

Workplace Introduction

With over 7,000 employees, we recognise attracting and retaining skilled, innovative and motivated employees is crucial to our success in today's competitive markets.

We are committed to providing the opportunity for our employees to fulfil their potential by promoting best practice in all aspects of employment. In addition, talented individuals need an environment in which they can flourish, so we endeavour to provide a workplace where all employees feel safe, respected and valued.

To support our commitments to employees we have implemented a suite of policies, practices and procedures in Powergen that underpin our approach to managing people.

Workplace The issues

The main Workplace issues for Powergen UK, upon which we report here are:

- Workplace policies;
- Workplace profile;
- Employee involvement;
- Reward;
- People development;
- Health and safety.

Shown below are these issues mapped against our stakeholder groups to show which issues, we believe, are of most relevance to each stakeholder group.

Stakeholder Groups	Workplace policies	Workplace profile	Employee involvement	Reward	People development	Health and safety
E.ON company	●	●	◆	◆	▲	▲
E.ON investors	●	—	—	—	▲	▲
Govt. & energy regulators	●	●	—	◆	▲	—
Environmental regulators	—	—	—	—	—	—
Employees	●	●	◆	◆	▲	▲
Customers	●	—	—	◆	—	▲
Communities	●	—	—	◆	—	▲
External bodies	●	—	—	◆	—	▲
The media	●	—	—	◆	▲	▲
Joint venture partners	●	●	—	—	▲	▲
Trade unions	●	—	—	—	—	—
Contractors	—	—	◆	◆	▲	▲
Suppliers	—	—	—	—	—	—

Key	
●	Workplace policies
●	Workplace profile
◆	Employee involvement
◆	Reward
▲	People development
▲	Health and safety

Workplace Policies

Workplace Policies exist at Powergen Group level for Human Resources (HR) and for Health and Safety (H&S).

Human Resources (HR) Policy

Our Group HR Policy sets down minimum standards of conduct and performance throughout the organisation and clarifies the responsibilities for developing, communicating and implementing all HR policies and procedures.

The areas for which minimum standards have been established include:
Performance and personal development

- Diversity;
- Dignity at work;
- Work-life balance;
- Reward and benefits;
- Employee involvement.

We have developed detailed policies and practices to ensure that these minimum standards are embedded in everyday working life.

The two main HR policies in place at UK level cover Equal Opportunities and Personal Development. Supplementary guidance is available to assist managers and employees in addressing day-to-day issues.

Health and Safety (H&S) Policy

At Powergen we recognise that the effective management of health and safety is an essential part of our business activities. This requires employees and contractors to be aware of their responsibilities, both towards themselves and others who maybe affected by their acts or omissions.

Our Health and Safety Policy sets out the framework within which Powergen will ensure that the health and safety of everyone affected by our business activities is proactively managed. It also ensures that all parts of Powergen are subject to a single policy, which sets out common standards and a unified approach to health and safety management.

Workplace Profile

We aim to realise the benefits of employing a diverse workforce which reflects the communities in which we operate, the customers we serve and the partners with whom we work.

We are committed to providing equal opportunities to current and prospective employees, regardless of any criteria not relevant to job performance such as race, colour, ethnic or national origin, religion, gender, marital status, disability, sexual orientation or age. Powergen's current Equal Opportunities Policy was revised in 1996 and is issued to all new employees. By setting out minimum standards of conduct, the policy aims to promote a working environment in which all employees are treated equally, with fairness and respect.

The Equal Opportunities Policy is also published on our intranet, and regular training is provided to managers and employees to ensure that best practice is maintained.

