N.V. Eneco Beheer

Annual Report 2019

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Foreword Management Board

This past year was undoubtedly one of the most hectic years in Eneco's recent history. This was the last year in which Eneco's shares were held by public shareholders: we are now making a fresh start with new shareholders. During the sales process, Eneco continued to operate as usual, perform financially and put its customers' interests first. To this end, we use 'transition' as a verb: we help consumers, companies and organisations to transition in the energy transition. This is also reflected in the title of our annual report: 'Transitioning together'

Sale

Of course, I must start with sale of the shares in Eneco. In December 2018, we announced that we planned to do this via a 'controlled auction'. The sales process was officially launched on 22 February 2019. In advertisements in the *Financial Times* and *Het Financieele Dagblad,* we invited interested parties to contact us. These parties were assessed on various pre-qualification criteria, such as their experience with transactions of this size and, of course, also their financial position. After the selection round, we entered the phase of non-binding bids. Participants received more information about the company, based upon which they could submit a non-binding bid. In this non-binding bid, they also set out what their plans were with regard to Eneco. In the subsequent phase of the binding bids, the remaining parties received more detailed information about the company, including presentations by the management and company visits. We were finally able to jointly announce the winning consortium on 25 November 2019.

A consortium of Mitsubishi Corporation (80%) and Chubu Electric Power (20%) was chosen. This was probably surprising for many observers and news followers, but not for the people who were involved in the deal. This consortium offers the best guarantees on the various criteria that were formulated at the beginning of the auction, including regarding the position of employees, maintaining an independent strategy and deal certainty. In addition, they offered the highest price. This bid is the best option for the company, the employees and the selling shareholders. Eneco is making a strong new start with the new shareholders.

The sales process was very enervating for everyone involved, including a large number of employees. I am very pleased that we were able to complete this process in good cooperation with the selling shareholders and all advisers. Of course, I also congratulate Mitsubishi Corporation and Chubu Electric Power!

Good results

Not only did Eneco continue to operate as usual during this process, the company even accelerated its efforts to make our customers' transition even easier. The execution of our strategy was and is our main aim, with good results.

Transitioning also means that we have to ensure that we are ready for this as well. This means working together throughout the chain and further digitalisation. This is the only way that we will be able to meet customers' needs and ensure that Eneco will remain a top company commercially. We are increasingly successful in this aim, but this is an area that demands our constant attention.

Financially, we performed well in 2019. This was not only due to good commercial and positive trading results, we also had a strong focus on cost savings. As a result, we can continue to invest, for example in our own renewable sources, in crucial innovations for electric charging and in heating systems, which are very important in the 'gas-free' discussion.

In the commercial field, we also have many good results to report, which you can read about in this report. I would like to highlight a few. Together with Mitsubishi Corporation and a number of other parties, we developed the wind farm Norther off the Belgian coast, which began producing electricity for the first time in 2019. As a result of our agreement with transport company RET for the purchase of green electricity, the residents of Rotterdam and the surrounding area are able to make use of increasingly sustainable public transport. We introduced an innovative concept in Utrecht together with the corporation Bo-Ex: a guaranteed warm home for a fixed amount per month. We installed our first electrode boiler in The Hague city district Ypenburg, which has increased the sustainability of the local heating network. This also applies for residents of Utrecht and Nieuwegein, by means of the BioHeat Installation at the Lage Weide power plant. In addition, Microsoft's data centres in the Netherlands run largely on Eneco's green electricity.

Stepping down

I would like to conclude with a personal note. At the presentation of the new shareholders, I announced that I have decided to step down as CEO when the deal has been finalised. This is expected to take place before the summer of 2020. I will, however, remain attached to this special company for a number of years as a senior advisor of the Management Board. I have enjoyed working at Eneco very much and I would like to thank the customers, shareholders, advisers and all others who have crossed my path during the past two years. But above all, I would like to thank the employees. I have learnt an awful lot from them, I have worked hard with them and laughed a lot together with them. They make Eneco the great company that it is.

Ruud Sondag
CEO

Profile

**One of the biggest changes today is the energy transition: we are switching to clean energy. Eneco is making the transition to sustainable energy possible. As a group and together with our customers and partners, we are working on realising our mission: 'Everyone's sustainable energy'. Eneco is producing and delivering more and more sustainable energy. In addition, we develop products and services with which consumers and businesses can produce, store, consume and share sustainable energy themselves.
Thanks to our consistent strategy, we are frontrunners in the energy transition. We are active in the Netherlands, Belgium, Germany, and the United Kingdom.**

Eneco is producing and delivering more and more sustainable energy. Together with customers and partners, Eneco develops affordable energy services that save energy and enable others to generate energy. In this manner, Eneco is helping everyone in the Netherlands and Belgium switch to sustainable energy.

Superslim. Supervoordelig.

Oxxio is the energy supplier specialising in online services. It offers customers the best price for 100% European wind-generated electricity and gas. In addition, Oxxio also offers Internet, TV and Telephone packages since 2019.

WoonEnergie helps housing corporations and their tenants save energy and thus reduce their energy and housing costs.

AgroEnergy focuses primarily on horticulturists in the greenhouse sector. It supports customers in the agriculture sector so that they can purchase their own sustainable energy at the best price.

Generation reine Energie

LichtBlick is a green and innovative energy company. It is established in Germany, where it is the market leader in delivering green electricity to consumers.

Quby develops technological service platforms for smarter and more sustainable homes. The most well-known platform is Toon, Eneco's smart thermostat. Quby has also developed services for the Eneco app, Interpolis's smart security system, ThuisWacht®, and boxx, ENGIE's smart thermostat (available in Belgium).

Peeeks develops smart energy solutions based on the convergence of electricity, heating and mobility.

Associates

Eneco has interests in various companies and start-ups:

Enyway enables consumers to purchase their electricity directly from a green source of their choice.
Greenchoice is a supplier of sustainable energy to companies and households.
GreenFlux offers a software platform to manage charging stations remotely, process transactions and balance the charging process with the grid capacity.
Luminext makes public lighting smart and controllable.
Next Kraftwerke is the operator of a large 'virtual power plant', which combines and manages a network of sustainable sources smartly. By providing flexibility, it helps balance supply and demand on energy markets.
Olisto connects smart devices, apps and services.
ONZO is a data-analytics software company that has developed a platform that recognises and analyses the energy consumption of household appliances based on data that are generated by smart meters and connected devices such as smart thermostats.
Roamler Tech offers a platform that is changing the way of working in the installation world.
Suniverse provides sustainable energy systems to home owners and housing corporations, including a wide range of financing solutions under, for instance, the brand name 'Energie In Huis' (Energy solutions in the home).
Thermondo is specialised in the sale and installation of household heating solutions.

Overview of the main results

Amounts from the 2019 financial statements; in € 1 million

	2019	2018
Gross margin and other revenues	**1,096**	1,082
Operating profit (EBIT)	**132**	162
Cash flow from operating activities	**454**	428
Total revenues	**4,332**	4,183
Operating income before depreciation (EBITDA)	**428**	415
Net result	**80**	136
Investments (and acquisitions) in fixed assets	**372**	548

	2019	2018
Group equity	**2,937**	2,939
Interest-bearing debt	**767**	505
Balance sheet total	**5,968**	5,743

	2019	2018
Group equity/total assets	**49.2%**	51.2%
Credit rating	**BBB+**	BBB+
ROCE (Return on Capital Employed)	**3.0%**	5.3%
ICR (Interest Coverage Ratio)	**28.5**	18.0

Important events

Sale

At the end of December 2018, the company and its shareholders jointly announced that the privatisation of Eneco would take place by means of a ‘controlled auction’. Since then, a lot of hard work was done in preparation for the sale. The following important steps were taken in 2019:

1. Official start of the sale process
Advertisements in the Financial Times and Het Financieele Dagblad, on 22 February 2019, in which interested parties were invited to make their interest in participation in the controlled auction known.

2. Pre-qualification phase
The interested parties were assessed on various criteria (for example experience and financial position) to determine whether they were able to conclude a purchase agreement of this size.

3. Non-binding bids phase
In this phase, the participants received information about the company to enable them to submit a non-binding bid, in which they could also set out what their plans were with Eneco.

4. Binding bids phase
The selected parties submitted their binding bids for Eneco in this phase. This took place based on additional information about the company, extensive contact with the company and shareholders and also by means of presentations given by the management, visits to business units and a large number of questions and answers.

5. Selection of potential buyer
The shareholders and the company announced on 25 November 2019 that Mitsubishi Corporation and Chubu Electric Power have been selected as potential buyers. The agreed purchase price is € 4.1 billion. The 44 shareholding municipalities will decide at the beginning of 2020 whether they agree with this and there are also regulatory bodies that have to grant their approval.

Other events

12 February

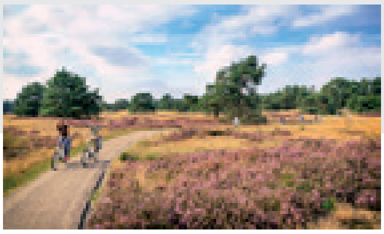
Eneco and Vattenfall take the renovated wind farm Slufterdam into use. The capacity has nearly doubled from 25.5 MW to 50.4 MW. The annual production of the 14 wind turbines is equal to the energy consumption of about 60,000 households.

7 March

Eneco eMobility acquires all the shares of Flow Nederland B.V. and with this acquisition adds about 2,000 active charging points and 4,500 charging cards to its portfolio.

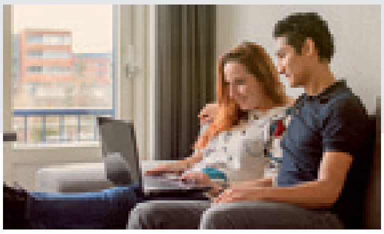
8 March

The National Park De Hoge Veluwe is purchasing 100% green electricity from Eneco as from 1 April 2019 for a period of five years. As a contribution to nature restoration, during the same period, Eneco will support the stonemeal project with which the Park aims to reduce the acidity of the soil.



11 March

Eneco subsidiary WoonEnergie acquires all the customers of Robin Energie, the energy supplier located in Veenendaal that was declared bankrupt at the end of February. This concerns approximately 25,000 customers.



