risk of increased criminal liability in connection with corruption.

The anti-corruption training courses held in February 2013 for the relevant target groups covered, for the first time, all companies and divisions of the Group in Germany and abroad. According to the agreed training intervals of two years, the first follow-up training measures have meanwhile been initiated at the power plant locations in Germany.

The Compliance department promptly investigates any indications and allegations of corruption or fraudulent acts in

the Compliance Task Force, a proactive committee which brings together members from the Legal, Auditing and HR departments.

In addition to the Compliance Officers appointed in the main subsidiaries, in 2012 Compliance Specialists were appointed for special topics, such as anti-trust or tax legislation, who are responsible for implementing prevention measures in their respective fields. Serious violations of the compliance policies in the special fields are dealt with jointly by the respective specialist and the Compliance department.

Sources

STEAG Annual Report 2012

STEAG Code of Conduct

www.steag.com

STEAG GmbH

Rüttenscheider Strasse 1–3

45128 Essen

Germany

www.steag.com

Udo Woidneck

Phone +49 201 801-4335

Fax +49 201 801-4331

Email udo.woidneck@steag.com

The logo for STEAG, featuring the word "steag" in a bold, blue, sans-serif font. The letters "s", "t", and "e" are lowercase, while "a", "g", and the final "a" are uppercase. The logo is underlined with a thick blue line.