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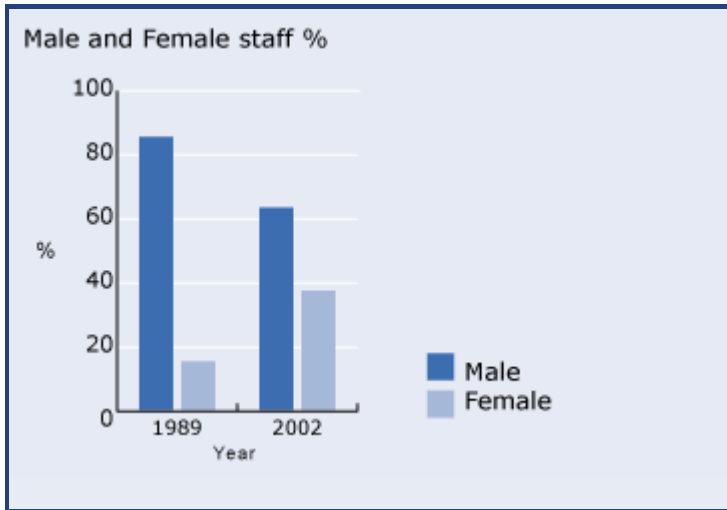
Our most recent Employee Opinion Survey told us that staff had confidence in Powergen's approach to Equal Opportunities and Diversity, and that they were treated fairly and did not suffer discrimination at work. During 2002 we built on this with a specific initiative in our Retail business to give managers and supervisors the skills and understanding to enable diverse teams to realise their full potential. We also undertook an exercise to improve the quality of the data we collect on ethnic origin. As a result, we have a much clearer picture of the demographic profile in our Retail business and this will enable us to build on our existing policies to reflect the diversity of employees in this business. We have also been working with our colleagues in E.ON on a project to explore how we can harness the benefits of a truly diverse workforce.

Gender

At the end of 2002, 63% of employees were men and 37% were women. The percentage of women employed by Powergen UK has increased from 15% in 1989.

Within Retail, however, around 60% of employees are women.

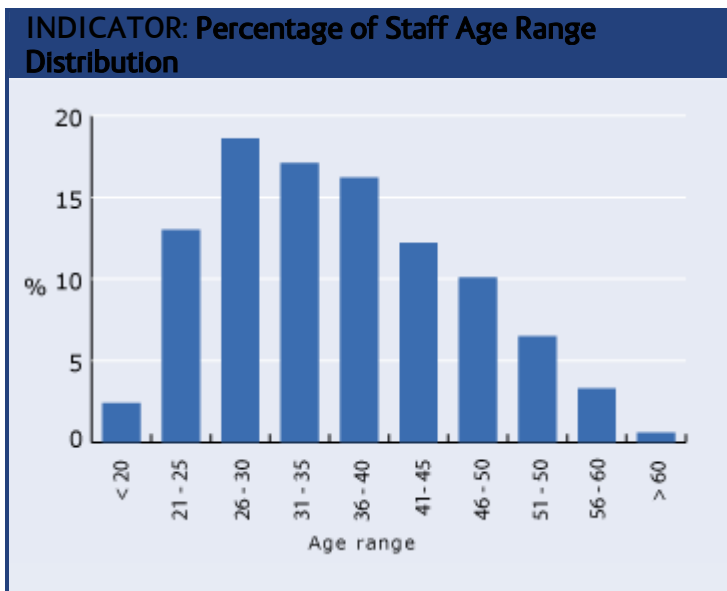
INDICATOR: Gender Profile



Race

In Powergen UK we collect data on an individual’s ethnic origin as a voluntary part of the recruitment process. 89% of Powergen UK’s employees are classified as White UK / European on our HR information system.

Within Retail, we undertook an exercise to improve the quality of the data we hold on ethnic origin, and as a result we have a clearer picture of the diversity of ethnic backgrounds represented in the workforce. Twelve ethnic groups are represented amongst the Retail workforce: White UK / European, Indian and Pakistani are the three largest.



INDICATOR: Women in Management
 16% of Powergen UK’s senior managers are women

Workplace Employee involvement

We encourage all our employees to take an active part in shaping our business by regularly seeking their views and providing opportunities to share their ideas. Examples include on-line initiatives enabling dialogue between staff and senior managers.

We are committed to communicating with our employees and, where appropriate, we consult with recognised representative bodies on behalf of our employees.

Communication
Business-based Collective Bargaining
Employee Opinion Survey
Dispute Resolution
Working Groups

Communication

Intranet

Our intranet is an important medium for keeping employees in touch with what is going on in the company. Each of our business units has its own site, and employees can access a range of information, from the annual report to instructions on how to make travel arrangements or access employee benefits. Some of the sites are interactive, enabling employees to give us feedback on aspects of our business.

e^{gen}

We launched our electronic newsletter, 'e^{gen}', in December 2001. e^{gen} replaced a paper newsletter, which was published six times a year. Like its predecessor, e^{gen} carries a mixture of business news and articles on social activities, but unlike the paper newsletter, it is published on a daily basis, making it a fresh and dynamic source of information for employees. However, we recognise that there are still a number of employees in our UK business who do not have regular access to a computer, so a summary of key news items is still published on a quarterly basis.