17 May

LichtBlick concludes an agreement (PPA) for the purchase of electricity generated by the wind farm Papenrode, due to which 7,000 households can purchase unsubsidised green electricity directly.

23 May

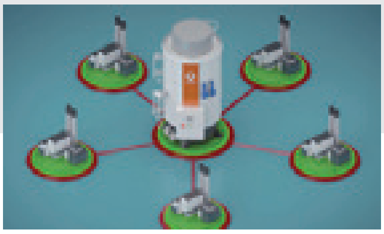
Microsoft Corporation and Eneco announce that Microsoft will purchase 90 MW of the total of 731.5 MW that will be generated in the offshore wind project Borssele III/IV. Eneco will deliver this green energy to the Microsoft data centres as from 2022 for a period of 15 years.

28 June

The Climate Agreement is presented. Eneco participated actively in the negotiations and will sign the plans for electricity and the built environment later in the year.

2 July

Eneco is the first energy company in the Netherlands to install an electrode boiler in the district heating system in the city district Ypenburg in The Hague. With this boiler, part of the heat production can be electrified, which will result in CO_2 savings of approximately 1,260 tons a year.



18 July

Eneco purchases all of the green electricity of wind farm Fryslân, the largest near-shore wind farm in the Netherlands, for a period of 15 years. Wind farm Fryslân will produce 1,500 GWh of green electricity annually, which equals the electricity consumption of 500,000 households.
This is Eneco's largest power purchase contract with a Dutch wind farm.

9 September

Gasunie takes over the development and installation of the pipeline 'Leiding door het Midden' from Eneco. This will accelerate the delivery of sustainable heat to households in The Hague area and the greenhouse horticulture in the Westland region based on surplus heat from the Port of Rotterdam.

10 September

Construction of SeaMade, the largest offshore wind farm off the Belgian coast (487 MW) is started. The total investment in this project amounts to 1.3 billion euros. Eneco's share in the consortium is 12.5%.

16 September

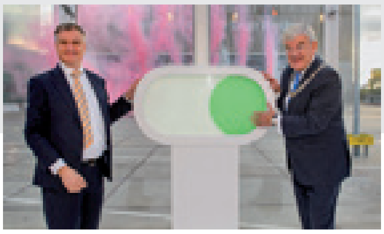
Eneco completes the installation of 27,000 solar panels on the roof of ArcelorMittal in Gent. This is the largest solar roof in Belgium. Over 5,000 employees were given the opportunity to invest in the project as well.

15 October

Eneco eMobility acquires 100% of the shares of the German company chargeIT mobility. With this acquisition, Eneco expands further in Germany and adds about 3,000 charging stations to its portfolio.

18 October

The BioHeating Installation (BWI) is officially opened.
The BWI delivers sustainable heat to the Utrecht and Nieuwegein heating grid, to which over 500,000 households and business are connected.



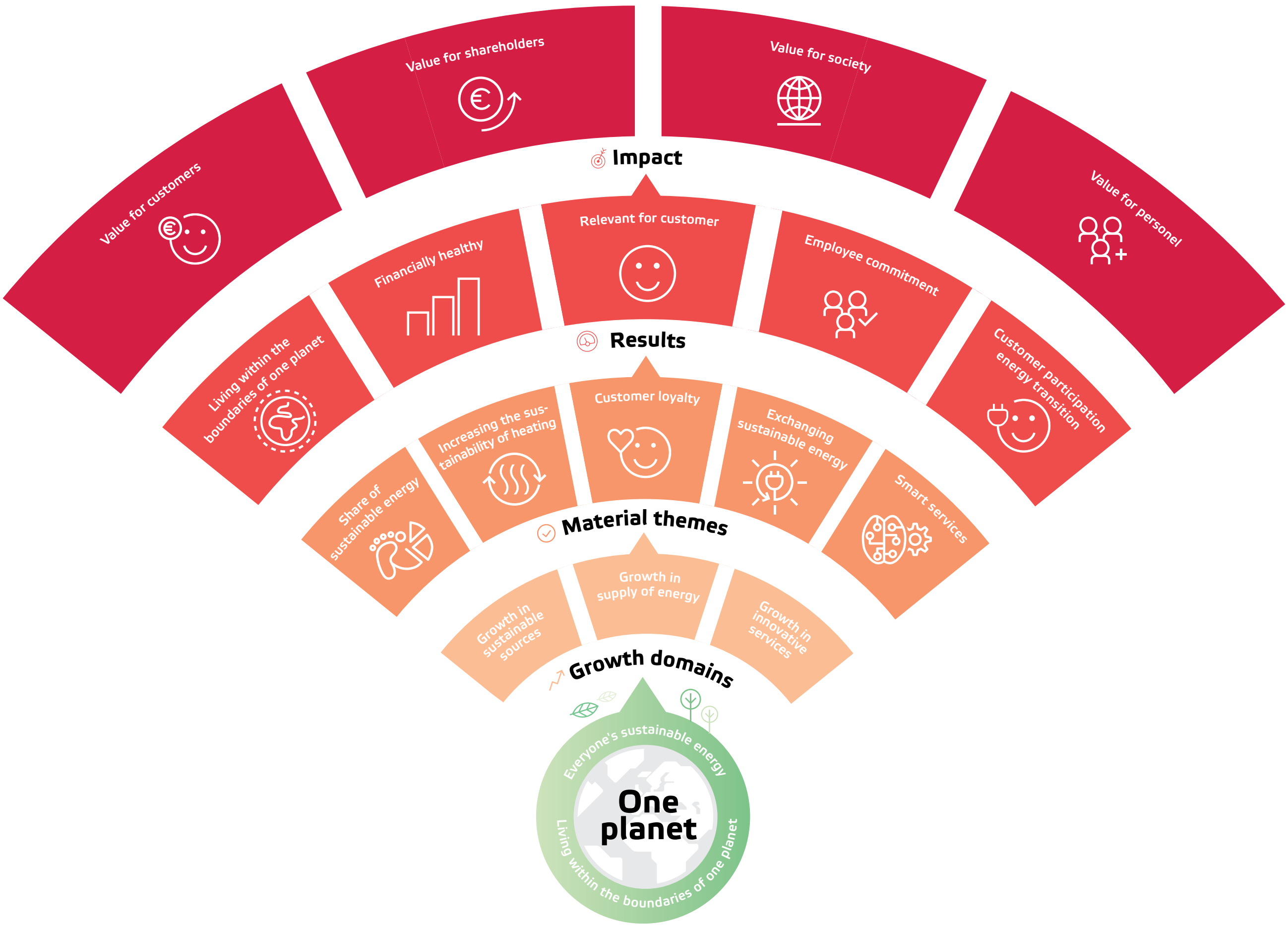
25 November

The shareholders' committee and Eneco reach agreement with a consortium of Mitsubishi Corporation and Chubu Electric Power on a bid for Eneco of EUR 4.1 billion.

19 December

Eneco will start making use of innovative storage technology in collaboration with S4 Energy to create a virtual sustainable power plant.
A capacity of 25 MW will be created divided over three locations.

Value creation



Our growth domains

Growth in sustainable sources
We have a leading position in renewable energy generation and are expanding our market leadership in heating.

Growth in delivery of energy
We are growing in the number of customers to whom we deliver sustainable energy. By combining this smartly with products and services that are of added value to the customer, we thus increase the customer value.

Growth in innovative services
We are scaling up the development and provision of innovative services around the home and in the field of electronic transport and energy management.

What are we achieving with our strategy?

Share of sustainable energy
We invest together with customers, cooperatives and partners to increase the share of sustainable energy.

Increasing the sustainability of heating
We opt for renewable heating and replacement of fossil options.

Customer loyalty
We are enlarging our loyal customer base, which we provide insight into their energy consumption and offer ways to manage this.

Exchanging sustainable energy
We support our customers to integrate their sustainable energy consumption at home, at the office and in transport in the changing energy system.

Smart services
We provide smart services that increase the customer's comfort and enable customers to make use of energy at times when there is an abundant supply of green energy.

How do we measure our progress?

Living within the boundaries of the planet
Reduction of the absolute CO_{2eq} emissions in our chain emissions.
- Growth in sustainable sources E + H
- Share of sustainable energy in the total delivery

A healthy financial return
ROCE and higher EBITDA

Relevant for the customer
Higher value for customers
- Number of contracts
- Customer satisfaction

Gas-free and maintaining value of heating customers

Enthusiastic and knowledgeable employees
Recordable Incident Frequency
Preventing absenteeism
Diversity, equal opportunities
Execution power

Customers participate in the energy transition
- Growth number of paid services per customer
- Growth charging services and electric transport
- Growth in energy management
- Leading in Energy as a Service

What value do we deliver?

Value for society
Eneco Group is committed to the Paris climate agreements and is market leader in the energy transition. Contributes in the area of environmental impact in cities (SDG [Sustainable Development Goals] 11, 13) and to maintaining biodiversity on land and in the sea (SDG 14, 15).

Value for customers
Eneco Group enables customers to determine how they wish to generate, use, store and share clean energy (SDG 7 and 12).

Customers receive affordable and clean energy and more comfort thanks to innovative products and services.

Value for shareholders
Eneco Group is a financially healthy company with a clear growth potential and with social objectives.

Value for employees
With over 3,000 highly motivated employees, Eneco Group creates employment and stimulates knowledge and innovation in the countries in which it is active. Employees contribute to sustainable development.

Eneco's strategy is aimed at creating value in the long term for various groups of stakeholders: our employees, our customers, our shareholders and society. With our sustainable activities, we seek to ensure that our impact on the economy, people and the environment is as positive as possible. Our value creation model provides insight into how we do this.

