

Principles of Conduct for the Responsible Procurement of Coal and Other Raw Materials

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EnBW AG

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Foreword from the Management Board

Long-term business success and ecologically and socially sustainable actions are closely linked for EnBW Energie Baden-Württemberg AG ("EnBW AG") and its group companies. Acting sustainably is a central requirement for us at EnBW AG and in all of the EnBW group companies and is a mandatory for our employees.

We are aware that obtaining the raw materials required by EnBW in the entire supply chain has impacts on people and the environment. It is therefore important to us that we work together with suppliers who take responsibility for the social and ecological impacts of their actions and are committed to the continuous improvement of their sustainability performance. Past experience has shown us that a "comply or sanction" approach only works to a certain extent. Cooperating and communicating with suppliers is therefore all the more important to identify structural problems at an early stage and develop solutions together.

In the coming years, we will have to continue to rely on the procurement of raw materials from other countries to ensure a stable energy supply. We are aware of our responsibility for the entire value chain from extracting raw materials through to the power station as part of this procurement process. We therefore aim for adherence to core sustainability standards throughout the entire value chain.

We intend to progressively achieve more transparency in raw material procurement and provide regular information about our activities to promote responsible raw material procurement in the annual report, on the EnBW webpage and in dialogue with our stakeholders. We are also open to discussion with our stakeholders in Germany and in the producing countries. This involves a regular exchange with representatives from politics, from the unions, from the general public and the inhabitants of the communities in the producing areas. Emphasis is placed on the long-term improvement of those involved in the producing countries, amongst others the workers and the residents of the local communities in these areas. We will search together with those responsible for solutions and appropriate remedies when problems are identified. Details concerning specific implementation measures are specified in an internal implementation guide whose main elements can be found in the questions/answers section (FAQs).

These principles of conduct represent another important step in our efforts for a responsible supply of energy. We shall work intensively on implementation together with our partners in the coming years. Starting with coal, we will progressively integrate the principles of conduct in our other raw material procurement. Proposals and suggestions on the improvement of our process are very welcome. We have presented our preliminary considerations during an external consultation process in early 2014 to stakeholders from the areas of mine operations/traders, unions, non-governmental organizations, and science and received valuable comments and feedback. Suggestions and proposals for the further development of these principles and for the improvement of our implementation process will be greatly appreciated.

Signed

The EnBW Management Board

1 Preamble

Having signed the United Nations Global Compact, EnBW AG has committed itself to comply with the ten principles in the areas of human rights, labour standards, environmental protection and anti-corruption and to work towards observance of these principles by its suppliers and business partners. In the procurement of raw materials, we also want to work with partners who share such basic values and conduct their business in an ecologically and socially responsible manner. This specifically means following ethical business principles, protecting the environment and observing the dignity and rights of employees and local communities as well as other individuals potentially affected by our business activities.

We expect our suppliers and business partners to respect these principles of conduct and to observe the principles they are based on in all areas of their business activities including their own business relationships with the goal of improving the quality of life of those involved in the value creation chain. We are convinced that this is in their own business interest as it can help reduce legal, operative and reputation risks and manage business more successfully in the long-term.

The principles in this document are based on recognised international guiding principles and standards. These offer additional orientation and assistance in implementation of the principles. These guidelines and standards are as follows (see section 8):

- The Ten principles of the United Nations Global Compact,
- The OECD Guidelines for Multinational Enterprises,
- The Universal Declaration of Human Rights, (General declaration of human rights, international pact of civil and political rights, international pact of economic, social and cultural rights)
- The core labour standards of the International Labour Organization (ILO),
- The United Nations Declaration on the Rights of Indigenous Peoples and ILO Convention 169-Agreement concerning indigenous and tribal people living in independent countries
- The IFC Performance Standards.

We expect our suppliers and business partners to accept these and similar standards themselves and to take measures to implement them. Particularly the respectful accountability of companies according to the UN Guiding Principles on Business and Human Rights has global validity and should be proactively practised.

We attach particular importance to a continuous improvement of sustainability aspects in our supply chain. We expect our suppliers and business partners to at the least exercise due diligence through appropriate processes and procedures in order to:

- Prevent potential negative impacts on the environment and human rights of employees, the surrounding communities and third parties and
- Identify the negative impacts associated with the procurement of raw materials and transport at an early stage, and minimise and remedy them as far as possible.