Employee fora

Powergen UK's Framework for business-based collective bargaining established a single-table, business-based approach to collective bargaining within the business. This framework provides for each business unit within the company to have its own employee forum, consisting of management representatives, trade union officers and, in most cases, directly elected employee representatives.

These fora provide an opportunity for two-way discussion of issues affecting employees and encourages them to have a say in matters which affect them directly, such as pay, performance management and business re-structuring.



At the end of 2002, Powergen was invited to elect two UK representatives to join E.ON's European Works Council (EWC). The E.ON EWC consults with representatives

of E.ON's subsidiary companies on a range of cross-border matters that have a potential impact on E.ON Group employees. The elected Powergen representatives will attend the first meeting of the E.ON EWC in 2003.

Business-based collective bargaining

Framework for business-based collective bargaining

In January 2000 a new framework was developed to establish a single-table, business-based approach to collective bargaining for Powergen UK. This framework gives business units the flexibility to manage certain features of the employee relationship, such as pay negotiations and performance management systems, through a system of representative business fora. The framework also establishes a number of Common Standards which reflect company values in key areas.

The business fora operate according to a code of practice which sets out the objectives, procedures and processes for collective bargaining in Powergen UK.

Common Standards

As part of our Framework for Business-based Collective Bargaining, we identified a number of key areas where it was considered to be appropriate to have common arrangements for all staff, regardless of the business unit within which they work, or their seniority. Common standards on maternity and sickness provisions, relocation and transfer provisions, and employment procedures were agreed in consultation with trade unions and are reviewed on a regular basis.

Employee Opinion Survey

Getting feedback from our employees on how they feel about Powergen is vital for our business. In addition to employee fora and e^{gen}, which provide formal and informal mechanisms for consulting staff on a range of issues, we use an Employee Opinion Survey to gather detailed information about employees' views on a range of issues, including diversity, safety, employee recognition, strategy and change management. In 2001 we conducted our 8th Employee Opinion Survey. During 2002 we have been able to use the feedback from this opinion survey to reinforce areas of strength, such as our performance in the area of diversity, and to tackle areas of concern to employees, such as work-life balance. In addition to this, during 2003 a number of our business units will be conducting mini-surveys to focus on key issues affecting employees within those business units.

Dispute Resolution

Our Framework for business-based collective bargaining includes arrangements for handling disciplinary, grievance and capability issues, with a firm emphasis on resolving disputes informally. As a result, we are rarely the subject of formal claims resulting in industrial tribunals.

Working groups

We seek to make the most of the varied talents and experience of employees across our business units by applying their skills to a range of business challenges through the establishment of joint working groups. This approach ensures that the views of

people in the different business units are adequately represented and allows us to test ideas and proposals with the people who will be affected. The following are two examples of working groups that have met during 2002:

Work–Life balance

In our most recent Employee Opinion Survey 41% of employees said they believed that top management demonstrates through action its commitment to balancing work and family life. During 2002, a group consisting of individuals from each of Powergen's UK businesses, management and trade union representatives, met with the objective of developing a set of common principles promoting a positive approach to work–life balance issues. This has provided a useful basis on which to build progress during 2003.

Diversity

During 2002, we have been represented on a project group in E.ON which is working to develop some common principles in E.ON's approach to managing diversity and realising the benefits of employing a diverse workforce.

Workplace Reward

Benefits

Core Benefits

We have always recognised that a competitive approach to pay and benefits helps us to attract and retain the best people. Our salaries are regularly market-tested and supplemented by a range of benefits which recognise the contribution our employees make to our business and allow them to share in our success. The following are just a few examples:

- **Pension**
We have a number of schemes to suit the needs of employees, including a Stakeholder Plan;
- **Share schemes**
We have operated a number of Sharesave and Profit Sharing schemes in recent years which terminated in 2002 on the acquisition of the Company by E.ON. A new Share Incentive Plan will be introduced in 2003 to enable employees to continue to share in the success of the business;
- **Holidays**
Our employees enjoy a generous holiday entitlement;
- **Life Insurance**
Life cover is provided through the pension schemes;
- **Maternity and Parental Benefits**
Our maternity and parental benefits include generous provisions for leave and pay;
- **Employee Assistance Programme**
Employees and their families have free access to a range of advisory and personal counselling services.