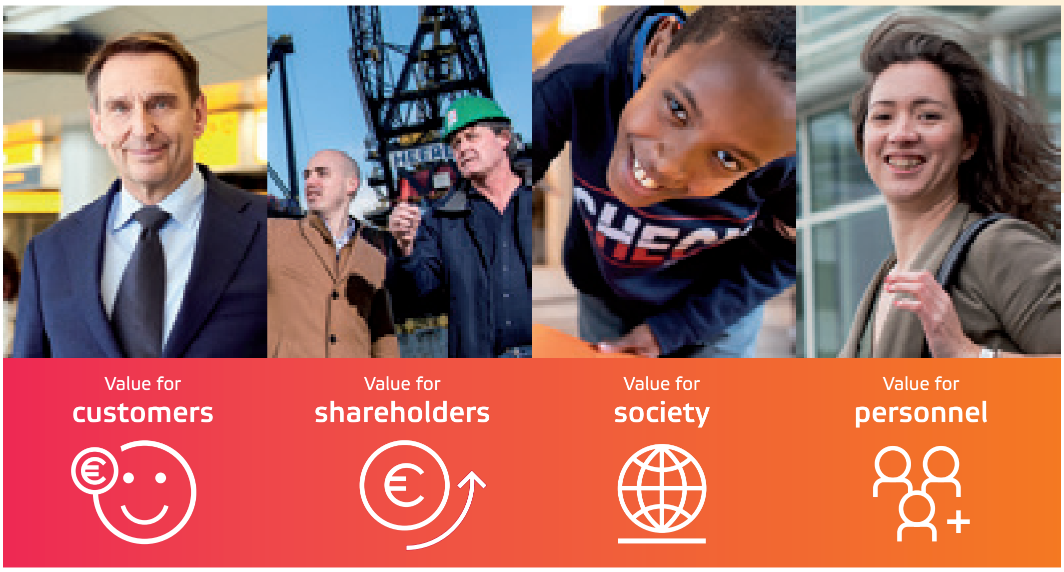
Value creation model

The value creation model is a schematic representation of our strategic choices. The point of departure is that we live within the boundaries of one planet earth. Eneco aims for growth in sustainable production, energy delivery and innovative services. These growth domains can be made concrete in goals, or, in other words, in the answer to the question what we aim to achieve with our strategy: a growing share of sustainable energy in our production, increasing the sustainability of our heating chain, customer loyalty, the exchange of sustainable energy and the range of smart services. We make these goals measurable in strategic KPIs (key performance indicators), with which the impact for our customers, our shareholders, society and our employees can be quantified more clearly. In this manner, we implement our mission: everyone's sustainable energy.

Indicators and continuous reporting

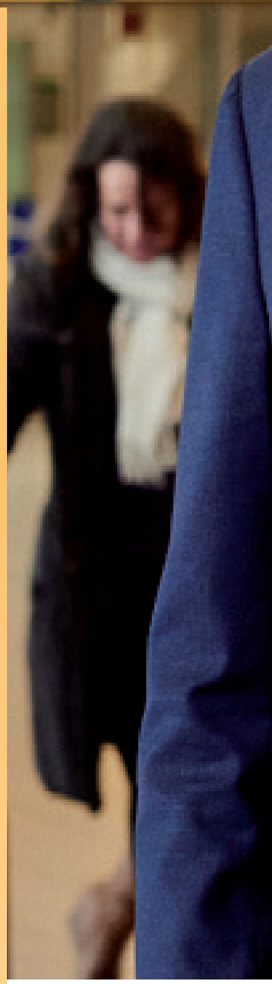
Besides financial results, we also report on our non-financial performance which includes, for instance, the share of sustainable energy, how safe we work and how satisfied our customers are. We present information about our production capacity and delivery specified according to source and country on our website on a more continuous basis (see Energy figures on our corporate website).

In order to make our value creation model more tangible, this year, we have asked a number of people to tell how they view Eneco and sustainability within their value chain, their life, or within their career. This concerns our valued commercial customer Royal Schiphol Group, our partners of Heerema Marine Contractors, young visitors of our EnergyLab and one of our experienced employees, respectively. In the column next to the interviews, a number of appropriate indicators are listed with which we measure the value creation. This way, we demonstrate even more clearly how value creation is an integral part of Eneco's mission, vision and way of working.



Value for
customers

Schiphol wants to be the most sustainable airport in the world



'It is Schiphol's ambition to be the most sustainable airport in the world. In order to achieve this, we are following our Roadmap *Most Sustainable Airports* on our way towards a waste-free and emission-free airport: no diesel and gas and very efficient use of electricity. This plan is supported by the whole management board and each of the management board members has his or her own role in this. This is also necessary, as we take sustainability into account in all our investments, in all details and facets.

One hundred percent Dutch wind energy

André van den Berg, Vice President and Chief Commercial Officer of Royal Schiphol Group explains: 'Electricity consumption determines the largest share of our footprint. In order to become emission free, we have switched to electricity from renewable sources. Schiphol Group, which includes the airports in Rotterdam, Eindhoven and Lelystad, now runs one hundred percent on sustainable energy produced by Eneco in Dutch wind farms; verifiable, transparent and demonstrable. Part of this is from the onshore wind farm in Vianen and the rest is from offshore wind farms. In addition, we also generate electricity ourselves, mainly large scale. We have solar panels on various roofs and a solar panel field at ground level. Solar panels will also be installed on the roof of the new pier and terminal.'

Gas-free and electric mobility

'Thermal Energy Storage (TES) is the most important way to reduce gas consumption. We have already had TES systems under the piers for dozens of years and also in office buildings such as "The Base" and the new Hilton hotel. As a result, our operations are largely gas-free. Another focus area is electric mobility. All our air-side bus transport is completely electric and runs on wind energy and energy from our own solar panels. Our own vehicle fleet is also completely electric. For passengers and commuters from and to the airport, we will soon have over three hundred electric buses, one hundred of which are already operational. In addition, there are nearly two hundred electric taxis and we promote travelling by train.'

Toekomst

'In the future, we seek to further intensify circularity and waste separation and sustainability of air travel, for example, by giving discounts on airport fees to cleaner and quieter air planes and investing in, for example, biofuels and synthetic fuels.'


André van den Berg
Vice President & Chief Commercial Officer
Royal Schiphol Group

Customer contracts[1]
(in millions)

Actual 2018	Target 2019	Actual 2019
6.0	5.6	**5.7**

Customer satisfaction after customer contact[2]

Actual 2018	Target 2019	Actual 2019
89.8%	89.6%	**88.4%**

1 The number of customer contracts includes acquisitions during the year.

2 The relational customer satisfaction is the percentage of customers who assess the brand of which they are a customer with the combined scores of 'excellent', 'very good' and 'good'. We use an extensive scope in which customer satisfaction is the weighted average of the relational customer satisfaction of Eneco B2C, Oxxio, SME, Warmte, WoonEnergie and Belgium and is calculated as the average over four quarters of the relevant year.

Value for shareholders

The world's largest crane ships are going electric

Eneco, Port Authority Rotterdam and Heerema Marine Contractors are actively working on realising the energy transition and reducing emissions. At Heerema's initiative, the mega crane ships Sleipnir, Thialf and Aegir – of which the largest, the Sleipnir, is over 200 metres long, 90 metres wide and up to 180 metres high with the crane up – will be hooked up to shore power when they are docked in the Caland channel, Heerema's home port. This electricity is generated by Eneco's wind turbine park in Rozenburg.

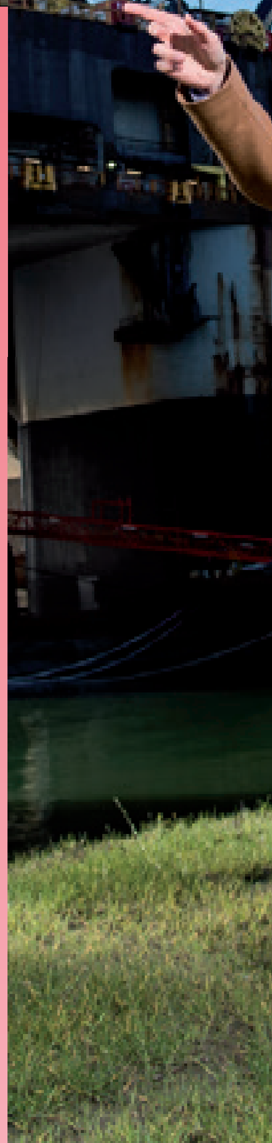
Vincent Doedée, Sustainability Advisor Heerema Marine Contractors, and his colleague Senior Marine Advisor Erik van Hintum are the initiators of this project. 'As the diesel generators of the ships will be switched off as soon as the ship has docked, almost all emissions – CO_2, NOX, SOX and particulates – will disappear. Noise levels will also be significantly reduced. In future, other ships in the area can also be connected to the electric infrastructure. In this manner, the footprint of emissions by the maritime sector in this area will be further reduced.'

Unique example

Vincent and Erik: 'This is a unique example for the maritime sector. Eneco (80%) and the Port Authority Rotterdam (20%) established Walstroom B.V. for this purpose. Heerema is purchasing the electricity and has invested substantially by adapting the technical infrastructure on board the ships, which is quite challenging technically. The existing wind turbines are being enlarged and expanded. In order to realise the technical connection, an 'E-house' is being built with a capacity of 20 megawatt. The situating of the E-house on the peninsula took place in a participation project together with the residents of Rozenburg. The municipality of Rotterdam has granted two million euros provisional subsidy. If there are more purchasers of this shore power, this will be repaid in the future. The break-even point will be reached after fifteen years.

Huge savings

CO_2 emission savings amount to 15,000 tons on an annual basis, which equals the emissions produced on average by 5,000 to 7,000 cars. By connecting one ship to shore power the same amount of CO_2 is saved per day as the emissions in the environmental zone in Rotterdam. As a good example does wonders, it is expected that similar initiatives will follow in the Port of Rotterdam in the coming years. The job should be completed by the end of 2020 when Heerma's ships will literally be plugged in.'



Vincent Doedée (left)
Sustainability Advisor

Erik van Hintum (right)
Senior Marine Advisor

Both of Heerema Marine Contractors

Solvency

2018	2019
51.2%	**49.2%**

Return on Capital Employed

2018	2019
5.3%	**3.0%**

Interest coverage rate

2018	2019
18.0%	**28.5%**

Credit Rating

2018	2019
BBB+	**BBB+**

Value for society

EnergieLab: working on awareness for the future

In the Eneco EnergieLab in Vianen, next to the wind farm Autena, primary school pupils learn in a fun way how sustainable energy is produced and what you can do at home to save energy.