We check compliance with these principles of conduct on the basis of these processes. Furthermore, we appeal to our suppliers and business partners to make an additional contribution within their sphere of influence to the economic, ecological and social well-being of the local population.

Our relationships with our suppliers and business partners are based on respect, fairness, transparency and integrity. We are aware that the implementation of these principles of conduct is a challenge. We are committed to working together with suppliers and business partners in a trusting and constructive manner thereby identifying these challenges and initiating appropriate measures. In

return, we expect our suppliers and business partners to be open, allowing a constructive dialogue and a trustful cooperation to ensure respect for those principles of conduct, as illustrated in the following.

2 Responsible Business Conduct

2.1 Compliance, integrity and anti-corruption

We expect our suppliers and business partners to:

- Continuously monitor the compliance with all **laws and regulations** applicable to their business activities.
- Integrate the **international standards and guidelines** in their business activities and business relationships with the aim of continually putting their requirements into practice.
- Ensure that they and any persons acting on their behalf do not undertake any **actions to cause economic damage**; especially fraud, embezzlement, money laundering, tax evasion, unfair competition, granting or accepting benefits, bribery and passive corruption as well as similar violations, participating in them or tolerating them from business partners.
- Comply with high ethical standards with respect to **transparency of payments** to states, public institutions and the **influencing public decision-makers as well as strengthening legitimate institutions in fulfilling their role in countries where they operate**.

2.2 Due diligence requirements

In order to discharge their responsibility to act with due diligence, we expect that our suppliers and business partners:

- **Enable free, prior, informed and effective consultation and participation of** groups of people who could be affected by their business activities and provide them with effective **complaint mechanisms** as stipulated in the United Nations Guiding Principles on Business and Human Rights.
- **Analyse** possible negative social and ecological impacts from their business activity and report the measures to avoid, reduce or to recompense.
- Exercise heightened due diligence in **conflict countries and in regions with a high risk of conflict** where there is an increased risk that their own actions or failure to take action have a negative impact on human rights or the environment or contribute to negative impacts by third parties.

2.3 Human Rights

We expect that our suppliers and business partners respect all **internationally recognised human rights** in their business activities and business relationships. In order to guarantee this, they should implement suitable and verifiable processes to meet due diligence requirements as stipulated in the United Nations Guiding Principles on Business and Human Rights.

Due to the special risks involved with mining raw materials, we expect our suppliers and business partners to take preventative measures to ensure respect for human rights especially, but not only, in terms of the following:

- The avoidance of and where this is not possible, the minimisation of negative impacts on **health, food security, access to productive resources such as land and water**, and the securing of **economic livelihood** of local groups of the population.
- Compliance with international standards protecting indigenous peoples, especially the free, prior and informed consent.
- The right to an adequate compensation in the case of property loss due to relocation or through limitation of use of natural resources that serve as the basis for economic livelihood of the local population
- Respect for human rights by employed security personnel.

2.4 Labour Standards

We expect that our suppliers and business partners ensure **fair and safe working conditions** for their own employees, temporary and contract workers and for their sub-contractors.

You must comply with the ILO main labour standards. These include:

- Prohibition of **child labour**
- Prohibition of **slavery, forced labour and human trafficking**
- Prohibition of **direct or indirect discrimination in the workplace**,
- **Freedom of association and the right to collective bargaining**.

We also expect them to:

- Guarantee **safety and health protection** in the workplace with the aim of preventing damages to the health for workers. Appropriate information, safety equipment and training measures must be available free of charge.
- Pay **wages** that allow employees and their families to satisfy their basic needs and to provide some discretionary income.
- Restrict **working hours** so that they are in line with the relevant ILO standards and only request overtime as an exception and not regularly.
- Refrain from any **physical punishment**, threats of violence, harassment including sexual harassment, or any other types of psychological or physical coercion or intimidation as well as abuse towards employees or third parties or to tolerate such.
- Ensure that any **accommodation** provided to employees is clean and safe and has appropriate sanitary facilities, drinking water and power supply.
- To grant adequate **compensation** if a deliberate violation of fair and safe working conditions leads to reduction in earning capability or occupational disability.