Business-based benefits

In addition to a range of core benefits, which all employees have access to, our business units also provide specific benefits appropriate to the demographics of their particular workforces. Examples include:

- **Private Healthcare**
Eligible employees can benefit from free personal healthcare, and can make a contribution to purchase healthcare for family members;
- **Childcare Vouchers/Allowance**
Depending on the business in which they work, employees may be entitled to receive financial assistance towards the cost of childcare;
- **Fitness facilities**
To complement our approach to promoting the health and wellbeing of our employees, fitness facilities are available at a number of our sites. At some other sites, discounted access to local fitness facilities has been arranged for employees.

Salary settlements

The Framework for business-based collective bargaining gives business units the flexibility to manage certain features of the employment relationship, such as pay

negotiations and performance management systems, through a system of representative business fora. Each business forum considers its own commercial drivers, relevant pay data and the views of its constituency to agree on an appropriate salary settlement. Consequently, different pay arrangements exist across the UK businesses, but the mechanisms for determining pay are transparent and equitable.

Performance-related pay

Performance management

We have always had a strong culture of performance management, which has been reinforced in recent years by the introduction of performance-related remuneration systems in a number of our business units. These business units have identified their key commercial drivers and incentivised improvements through a combination of business, team and individual performance targets. Developed in consultation with employee representatives, these systems are supported by rigorous training and development programmes and are subject to regular reviews.

Business approaches

Each of our business units has different objectives and commercial drivers, so where performance-related pay forms part of the remuneration package, it is linked to drivers appropriate to that business. Our performance-related pay may take the form of an element of basic pay or a bonus payment.

e-HR

In 2002, a new integrated HR and payroll system was introduced. One of the key features of the new system is an electronic payslip, which allows employees to view their payslip online, and develop a better understanding of the value of their pay and benefits package. In addition, employees can now book annual leave online, and submit expense claims electronically. These facilities have given greater ownership of key processes to employees and also deliver improved efficiency in processing transaction

Workplace People development

We believe that training and development is a lifetime process. It is good for the individual and good for our business. We need our employees to constantly refresh their skills and expertise so that we can remain competitive.

Powergen UK's People Programme

In 2002 we launched our new People Programme, called "Achieving our Potential."

Re-defining the values

Key to the People Programme are our values of Energy, Simplicity and Openness. These values help our employees and our customers to understand what we stand for and what they can expect from us.

Development

For existing employees, a development framework has been put in place to bring to life the People Programme. As a minimum, each employee will have:

- a rigorous set of objectives and a personal development plan (PDP);
- development objectives for future as well as current roles, which will be reviewed at least twice a year;
- typically, around five days of development activity a year. This does not necessarily mean attending training courses: it could be project work, online learning or a vast range of other development activities. For example, Powergen supports a range of employee volunteering activities which not only benefit the communities we work in, but also provide valuable development experiences for the volunteers.

To ensure that managers have the necessary skills to deliver on these commitments to employees, a series of senior management development programmes have been rolled out across the company.



INVESTORS IN PEOPLE

Powergen UK is committed to maintaining the Investors in People standard across its business units, where appropriate, as an effective way of ensuring that best practice in people development is embedded in day-to-day management.

INDICATOR: Value of Training and Development

55% of employees indicated in our most recent Employee Opinion Survey that they were satisfied with Powergen's approach to supporting personal development.

INDICATOR: Investment in Staff Training and Development

Powergen UK spends around 4% of its salary bill on training and development activities. This equates to about £1,200 per person per year.

Workplace Health and safety

High quality health and safety management is a top priority for us. Over the past twelve years we have established a reputation for excellence in this area, but recognise that if we are to maintain this reputation, we must constantly update our approach to meet the needs of our business.

Successful health and safety management requires the development and implementation of effective management systems, processes and procedures. Crucially, however, it is the commitment of every individual associated with our organisation that makes those systems, processes and procedures function properly. Health and safety will always be a line management responsibility. The challenge we faced in 2002, and continue to face today, is to give our managers the tools they need to fulfil this responsibility.