Energy and education

Pupils of the primary school Eben Haëzer in Benschop are also present today. Teacher *Joran Visee* is enthusiastic: ‘Learning in the classroom or from a book is one way, but experiencing in actual practice how energy is produced and how you can save energy is much more interesting. The lesson programme ties in with subjects such as geography, nature and technology. This fits in with the children’s development, it is fun and – to be honest – it is also free. After a brief info session, the pupils can set to work on solar energy and energy savings at home. They also find building their own wind turbine interesting. The awareness increased, they really will remember this. Children are smarter than you may think!’

Unplugging plugs and solar cells

Salomé (age 10) likes the wind turbine best: ‘At home, we unplug the TV and computers if these are not on. With my father and mother, we regularly discuss solar panels on the roof. My dad said recently that we might be installing solar panels next year.’ *Yusuf* (age 12) likes the questions best: ‘I learn a lot from this. What I don’t understand is why you do not have solar panels in faraway countries.
The people are poor there and the sun shines every day. The Netherlands should help with this. Using up fossil fuels is not really an option any more!’

Yusuf
Pupil of the primary school Eben Haëzer

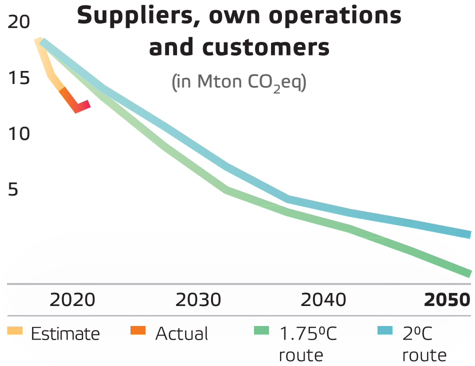
Living within the boundaries of the planet

CO_2 emissions by Eneco Group, its suppliers and customers (in Mton CO_2)

Actual 2018	Target 2019	Actual 2019
15.3 (incl. E.ON Benelux)	17.9	**15.6**

Suppliers, own operations and customers

(in Mton CO_2eq)



Onshore wind energy

	2018	2019
Production capacity (MW)	1,367	**1,716**
Produced (GWh)	3,087	**4,071**

Offshore wind energy

	2018	2019
Production capacity (MW)	427	**611**
Produced (GWh)	1,479	**1,835**

Value for
personnel

Heating innovation based on commitment, engagement and transparency

Jinny Moe Soe Let has been working for Eneco already for six years. She studied law originally. After a career with the government, she switched to Eneco and she now works as Programme Manager Heat for the industrial market. Jinny: 'Eneco gave me the opportunity to make use of my lobby skills and knowledge of regulations from a broad interdisciplinary approach. I bring external parties in the market together on the topic of innovation in the field of heating. As the central coordinator, I am able to do what I love to do.'

Heat Transport Grid Zuid-Holland
Jinny: 'I am working on the Zuid-Holland Heat Transport Grid, the largest heat transport grid in the Netherlands. Eneco, the Port Authority of Rotterdam and Gasunie are working on this together. The participation of the central government and regional and local government bodies, such as the province of Zuid-Holland and municipalities, is urgently required. A main infrastructure is being developed that can supply heat to large parts of the province. This heat transport grid will connect supply and demand. The grid will be able to supply heat to households, businesses and horti-culturists in the future. This heat is derived from residual heat from the industry in the Rotterdam port. This project demands intensive collaboration. It is my role to bring all of these parties together. The company culture at Eneco makes it possible for me to fulfil my role optimally. Everyone is very cooperative.'

Transparency builds confidence
'It's about vision, passion and persuasiveness, but also about confidence and transparency. Clearly defining interests and taking a new and innovative approach to collaborating from different perspectives are key concepts in this process. The heat transport grid will be taken into use in a couple of years. Ultimately, 500,000 households and hundreds of businesses can then be connected.

Jinny Moe Soe Let
Programma Manager Heat at Eneco

Number of employees
(average number of FTEs)

2018	2019
2,990	**2,775**

Men-women ratio

	2018	2019
Men	64%	**67%**
Woman	36%	**33%**

Recordable Incident Frequency

Actual 2018	Target 2019	Actual 2019
0.45	0.54	**0.89**

Strategy

Eneco wishes to help as many customers as possible in their transition to sustainable energy. Our main challenge in facilitating the energy transition of our customers is producing large quantities of affordable, reliable and sustainable energy. In other words, up scaling for the transition. By making CO_2 neutral energy and sustainable innovative solutions available to everyone, these become affordable. This is a matter of urgency: Groningen gas production will be halted, nuclear plants in Belgium will remain open longer but do not provide security of supply and sustainability, and we have to achieve the Paris climate goals.

Mission and positioning

With our demand for energy, we are exhausting our planet's capacity. If everyone in the world would live as the average Dutch person does, we would need 3.6 planets. We are determined to bring the energy requirement and energy consumption within the boundaries of a liveable planet. This is the One Planet concept (see page 42). We are increasingly switching to the production and delivery of sustainable energy and we are mobilising people within and outside of our company to participate in this transition. That is why Eneco's mission is: ‘Everyone's sustainable energy’. This is what we are working on together with our customers and partners.

Strategic objectives

In order to further strengthen our role as frontrunner in the energy transition and to keep up with the developments in the market, it is important that we grow in the delivery of energy, innovative services and sustainable production. We will describe which goals we have formulated for this. In the chapters about our results, we set out how we have worked towards achieving these goals.

Growth in the delivery of energy

We aim to deliver value for our customers with affordable energy, excellent digital service and a wide range of products and services that are aligned with our customers' needs. This is in keeping with our transition from strong sustainable energy supplier to innovative service provider. However, we also remain loyal to our traditional role. We aim to deliver even more sustainable energy and to combine that with smart services.

Growth of the number of customers
We wish to attract new customers and to retain existing customers. We do this by increasing our added value for customers, by putting customers first and by working cost efficiently. By making use of insights that we gain from data and setting up a streamlined digital customer journey, we offer our customers a positive personal experience. We cater more to the customer's needs, which enables us to sell more and more relevant products and services.

In the Netherlands and Belgium, we are focusing on maintaining our market share in supplying green energy. In Germany, we are focusing on growth, in view of the opportunities in the market and the excellent starting position that we have there with LichtBlick.

Market trends

The pace of the energy transition is high; changes and innovations are following one after another. The market trends can be summarised under the 4 Ds: decarbonisation, decentralised, digital and democratic.

Decarbonisation

The share of energy from renewable sources is increasing substantially. This leads to decarbonisation. As a result of more electric transport and alternative heating sources, the demand for electricity is increasing at the expense of fossil fuels. The costs of sustainable energy production are decreasing.

Decentralised

Due to the availability of cheap and efficient technologies, new energy sources are often more decentralised. Large centralised production installations are making way for smaller local installations for own use.

Democratic

Decentralised energy production makes it possible for our customers or citizens' cooperatives to invest themselves and become the owners of production installations, often supported by companies. The number of energy cooperatives and the number of installations that they have are growing, and more local residents are being involved.

Digital

Customers expect flawless digital service 24/7; the purpose of human contact is mainly to exceed customer expectations. Systems not only coordinate production and consumption of energy but also predict energy demand. Thus, energy can be delivered at the right moment, to the right place at the lowest costs. Digital tools also contribute to reducing energy consumption. Companies from other sectors, such as Amazon, Google and Apple, are entering the energy world and introducing new services in domains that energy suppliers are still just discovering (such as Smart Home). In addition, we see entrants from the automotive industry, such as Tesla and BMW. The energy and telecom markets are also moving closer to each other.

We also aim to attract and retain heating customers. We are switching from natural gas to other heating sources based on electricity or biomass. A a result, we - and our customers - are emitting less CO_2. At the same time, revenues from gas are decreasing. In order to offset this loss, we are developing new service models. For instance, we aim to be the frontrunner in offering (hybrid) heat pumps to consumers in the Netherlands and Belgium.

Growth in innovative services

We are increasing customer satisfaction and the loyalty of our customers by providing more innovative services for at home (Energy as a Service), electric transport and (decentralised) energy management. Our digital platforms form the basis for our innovative services.

Growth of the number of paid services per customer
By responding to individual customer needs, we can develop and sell more and better integrated products and services per customer.

Leading in Energy as a Service
We are developing new business models in which we combine our digital platform with concrete products and services for at home. We are also developing energy-related services. This results in valuable propositions for our customers such as the waste checker or smart boilers.

Growth of the number of charging services for electric transport
We aim to be among the top 3 in e-mobility. We are increasing the number of electric transport charging stations and charging services (such as charging cards) for at home and at work. In order to achieve sufficient scale and coverage, we are doing this in the Netherlands, Belgium and Germany.

Growth in energy management
We aim to grow with the range of (decentralised) energy management services with which customers can manage, control and balance their energy systems. We help them to purchase or deliver back energy at the right moment or we offer batteries.

Growth in sustainable production

We want to be of added value to our customers by being leading in the production of sustainable electricity and heating solutions. We supply this electricity and heat directly or through third-parties.

Growth in sustainable electricity and heating
Eneco has a leading position in sustainable production. In order to maintain this position, we will double our available sustainable capacity from 1,100 MW in 2017 to 2,200 MW in 2022. In this manner, we will become strong in onshore wind energy and we will remain the market leader in offshore wind energy in Belgium and the Netherlands. We are already leading in Belgium in solar energy systems on roofs and we are the second largest producer of solar energy.

There are also possibilities to expand in solar energy in the Netherlands, but the market is very competitive. This is why we are mainly looking at customised solutions together with customers. We also offer solar energy solutions for customers who are not able to install solar panels.

The Netherlands is switching from natural gas to other heating sources. Eneco is looking for ways to facilitate this transition and remain market leader in heating. We are expanding our local district heating networks and we are offering consumers customised heating solutions, on a large scale as well as individually.

Growth in the share of sustainable electricity production
In addition to our own production, we also conclude long-term contracts for the purchase of green electricity. This offers a guarantee for investors in sustainable production, who only invest if they can purchase sustainable electricity for a longer term. As we are not yet able to produce sufficient sustainable energy ourselves, we purchase electricity for customers with Guarantee of Origin certificates. In this manner, the share of sustainably produced electricity in the total delivery portfolio will increase from 21.6 % now to 50% in 2022.

Strategic choices

The realisation of growth in the delivery of energy, innovative services and renewable sources is based on a number of strategic choices.