2.5 Environmental Protection

Due to the special risks of negative environmental impacts in extracting raw materials, we require that our suppliers and business partners take suitable measures for the minimisation of environmental damage in their business activities and business relationships. We particularly expect that they undertake the following:

- Continually check within their business operations compliance with all applicable **environmental, health and safety regulations** and work towards compliance within their supply chain.
- Promote the **economical use of resources**, minimise emissions, pollutants and waste water, maintain water quality and soil fertility, continually increase resource efficiency with appro-

appropriate processes and procedures, dispose of waste correctly and promote the use of environmentally friendly technologies.

- Take effective **emergency and precautionary measures** such as setting up prevention systems and risk training for employees to avoid accidents and minimise the risk of damages for employees, the general public and the environment in case of emergency.
- Contribute towards preserving **biological diversity** and prevent as far as possible adverse effects on nature and habitats of endangered species of animals and plants due to noise, environmental pollution or introduction of non-indigenous species of animals and plants. This also includes the obligation to have a mine decommissioning plan, including the development and implement of renaturation measures, during and after the project life cycle that are sufficient in scope and effectiveness to minimise the long-term negative effects on species diversity and the ecosystem.
- Execute examinations and when necessary take adequate safety measures during mining projects in areas with **endangered animal and plant species** (IUCN Category 1a, 1b and 2) or of UNESCO **World Heritage Sites**.

3 Scope of Application and Implementation

These principles of conduct should apply to EnBW AG's direct suppliers and business partners in the procurement of raw materials with the expectation that their suppliers and business partners in turn also observe the principles contained in it and take suitable measures and set up due diligence processes with respect to their own impacts on the environment and human rights.

We shall progressively develop, test, publicly communicate and continually improve appropriate procedures, as well as review and sanction measures to ensure compliance by our suppliers and business partners and provide them support with these principles of conduct. An intensive risk analysis will be conducted for particularly difficult and critical procurement situations if and under which conditions it is possible to begin or maintain a supply relationship. Details concerning the concrete implementation steps will be regulated in a separate implementation guideline, whose main elements can be found in the simultaneously published question/answer overview (FAQs).

In the future, we will include these principles in our raw materials procurement contracts. Apart from the regular examination of the sustainability performance of our business partners, a multi-phase examination process will begin if a violation is presumed. This process could, in turn, lead to the termination of the business relationship or the exclusion from our procurement process. Details of the concrete implementation steps will be regulated in a separate implementation guideline, whose main elements can be found in the simultaneously published question/answer overview (FAQs).

These principles of conduct shall be applied to the procurement of coal as a first step and also progressively integrated in the procurement of other raw materials in future.

4 Contacts

We are happy to answer any questions concerning the principles of conduct or to receive any information about violations of these principles. For this please contact:

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5 Sustainability Standards

- The ten principles of the United Nations Global Compact,
German: http://www.unglobalcompact.org/languages/german/die_zehn_prinzipien.html
English: <http://www.unglobalcompact.org/abouttheGc/TheTenprinciples/index.html>
- The OECD Guidelines for Multinational Enterprises,
German: <http://www.oecd.org/berlin/publikationen/oecd-leitsaetze-fuer-multinationale-unternehmen.htm>
English: <http://mneguidelines.oecd.org/text/>
- The Universal Declaration of Human Rights,
German: <http://www.un.org/depts/german/grunddok/ar217a3.html>
English: <http://www.un.org/en/documents/udhr/>
- The core labour standards of the International Labour Organization (ILO),
German: <http://www.ilo.org/berlin/arbeits-und-standards/kernarbeitsnormen/lang--de/index.htm>
English: <http://ilo.org/global/standards/lang--en/index.htm>
- The United Nations Guiding Principles on Business and Human Rights,
German: http://www.globalcompact.de/sites/default/files/themen/publikation/leitprinzipien_wirtschaft_und_menschenrechte.pdf
English: http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf
- UN Declaration of the Rights of Indigenous Peoples
German: [http://www.un.org/esa/socdev/unpfii/documents/Declaration\(German\).pdf](http://www.un.org/esa/socdev/unpfii/documents/Declaration(German).pdf)
English: <http://www.un.org/Docs/journal/asp/ws.asp?m=A/RES/66/142>
- ILO-Convention 169
German: <http://www.un.org/Docs/journal/asp/ws.asp?m=A/RES/66/142>
English: <http://www.ilo.int/indigenous/Conventions/no169/lang--en/index.htm>
- The IFC Performance Standards.
English: http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/publications/publications_handbook_pps