Health and Safety Policy Commitment Statement
2002 Health and Safety Performance Objectives
Health and safety performance
Occupational health
SAFELEC 2010
2002 initiatives

Health and Safety Policy Commitment Statement

In September 2002, we launched a revised Health and Safety Policy Commitment Statement to re-emphasise our commitment to best practice standards of health and safety management. The statement reads:

'We are committed to identifying and managing health and safety risks, meeting legislative requirements and achieving best practice standards. We'll do this by:

- Recognising the value and importance of our people and ensuring we all play a part in creating a safe and healthy working environment for ourselves, those we work with, and the public;
- Establishing an environment and culture that drives the prevention of injury and ill health;
- Providing our people with the right balance of knowledge, understanding and skills to enable all work to be carried out safely;
- Providing a clear and effective health & safety management system and delivering against challenging targets;
- Continuously improving our health and safety culture and performance

In this way we'll deliver a performance we're proud of'

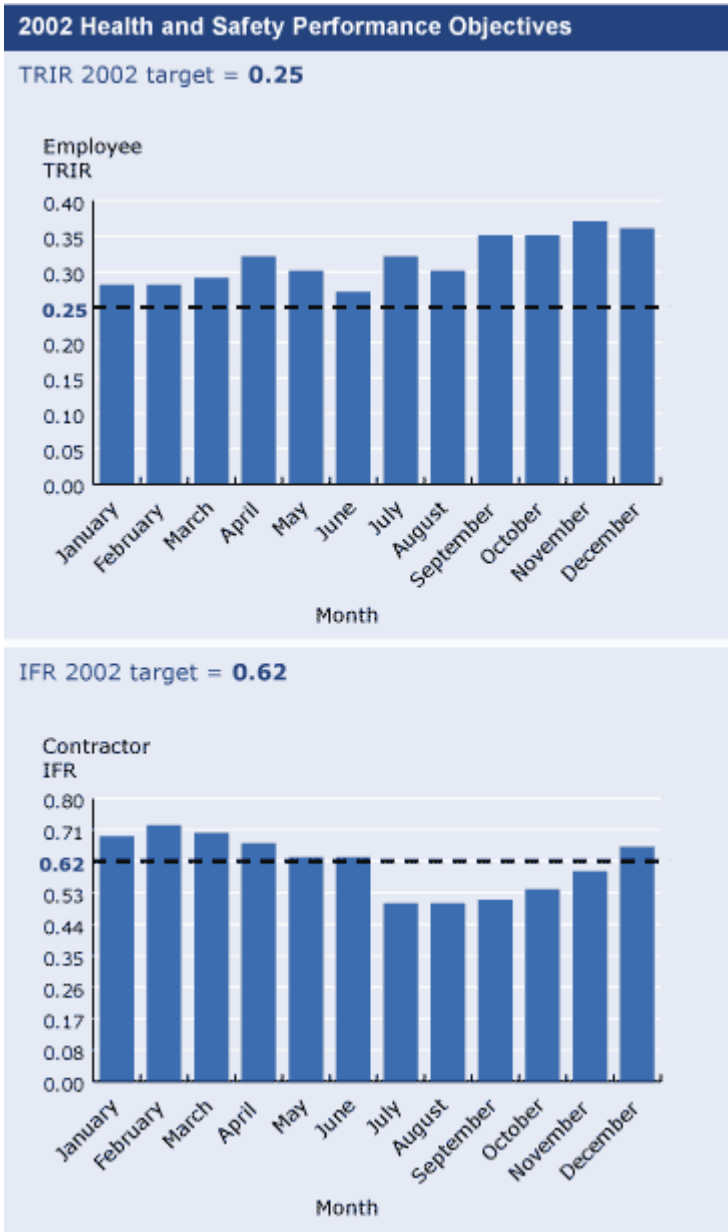
A copy of this Statement was issued to every employee in the UK business, both as a reminder, and as a pre-cursor to the launch of a revised Health and Safety Management System, planned for 2003.