Realising sustainable production without subsidy

Less subsidy will be available in the future, whereas electricity prices could possible remain low. This is why we will make a more cost-efficient use of our infrastructure. We will continue to develop facilities and infrastructures for sustainable production, at the request of or together with our customers.

Accelerating the heating transition

We aim to grow our share in district heating in the Netherlands together with regional stakeholders, such as municipalities, housing corporations, port authorities and provinces. Together, we will install new heating systems for city districts. We also offer solutions for at home, at the lowest possible costs.

Transforming to digital services

We have further digitalised our systems so that we can offer our customers comfort, convenience and control over their energy consumption. With insight into customer data, we can offer relevant products and services at the right moment via the right channels.

Integration of services

We are integrating our digital platforms with other hardware and services in order to offer comfort and energy efficiency. We will make smarter use of and integrate services that we have already developed.

Growth in the Netherlands, Belgium and Germany

We are expanding our facilities for sustainable production in the Netherlands, Belgium and Germany and are selling more innovative services.

Integrated customer-oriented organisation

In order to realise our objectives and choices, we have implemented an organisational structure with which we can work more efficiently and smarter. This will lead to an improvement of our financial performance and to more room for investing in sustainable growth. We are now working in an integrated customer-oriented manner, both in the customer organisation and in the support departments, which are also gearing their work to the needs of the business. In this manner, we are strengthening our ability to achieve our strategic objectives. We are taking important steps to improve our services to customers. In combination with the further digitalisation of our services, we can thus serve customers more efficiently.

In order to realise more growth from new products and services, we are paying more attention to the effectiveness of innovations and business development. Decision-making and coordination in connection with innovations has been centralised with the Product Portfolio Management department. As a result, innovations will be better aligned with our customers' needs, will be more likely to succeed and will be allocated the right resources sooner in order to be able to scale up.

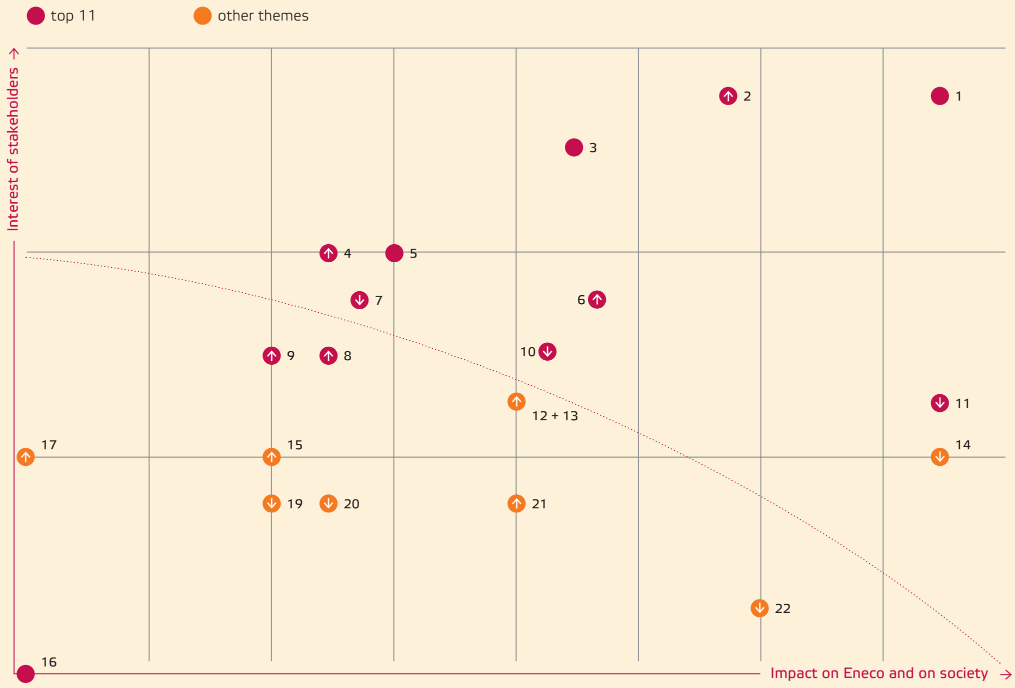
What is material?

It is important for us to know what our stakeholders consider relevant as we can then adapt our strategy accordingly. Customers, employees, shareholders, suppliers, politicians and regulators are regarded as belonging to our direct circle of stakeholders. We regularly enter into a dialogue with our stakeholders or check their opinions in various surveys. Furthermore, we consider it important to maintain a good relationship with non-governmental organisations and financial institutions.

New overview of material themes

We carried out a materiality survey in 2018 among a number of selected stakeholders, in which we took our strategic ambitions as the point of departure. Where possible, we linked the topics considered to be most relevant by both internal and external stakeholders to our control framework (strategic KPIs) and to the GRI standards. The links with the control framework of strategic KPIs and with the GRI Standards is set out in the section *Topic-specific disclosures and management approach* in the annex GRI content index (see page 174).

Eneco's Materiality Matrix



Top 11 linked to SKPIs and GRI

1. Contributing to the energy transition *(still at number 1)*
2. Safety, health and well-being *(up from 7 to 2)*
3. Privatisation of the organisation of *(still at number 3)*
4. Expanding innovative services *(up from 12 to 4)*
5. Growth in heating solutions - gas transition *(still at number 5)*
6. Relevant for the customer *(up from 14 to 6)*
7. Investing in renewable sources – Origin of energy *(down from 4 to 7)*
8. Community management – support for renewable-energy projects *(up from 11 to 8)*
9. Competitive pricing - retention of customers *(up from 18 to 9)*
10. Contributing to Paris climate agreements - Lowering CO_2 and other emissions in the supply chain, Contributing to energy savings by customers *(down from 6 to 10)*
11. Returns from a financial healthy company *(down from 2 to 11)*

Other relevant themes on which we report in our annual report

12. Data security (privacy, continuity, cyber security) *(up from 22 to 12)*
13. Sustainable procurement *(up from 26 to 13)*
14. International growth *(linked to 11)*
15. Governance (information about the composition and cooperation in the top of the company) *(up from 20 to 15)*
16. Reliablility and availability/accessibility *(up from 28 to 16)*
17. Good employment practices *(up from 29 to 17)*
18. Training and education *(combined with 17)*
19. Compliance with applicable laws and regulations, including violations and fines *(down from 13 to 19)*
20. Anti-corruption policy *(down from 14 to 20)*
21. Biodiversity *(up from 27 to 21)*
22. Fair remuneration, equal pay men-women, ratio management and staff *(down from 21 to 22)*

We carried out a limited update of the 2018 material themes this year by comparing these themes with what our sector peers report on in their annual reports. We also did a media analysis and we examined whether we were missing any topics. Furthermore, we combined a number of themes more logically.

As a result, 'relevant for the customer', 'competitive pricing' and 'innovative services' rose from the top 20 to the top 10. The theme 'privatisation' is number three in the ranking, but it is a temporary theme. Therefore, we have expanded the top 10 to a top 11.

Result: growth in the delivery of energy

We aim to add value when delivering energy to our customers with affordable energy, excellent digital services and a wide range of products and services. We succeeded in delivering more sustainable energy again in 2019 than in the year before.

Development of the portfolio

We would like to see that as many people as possible switch to sustainable energy. Our customer base is important to realise this goal. This is why we aim to maintain our market share in the Netherlands and Belgium and increase the number of customer contracts in Germany.

Netherlands

Multi-year partnerships

We have concluded a number of multi-year partnerships for the purchase of energy. For instance, we concluded 10-year contracts with the municipality of Rotterdam and with seven municipalities around Delft.

The sustainable partnership with Intrakoop, the purchasing cooperative for the healthcare sector, was continued. The contracts for the delivery of electricity and gas were renewed. In this manner, we remain a strong player in the healthcare sector. We deliver 100% green electricity based on European wind energy. A number of customers have switched to wind energy specifically from wind turbines in the Netherlands.

Furthermore, a major multi-year contract was concluded with Microsoft in 2019, in which a considerable energy volume for Microsoft's data centres will be delivered using Dutch wind energy (from wind farm Borssele).

As from 1 January 2020, a ten-year partnership with the Rotterdam public transport company RET will start for the delivery of 135 million KWh sustainable energy annually. Partially for the fleet of electric and hybrid buses; however, it was also agreed in the contract that the stations and offices will also switch to sustainable energy. For instance, we will increase the sustainability of the bus depot at the Kleiweg with solutions such as solar panels and possibilities for smart charging. We will deliver green energy in 2020 from the existing portfolio and, as from 2021, we will also deliver wind energy from new projects.

Belgium

Integration of Eni Gas & Power

Eneco Belgium acquired Eni Gas & Power NV in 2017, and 2018 and 2019 were integration years. Integration of the data systems enabled the optimisation of the two customer portfolios. As a result of the integration of the IT systems, Eneco now has a strong base for future growth. In this manner, Eneco maintains and strengthens its position as the third largest energy company in Belgium.

Germany

LichtBlick remains the market leader in sustainable energy.

In 2019 as well, LichtBlick was the market leader in Germany in the supply of sustainable energy. In particular the restructuring of the organisation, an increase in direct sales and initiatives for online sales contributed to this success. LichtBlick supplied electricity and gas to retail customers from 100% renewable energy sources. The sale of energy (green electricity and gas) to retail customers rose by 37% compared to 2018, in accordance with the target. In addition, LichtBlick delivered green electricity to commercial customers and public institutions.

Energy trading and procurement

Delivery of energy TWh	2019	2018
Electricity	29.5	30.5
Gas	52.1	50.9
Heating	2.9	2.8
Total	**84.5**	**84.2**

Trade

Within Eneco, trade fulfils an energy-management role: matching the total customer demand of Eneco with the delivery of energy from sustainable production facilities and power plants and the procurement and trading market.

The trading activities were successful for Eneco in 2019. For instance, wind farm Friesland, the largest onshore wind farm, was contracted. This will be built along the Afsluitdijk. Part of the electricity produced there will be sold via local Frisian suppliers.

We guarantee the delivery of sustainable energy to our customers by (continuing) to contract more sustainably produced energy from, for instance, wind and solar energy sources in the Netherlands, the United Kingdom and Germany. We also manage the sales volume from production and procurement. The increase in the sustainable volume is having an increasingly larger effect on balancing the procurement and sale of electricity. Our trade management is strategically aimed at controlling these effects even better by contracting more flexible power and making flexibility possible at our customers. Furthermore, we focus on geographical diversity, so that weather effects are averaged out over a large area and we can manage our portfolio better.

Transparency

Pursuant to the Energy Transition Act (wet VET) ‘full disclosure’ will come into effect as from 1 January 2020. Energy companies are then obliged to provide full transparency regarding the origin of the electricity that they deliver. Eneco is ready for this.

Digitalisation of services

Our services in connection with the delivery of energy have become increasingly digitalised. This results in more efficiency. With this, we also aim for higher customer satisfaction. We expanded and improved our digital services in 2019.

Consumers

We released a completely new online self-service environment in April. New customers can also follow their application with track-and-trace and they have direct access to the My Eneco environment. The website also has a digital assistant.

We launched the new Eneco App in September. Our digital customer journey is based on this app. Customers are given insight into their energy consumption, which allows them to be more in control and increase their energy savings. The Eneco App contains a service channel with a digital assistant. It is also possible to chat live via the app . Together with Quby (who also developed Toon), we designed a smart service for the app that provides insight into the energy consumption of each device group. Customer thus gain insight into energy leaking appliances, high energy consuming appliances and heating costs and we give useful tips for saving and for transitioning.

The digital environment has also been improved for our heating customers. Customer can now apply for heating online and we can give them an indication of the monthly payment.

Oxxio

Online energy supplier Oxxio successfully launched Internet, TV & Telephone for its customers in 2019. Just as it does for energy, Oxxio offers customers a low price and smart digital services. In this manner, Oxxio offers the convenience of all services under one roof. The Oxxio App has been further expanded with self-service for Internet, TV & Telephone, and chat buddy O. now helps customers on the customer service page. Oxxio won the #DDP06 Award for best webcare in the category energy. The appreciation for this is reflected in the growth of the number of customers.

Partner Portal

Companies with which we collaborate are an important sales channel for us for electricity and gas for the business market. We launched an online Partner Portal for them with which they can produce offer letters in a few minutes for the delivery of electricity and gas to their customers.

Fluctuations in tariffs

The market for retail and low-volume SME consumers was also volatile in 2019. Taxes and the electricity and gas tariffs rose strongly in the beginning of the year causing the energy bill to rise by on average € 330. Due to this increase and the accompanying media attention, more customers than usual switched to a different energy supplier. As a result, we lost many customers but we were also able to welcome new customers. Furthermore, we increased the monthly energy payments of many customers in line with the rising costs to avoid unpleasant surprises on the final energy bill statement. The prices on the energy market decreased again considerably in July and we lowered our tariffs. The volatility on the market has also decreased.

The higher energy costs led to more calls to the call centre. The response time was longer than usual, in particular in January and February. Eneco worked hard to scale up the accessibility. And it succeeded: In the survey held by the Dutch Consumers' Association in September, Eneco even scored as the best of the market with regard to accessibility, response times and customer satisfaction. Eneco even scored 9.8 in digital accessibility.

Our customer satisfaction (see page 13) decreased slightly this year (2019: 88.4 versus 2018: 89.8), but that is also due to a change in the calculation method. The scope has been expanded so that more insight is provided into the performance in this area Eneco-wide. The change in the calculation method minimises the impact of seasonal patterns. Thus we move from a snapshot to an average over the whole year. Using a changed method and scope has (also) had a negative effect on the customer satisfaction score.

Result: growth in innovative services

For the switch to sustainable energy, we offer our customers innovative services for in and around their home and business (Energy as a Service), electric transport and (decentralised) energy management. In order to accelerate this process and have more impact for and with our customers, we work together with partners and invest in innovative companies.

In and around the home and business

We are making the switch to sustainably produced energy easier for consumers and businesses with all sorts of solutions for in and around the home and business. We also carry out the maintenance of installations at home for 200,000 retail customers: heating systems and boilers, but also heat pumps and innovative installations.

Solar solutions

After the launch in 2018, StukjeZon [Piece of Sun] was also a success in 2019. With this, retail customer who do not have solar panels themselves, purchase electricity from a solar park, initially from Veendam. Energy is supplied to over 32,000 customers from in total over 53,000 units StukjeZon. Annually, 13.2 GWh is generated with this. We started the preparation for a second solar park for StukjeZon in 2019: solar park Tholen. The sale of StukjeZon from this park starts on 1 January 2020. This park will supply 40,000 units StukjeZon.

We launched the campaign ZonOpDak [Sun on Roof] in the second half of 2019. We informed medium and large volume business customers with a suitable roof for solar panels about the SDE+ subsidy scheme and we sent them a personal roof scan by mail. If they opt for solar panels, we will completely take charge of this process, from the subsidy application up to and including the installation and maintenance of the panels.

Comfort-as-a-Service

In Utrecht, 61 new corporation homes with solar panels and a heat pump were delivered with the service Comfort-as-a-Service. We developed this service together with the corporation Bo-Ex. Eneco guarantees a comfortable temperature in the house and a fixed amount of hot water per day at a flat rate per month. If the residents want to have more hot water or to heat the house more, they know in advance what this costs. As a result, the energy bill no longer contains any pleasant or unpleasant surprises.

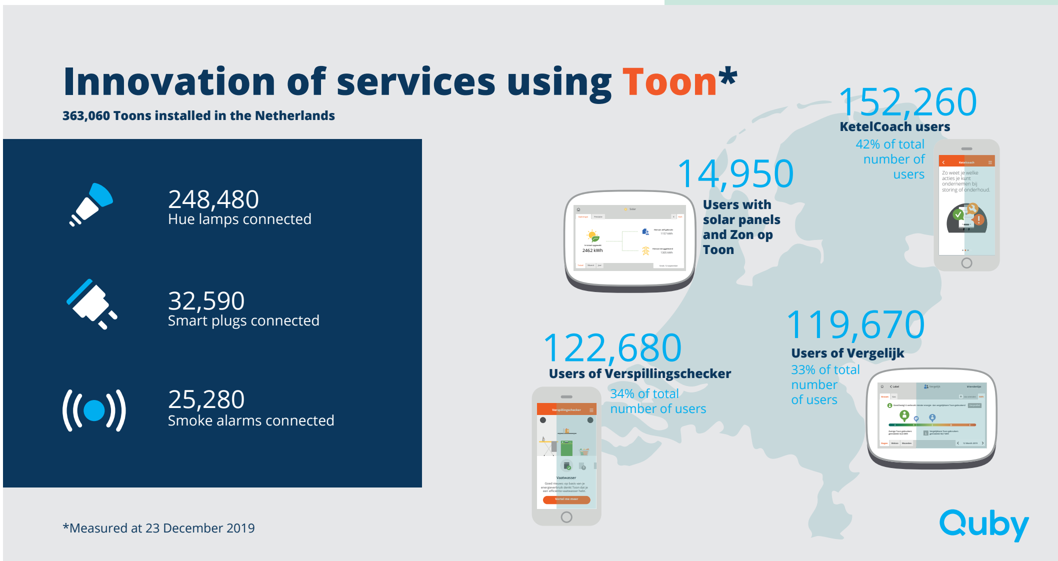
Energy solutions in the home

In January 2019, we started a partnership with Suniverse, an independent advisor for sustainable solutions for households. Suniverse helps our customers to make the transition with solar panels, solar boilers and hybrid heat pumps, including financing and subsidy advice. We also started selling the Eneco HeatWinner via Suniverse since September so that customers can receive an as complete as possible advice and product range when they wish to increase the sustainability of their home.

Eneco established the joint venture Roamler Tech in 2016 together with Roamler in order to install sustainable solutions efficiently and in a customer-friendly manner with the aid of independent professionals. The collaboration, which was already in place for Toon, was expanded in 2019 to include central heating systems and boilers.

In June, we concluded a strategic partnership with Remeha, the market leader for central heating systems for retail customers. An excellent purchasing position, the huge potential of our customer base and the wide innovative and sustainable product range of Remeha make us partners par excellence in the energy transition.

Toon is a lot more than just a smart thermostat.



Eneco offers the innovative SmartBoiler Module together with Peeeks. With this module, the boiler heats up when there is a surplus of solar and wind energy. The total stands at nearly 15,000 boilers. The roll-out of this module will continue in 2020.

Insight into energy consumption

In order to be able to save energy, it is important to have insight into the energy consumption. Our smart thermostat Toon, that helps with this, has been expanded by the developer Quby. Other smart services were also launched.

Toon continues to develop

Quby introduced the 'Monthly Magazine' for Toon users. This is an activating overview with personalised energy insights. Quby also made the 'Smart Programme Advice' available to 10,000 users. This analyses the programme settings on Toon and recognises, based on energy data and algorithms, when the Toon user is at home or away. By combining these insights, Smart Programme Advice learns when the heat is on while no one is home. It then advises an alternative programme so that the heat is only on when someone is at home. As soon as the experiences and suggestions of this group have been processed, other users will also be given access.

Quby obtained three patents in 2019 on the technology in the new generation of Toon displays and the data-driven scientific approach for determining the consumption of each device, per household. This approach makes use of artificial intelligence to help consumers avoid wasting energy. For example, the Verspillingschecker [Waste Checker] in Toon was built based on this approach.

Quby has prepared the launch for Toon in Germany. Following the successful technical test, a commercial test among 200 German households is being prepared in order to determine the feasibility of a large-scale roll-out.

Solar panels simulator

Quby also developed the Solar Panels Simulator that enables customers without solar panels to consider the purchase of solar panels in an interactive and data-driven manner.

Electric transport

Electric transport is an important pillar in the energy transition. Eneco is a large player in this market with Eneco eMobility.

Eneco eMobility

Eneco eMobility grew organically and strategically in the business market in the Benelux and Germany in 2019. At the end of 2019 there were 18,387 charging stations and 28,255 charging cards (in 2018: there were 9,129 and 15,411 respectively).

Netherlands

Eneco and lease company Alphabet continued their collaboration for providing services to facilitate and stimulate the market for electric transport. Furthermore, we have expanded our lease company portfolio substantially and have thus built a strong base for the coming years. We also entered into a collaboration with the municipality of Rotterdam in 2019 for the installation of 1,000 charging stations in municipal parking garages. Just before Christmas, we signed a contract with ALD Automotive (see also below).