2002 Health and Safety Performance Objectives

Every year, the UK Business Team sets challenging health and safety targets for each UK business unit. In 2002, the four targets set were as follows:

- Reduce Total Recordable Injury Rate (TRIR) by 10%;
- Reduce contractor Injury Frequency Rate (IFR) by 10%;
- Establish effective reporting and analysis of sickness absence and demonstrate continuous improvement through business specific targets;
- Each business unit prepare and deliver a health & safety plan to include as a minimum:
 - A review of performance against 2001 targets / objectives;
 - Business unit-specific targets and objectives for 2002, demonstrating continuous improvement;
 - The strategy for delivering targets and objectives in 2002.

Although 50% of our businesses did achieve each of the first two 'numerical' business objectives, the UK business as a whole did not (as illustrated in the chart below)



We will continue to aim for improvements in our incident rates in 2003.

Systems for the effective reporting of sickness absence were established during 2002 and each business unit is now committed to improving their performance in this area through targeted management initiatives.

The majority of business units developed and implemented a written health and safety plan for 2002, and succeeded in delivering many of their objectives for the year. We recognise, however, that we must achieve 100% success in this area if we are to achieve the best practice standards of health and safety performance that we set ourselves.

Health and safety performance

We regret that the following incidents involving Powergen employees and contractors in the UK were reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) (1995) in 2002:

	Employees	Contractors
Fatalities	1	0
Major Injuries	4	11
Over 3-Day Lost Time Injuries	6	24
Reportable Diseases	3	0

Four Dangerous Occurrences were also reported in 2002 and we were issued with one Prohibition Notice – in connection with the fatal injury to an East Midlands Electricity employee.

Internally, we report on incidents with lower severity than those reportable under RIDDOR. These are summarised below:

	Employees	Contractors
1 to 3-day lost time injuries	5	17
1 to 3-day restricted work injuries	2	3
Medical treatment injuries	13	27

The Total Recordable Injury Rate (TRIR) provides a measure of the total number of injuries and diseases per 100,000 hours worked. For the twelve months up to December 2002, the TRIR for Powergen Employees was 0.34, or one injury per 294,000 hours worked. The equivalent figure for Contractors was 0.97, or 1 injury per 103,000 hours worked.

The Injury Frequency Rate (IFR) is an alternative measure of safety performance. This shows the number of Lost Time Injuries per 100,000 hours worked. For the 12 months up to December 2002, the IFR for employees was 0.16, and for contractors 0.59.

Employee and contractor TRIR and IFR trend data for 2000, 2001 and 2002 are shown below:

Total Recordable Injury Rate		
	Employee	Contractor
2000	0.23	0.85
2001	0.27	0.84
2002	0.34	0.97

Injury Frequency Rate		
	Employee	Contractor
2000	0.13	0.57
2001	0.09	0.57
2002	0.16	0.59

These figures show that our rates have increased slightly during 2002. We continue to work hard to ensure that this trend is reversed in 2003. It is important to note, however, that viewed over the longer term our rates are very low. For example, in 1989 our employee IFR stood at 1.29 compared with 0.16 at the end of 2002.

Occupational health

We have in place a comprehensive occupational health programme which supports the needs of our people and business. We are concerned about the effects of work on health and the effects of health on work.



We were honoured to be awarded the 2002 Astor Trophy for Occupational Health by The Royal Society for the Prevention of Accidents (RoSPA). This award reflects the hard work which our Occupational Health team, in conjunction with each of our business units, has put in over recent years.

During 2002, *Business Healthcare* – an external Occupational Health Consultancy, carried out a fundamental review of occupational health within Powergen UK. As a result of this review, and in response to the occupational health issues within business units, the following areas were addressed in the year:

- benchmarking of the full range of Powergen occupational health services with similar organisations;
- introduction of a nurse-led occupational health function which works closely with each business to deliver a more effective and responsive service;
- development of an audit system for Occupational Health;
- investigation of appropriate quality systems for the collection and analysis of occupational health data;
- development of Service Level Agreements with business units;
- formalisation of the company approach to stress management;
- further development of our rehabilitation support systems to assist injured or ill employees in their return to work;
- development and implementation of a "Health Promotion Calendar" which maps out different topics for promotion during the year;
- delivery of advice and information in regard to stress management during "European Health & Safety Week";
- investigation of the use of alternative therapies to assist in the management of ill-health;
- successful roll-out of the annual flu vaccination programme.