We strengthened our position in the electric transport market in 2019 by providing charging infrastructure to a substantial share of the dealer channels - including Emile Frey, Broekhuis, Hyundai, BMW and Stern Groep.

Eneco acquired Flow Nederland B.V. in 2019 and, as a result, besides a brand with its own positioning, it has added 2,000 active charging stations, 4,500 charging cards and renowned customers such as KPN, EY and the Efteling to the portfolio.

Belgium

In 2019, all the electric mobility activities in Belgium were combined under Eneco eMobility. A new portal was launched and the organisation was strengthened in order to also serve the upcoming market for electric transport optimally in Belgium. Similar to the Netherlands, the Belgian electric transport market still consist mainly of company car drivers. Consequently, the lease sector is one of the most important channels. A long-term partnership was concluded in 2019 with one of the largest lease companies, ALD Automotive.

Germany

Eneco eMobility aims to also become a leading charging service provider in Germany. Interesting partnerships were concluded, for instance with CleverShuttle, a service provider with shared electric taxis that guarantees completely sustainable mobility. Eneco provides the engineering, the installation and the management of the charging hubs in cities such as Berlin, Munich and Cologne.

In October 2019, Eneco acquired the German charging service provider chargeIT mobility GmbH, with a team of around 40 very experienced employees, 3,000 charging stations and a number of large customers and new channels, such as Stadtwerke.

WoonEnergie is an energy supplier especially for housing corporations and their tenants. Together with housing corporations, WoonEnergie helps tenants lower their energy consumption. In March 2019, WoonEnergie took over the 25,000 customers from Robin Energie, which had been declared bankrupt. Robin Energie focused mainly on people who were in debt-restructuring programmes, a vulnerable group that demands extra attention from an energy supplier. WoonEnergie has a lot of experience with the delivery of energy to the social housing sector and with people in debt-restructuring programmes, so it is well-equipped to be able to give this group extra attention and support.

Energy management and flex services

We are developing flex services together with partners and customers, with which we match the demand of energy consumers with the supply of sustainable energy. For example, by reducing peaks in energy consumption or by ensuring that sustainably generated energy is stored and is only used when it is necessary. This maximises the use of sustainable energy and saves costs.

Hourly matching

Many companies conclude an energy contract with green electricity certificates (Guarantees of Origin, GoOs), which prove that the delivered energy on an annual basis is from a sustainable source. In connection with the ambition to purchase all electricity from renewable sources, it is important that the electricity production from renewable sources and the demand for green electricity are aligned as much as possible. With hourly matching, we help our business customers to maximise the use of electricity from renewable sources every hour of the day. We started a pilot in 2019 with a number of leading companies in the energy transition and NGOs to inventory their demand and the supply for every hour of the day, and the first steps were taken to balance this.

EnergieCoach for entrepreneurs

Eneco introduced the EnergieCoach for entrepreneurs in 2018. We invested in this service again in 2019. Based on an intake by an energy expert and a scan of the business premises, a customised advice is provided to the entrepreneur. Via an online dashboard, the entrepreneur can see which sustainable measures would yield the highest return and which measures are necessary to comply with energy laws. In this manner, we help entrepreneurs to comply with the disclosure obligation pursuant to the Environmental Management Act and to lower their energy bill. In 2019, 206 contracts for the EnergieCoach were concluded by 159 customers.

Masterclasses and knowledge sessions

As a knowledge partner we inform our customers about new developments and insights that help them to take the next step towards increasing sustainability. To this end, we organise knowledge events. We organised a masterclass about the Climate Agreement and other relevant energy laws and an Hourly Matching workshop. For our industrial customers, we gave the masterclass Sustainable Industrial Heat, with extra attention for electrification.

Making the network smarter

We started a pilot project in The Hague city district Ypenburg to give around 200 low-volume customers real-time insight into their heat consumption via a smart meter. In the city district Leidsche Rijn in Utrecht, a smart heating set was installed at 35 heating customers with Toon devices customised for this purpose. With the heating set, we can coordinate the consumption and increase the comfort and reduce heat losses together with the customer. By means of active heat coordination, we also aim to distribute the peak demand better so that we require less installed capacity. The temperature settings of the heat pumps in relation to the outside temperature have been reduced in Ypenburg by controlling the installation via algorithms. These regulate the heat to match the demand of the customers. In addition, smarter systems were installed at over 1,000 high-volume customers so that we can invoice the actual consumption monthly. Based on the insights that we gain from these initiatives, we can make our whole customer base 'smarter' with the 'Smarter Network' programme in 2020-2030.

Next Kraftwerke: flexible solutions

Our portfolio company Next Kraftwerke also continued to grow strongly in 2019. With more than 7,142 MW it is one of the largest *virtual power plants* (VPPs) in the world. Business magazine *FOCUS* and statistics portal Statista nominated the company as one of the '2020 Growth Champions' in Germany. Next Kraftwerke has been offering its VPP as a software solution since 2018 and showed strong international growth in 2019 with, for example, the Japanese energy companies Tohoku and Toshiba as new customers.

Eneco and Next Kraftwerke work together in various areas. For instance, we power a 2MW battery at our customer Peleman Industries and we connect the heating plant of our AgroEnergy customers to a VPP, so that they can keep the electricity grid in balance with their capacity.

Peeeks: smart energy solutions

At the beginning of 2019, Peeeks, Ampard and our CrowdNett project team joined forces under the name Peeeks. Peeeks provides software for smart energy solutions behind the meter for heating, solar energy, storage and electric transport for consumers. For example, together with Peeeks, LichtBlick offers the LichtBlick Schwarmbatterie, a combination of solar panels and battery storage that allows customers to optimise their consumption and to earn money by providing extra flexibility to the electricity grid. Together with Peeeks, Eneco also offers the SmartBoiler Module to customers with an electric boiler so that they can accommodate peaks in the production of solar and wind energy.

Result: growth in sustainable energy

At present, the Netherlands is still among the laggards in Europe with regard to realising the Paris Climate Goals. Increasing the sustainability of the energy supply is essential to accelerate the necessary transition of our customers. The portfolio of our own sustainable production capacity (solar and wind) grew in 2019 by 182 MW to 1281 MW. We will continue to invest in sustainable capacity, which translates into sustainable production. The results of this year are set out in the adjacent table (including purchase from third parties), specified according to the various sources and countries in which we are active.

Large-scale sustainable energy production

Produced (GWh)[1]	Total		NL		B		UK	
	2019	2018	2019	2018	2019	2018	2019	2018
Biomass	124	109	111	109	13	-	-	-
Solar energy	323	199	223	91	78	70	22	23
Hydro power	2	3	-	-	2	-	-	-
Onshore wind energy	4,071	3,087	2,579	2,017	982	582	510	488
Offshore wind energy	1,835	1,479	923	934	912	545	-	-
Subtotal renewable	**6,355**	**4,877**	**3,836**	**3,151**	**1,987**	**1,197**	**532**	**511**
Conventional	3,340	3,691	3,340	3,691	-	-	-	-
Co-generation systems	1,622	2,085	1,622	2,085	-	-	-	-
Total	**11,317**	**10,653**	**8,798**	**8,928**	**1,987**	**1,197**	**532**	**511**

1 Including purchased production. Total figures 2018 including solar and hydro France (sold mid-2018).

Production capacity (MW)[1]	Total		NL		B		UK	
	2019	2018	2019	2018	2019	2018	2019	2018
Biomass	56	53	50	50	6	2	-	-
Solar energy	463	272	348	173	93	72	23	28
Onshore wind energy	1,716	1,367	1,045	850	448	295	223	222
Offshore wind energy	611	427	249	249	362	178	-	-
Subtotal renewable	**2,846**	**2,118**	**1,692**	**1,321**	**909**	**547**	**246**	**250**
Conventional	522	522	522	522	-	-	-	-
Co-generation systems	508	507	507	507	-	-	-	-
Total	**3,876**	**3,147**	**2,722**	**2,350**	**909**	**547**	**246**	**250**

1 Including controlled capacity third parties. Total figures 2018 including solar and hydro France (sold mid-2018)

Wind energy

Wind energy, both onshore and offshore, is one of the most recognised ways to facilitate the transition of customers.

We celebrated an important milestone in April 2019 when we sold nearly the complete production of Eneco's share in wind farm Borssele III/IV, while the park will only start producing electricity in 2021. Partners such as Stedin, DSM, Microsoft and Royal Schiphol Group concluded multi-year contracts with us for this electricity.

Continually investing in new sustainable production capacity is part of our strategy. It is our aim to couple these facilities with our customers for a longer period of time in corporate PPAs (Power Purchase Agreements) for sustainably produced energy. We thus facilitate the transition of our customers. These PPAs enable us, in turn, to continue to invest in new production facilities for sustainable energy. Eneco is a frontrunner in realising these PPAs, which often form the basis for further collaboration to increase the sustainability of our customers. For instance, the Dutch and Belgian branches of Johnson & Johnson have agreed to purchase electricity from our wind farm Norther for a period of ten years. We concluded a 10-year agreement with the municipality of Rotterdam for wind energy that is produced within the municipality: peninsula Rozenburg. LichtBlick concluded its first PPA with PNE (Pure New Energy) in 2019 for the purchase of unsubsidised energy from the German wind farm Papenrode, which has a capacity of 13 MW.

159 MW in installed capacity was added to the wind energy portfolio in 2019, which had a capacity of 997 MW at the beginning of 2019. This growth is in line with the ambitions that were formulated for the period up to and including 2022.

Approximately half of this growth is from the offshore wind farm Norther, a wind farm off the coast of Belgium with a capacity of 370 MW, of which Eneco owns 25% and has contracted 50% of the production. Eneco Belgium took Norther into production in the beginning of June 2019, together with, among others, Mitsubishi Corporation. The annual electricity production of the wind farm, with 44 turbines with a capacity of 8.4 MW each, equals the consumption of nearly 400,000 households.

Eneco Belgium also acquired a share in SeaMade, an offshore wind farm that is being built in the same zone. In 2022, SeaMade will supply electricity to 485,000 households annually.