SAFELEC 2010

Back in 2000, the UK Government launched the 10-year 'Revitalising Health and Safety' strategy to give new energy to health and safety at work. In response, the electricity industry developed 'SAFELEC 2010' – which sets out how we as an industry will contribute to the Government's targets. We are fully committed to SAFELEC 2010, and have therefore committed to achieving the following targets by 2010:

- reduce the number of working days lost per 100,000 workers from work-related injury and ill health by 50 per cent;
- reduce the incidence rate of cases of work-related ill health by 20 per cent;
- reduce the incidence rate of fatal and major injuries by 50 per cent ;
- to achieve half the improvement under each target by 2004.

We have also made a commitment to achieving four additional occupational health targets during 2003:

- To continue to seek improved methods of managing work-related stress;
- to reduce the incidence rate of work-related musculo-skeletal disorders (WRMSD) by 12 per cent by 2004, and reduce the number of working days lost per 100,000 workers due to WRMSD by 15 per cent by 2004;
- to promote the development of better systems for collecting the necessary occupational health data to obtain a clearer picture of current levels of work-related illness within the electricity industry;
- to develop initiatives for improving rehabilitation back to work of employees off work due to ill health.

During 2002, along with the rest of the electricity industry in the UK, we have devoted a significant amount of time and effort into establishing systems which effectively measure progress against these targets. We are now in a position where we are able to do this and will soon be able to report back on our progress to date.

2002 Initiatives

In 2002, we have been busy in a number of areas as summarised below:

- **Health and Safety Management System review**
Our business has changed fundamentally over recent years, and in 2002 we commissioned a thorough review of our existing management system. This review has prompted us to develop a fresh approach, based around a set of clear 'Minimum Management Standards', which will be implemented during the course of 2003;
- **Health and safety audit review**
In order that we can effectively monitor the implementation, and ongoing compliance with our revised Health and Safety Management System, we have also reviewed our existing audit arrangements and are redeveloping these to fit with our new approach;
- **Electrical & mechanical safety rules**
These were fully reviewed and updated during the year to ensure that the continued safety of employees during non-operational works;
- **Contract and contractor management**
Following two serious incidents involving contractors during 2002, we have revised and re-issued our corporate guidance on contractor Health and Safety management, and also launched a new four-day in-house contract and contractor management training course;
- **Drugs & alcohol policy**
We recognise that drugs and alcohol misuse represent potentially significant risks to our business unless we tackle these issues head on. We have therefore developed, in conjunction with our business units, trade unions and external agencies a drugs and alcohol policy, which aims to support those with a genuine problem but at the same time to ensure that there is no adverse impact on health or safety;
- **Wind farm safety**
This is a developing part of Powergen's businesses and we are working closely with external agencies to help develop best practice guidelines.

2003 Health and Safety Performance Objectives

For 2003, we have set the following targets:

- Sustain no more than 16 Major or Fatal injuries to Powergen UK and contractor staff across the UK Business (this is in line with our 10-year commitment under SAFELEC 2010 to reduce major and fatal injuries by 50%);
- Each business unit to maintain a Total Recordable Injury Rate (TRIR) below a threshold of best practice (as defined below). If the TRIR is above the threshold of best practice at the beginning of the performance period significant and speedy action must be taken to reduce the level to below this threshold;
- Each business unit to set and achieve a target for sickness absence for Powergen staff commensurate with best practice standards;
- Each business unit to prepare and deliver a health & safety plan to include, as a minimum, the following:
 - A review of performance against 2002 targets and objectives;
 - Business-specific targets and objectives for 2003, demonstrating continuous improvement;
 - The strategy for delivering targets and objectives for 2003.

TXU Integration

At the end of 2002, we successfully completed the acquisition of the UK assets of TXU–Europe. The process of integrating health and Safety in the two organisations is now well underway and we are addressing a range of issues including:

- Staffing of the health and safety function and within–business health and safety support;
- Effective reporting of Health and Safety statistics using a new intranet– based reporting tool;
Provision of an effective occupational health function across the new organisation;
- Integration of TXU activities under our Health and Safety Management System;
- Integration of Powergen UK and TXU Safety Rules;
- Reward and recognition of excellent health and safety performance.