With regard to onshore wind energy, the completion of the wind farms Hogezandse Polder and Nieuwe Waterweg are noteworthy, which together account for over 50 MW. Nieuwe Waterweg was completed in June 2019. This wind farm produces green electricity for over 20,000 households. In order to increase the base of support in the surrounding area, we allow local residents to also benefit from the new wind farm. To this end, we launched WindOpbrengst [Wind Return], with which local residents can invest in the wind farm as from € 50 and Eneco guarantees a fixed return of 5%. Local residents were able to participate as from 1 October 2019, and people in the rest of the country were able to participate as from 1 November 2019. The whole participation loan of € 2 million was fully subscribed within two months and we had 1177 unique investors who together had made 1537 investments. 360 investors thus invested more than once.

Solar energy

We concluded various multi-year contracts for solar energy. 25,000 m^2 of solar panels were installed on the roof of Bol.com. We installed Eneco solar panels on another four roofs of PostNL, with which we grew from about 20,000 to over 24,000 solar panels on the roofs of PostNL in 2019. Convention centre Ahoy is also transitioning together with Eneco, for instance by installing 30,000 solar panels. We are also installing solar panels on the roofs of Schiphol, first on the roof of the new parking garage.

We built the largest ZonOpDak [Sun on Roof] installation in Belgium for business customers: 27,000 solar panels were installed on the roof of ArcelorMittal in Ghent. The steel production company now has the fourth largest solar park in Belgium and even the largest on one roof. The construction was a real achievement, also due to the record-breaking time in which the project was realised: in less than six months from planning to completion. A number of employees of ArcelorMittal also invested in the solar panels via an innovative crowd funding platform.

The share of solar energy with 35 MW grew by over 30%, also due to two large land-based installations in Tholen and Reimerswaal that were completed and together add 12 MW (the weighted share of Eneco in the installations).

Steam and heat

We were granted an irrevocable environmental permit in May 2019 for the construction of an aquathermal heat pump at the RWZI site in Utrecht. With a capacity of 25 MWth, this will be the largest heat pump in the Netherlands. We expect to take the final investment decision for € 25 million at the end of 2020. The heat pump will supply 10% of the total heat demand of the Utrecht district heating grid in 2022. Thus it will provide 10,000 households with sustainable heat.

The heating plant of the Eneco heating grid in Ypenburg will be expanded with an E-boiler, which will be taken into operation mid-2020. With this, we aim to partially electrify the heat production as an alternative for gas-fired heat. Using an E-boiler in district heating is a first in the Netherlands.

Together with Shell, Eneco submitted an application in April for an exploration permit for geothermal heat for part of Rotterdam, Capelle aan den IJssel, Lansingerland, Krimpen aan den IJssel and Zuidplas. The geothermal heat will be delivered to existing and new heating grids.

A large replacement project for district heating was completed in September in Utrecht, which involved the replacement of 1.8 kilometres of heat transport pipelines (DN500) in a complex built environment.

We sold the shares in our initiative Leiding door het Midden to Gasunie in September. This pipeline will transport residual heat from the Port of Rotterdam to The Hague and surrounding municipalities. The delivery of heat is expected to commence as from January 2023. A Heat Transport Agreement was signed with Gasunie for this.

Phase 1 of the BioHeat Installation (BWI) in Utrecht was opened in October. This installation increases the sustainability of the annual demand for heat in Utrecht by 20%. Phase 2 will follow in 2020.

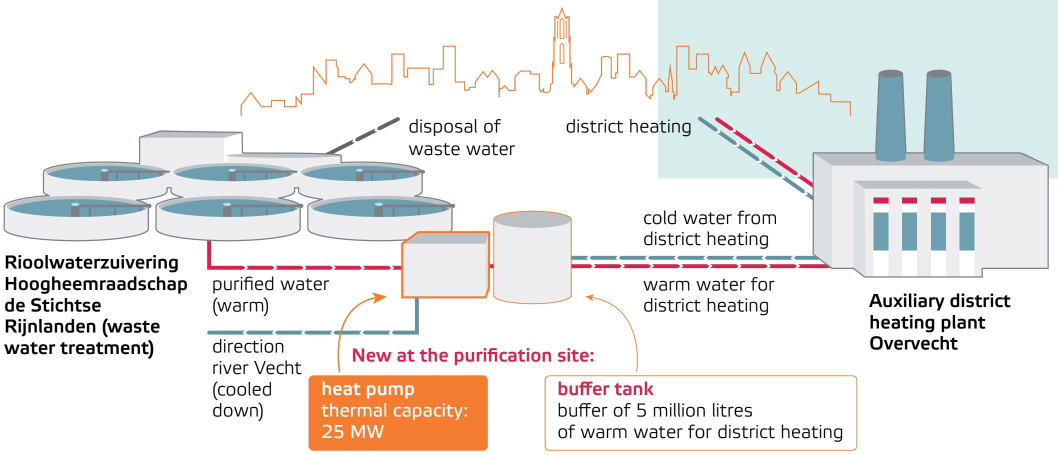
Projects under construction and acquisitions

A lot of progress was made in 2019 in projects that will be completed in 2020 or thereafter. Besides the wind farms Borssele III/IV and SeaMade, which together account for 134 MW, the onshore wind farms Geefsweer, Oosterhorn, Blaakweg, Boneffe and Kabeljauwbeek will also be completed in 2020. Together, these wind farms have a total capacity of nearly 100 MW. We concluded a letter of intent to acquire - under certain conditions - the project Pottendijk near Emmen, a combined solar and wind farm of over 100 MW. We will finalise this acquisition in 2020. Eneco also qualified for submitting a bid for the wind farm Maasvlakte II, with a capacity of over 100 MW (in February 2020, it turned out that we had submitted the winning bid). Furthermore, we are working on the preparations for providing services for the asset management of the offshore wind farm Blauwwind (Borssele III/IV).

Civic participation

Eneco is also participating in initiatives for civic participation in the energy transition. This has been further strengthened in 2019 by means of a participation in Ecco Nova. This leading Belgian platform was set up in 2016 to finance energy transition and sustainable energy projects with crowd funding. The platform raised over € 10 million in 2019 for sustainable energy projects. 22 projects have already been financed since Ecco Nova's establishment. As a result of the partnership with Eneco, Ecco Nova can now scale up - nationally and internationally - and have more of an impact. Ecco Nova was also successful in the Dutch market in 2019 in which it raised € 2 million for one of Eneco's wind energy projects.

Biggest heat pump in the Netherlands



Availability of assets

The availability of the wind farms in 2019 was generally good: 80% of the projects had an availability of 97% or higher. Wind power was slightly less than expected, especially in the summer months. Two successful maintenance activities were carried out at the offshore wind farm Princess Amalia for the replacement of main components. This took place as part of a more cost-efficient maintenance strategy that we introduced in 2018.

The solar energy installations performed well in 2019: production was 8% higher than projected. This is mainly due to the specific approach with our own team for maintenance and asset management. This resulted in a higher availability and a better performance ratio (this is the ratio between the theoretically possible energy production and the measured production). No incidents occurred that deserve to be mentioned.

Local community management

Eneco stands for sustainable energy for everyone. Our projects for energy producing assets and possibilities for storage contribute to the energy transition at a local level. Eneco wants to be a good neighbour, and the local community plays an important role in this. Knowledge and involvement of the local community makes a project better and is decisive for acceptance.

It is our ambition that stakeholders indicate that we are not only welcome now, but also in the future, for a new project. Building a lasting relationship is crucial in this case. In order to implement this, we have formulated a Community Engagement (CE) policy. This policy is embedded in the organisation and decision-making. The point of departure is that we involve stakeholders in the developments in their community in an as early a stage as possible. As a result, we know which interests are involved and we obtain local information that contributes to a stronger and better accepted project. Key concepts in this are mutual understanding, respect and the willingness to accept long-term involvement. We enter into transparent agreements, which are clear and defensible. We conclude fair agreements with which we comply with laws and regulations and in which the stakeholders' interests have been taken into account. The agreements that we enter into are consistent, in the sense that they are comparable with agreements for similar sustainable assets.

An example of local community management with regard to wind energy is involving the local residents first in the wind farm Nieuwe Waterweg, by letting them share in the returns with WindOpbrengst. A second example is that of the wind farms that we have developed together with cooperatives and of which Eneco and the cooperative each own 50%, such as in Culemborg, Weert and Gorinchem. The oyster banks in wind farm Luchterduinen in the North Sea are another example of integrating the project and the local environment.

It is a challenge to ensure that solar energy parks fit in with the landscape and to take as many interests into account as possible. A broad coalition of energy, nature and landscape organisations therefore jointly drew up the code of conduct Onshore Solar Energy in November. As a member of Holland Solar, Eneco signed the code in November. It was agreed, for example, that local residents would be involved in the planning and design and would be able to participate financially, that the choice of the location would provide added value for the surrounding area and that the original use of the land would remain possible after the end of the useful life of the solar park.

The Lerend platform Energie & Omgeving (LEO) [Learning Platform Energy & Environment] was established in 2017 by various parties in the energy sector, organisations and the government. Eneco is a member of LEO. The energy transition is often not only difficult technically but also socially. When installations are planned in the local community, this sometimes leads to heated discussions and opposition from local residents. Community management is essential in such cases. LEO forms a network that contributes to increasing the knowledge about community management among individual employees, within organisations and within the chain. Eneco is part of the core team of LEO in order to remove resistance from the local community as much as possible and to enable the transition to sustainable energy.

For BioHeat installations, we try to create understanding in the local community by inviting local residents to visit the installation. We also explain that we are careful with regard to the origin of the biomass. More information about this can be found in the chapter One Planet - Biodiversity(see page 45).

AgroEnergy for the greenhouse horticulture sector

Horticulturists are increasingly focusing on cultivation and marketing and are outsourcing their energy management to experts, such as AgroEnergy. This company offers data-driven services combined with personal assistance by energy specialists.

Delivery of energy

AgroEnergy is strong in energy delivery contracts in which customer can determine their purchase mix on the wholesale markets themselves. This takes place via the advanced customer portal EnergyManager. The intraday electricity market was added in 2019 for all customers.

The commercial targets for the energy contracts are on schedule. Pressure on margins remains high and the combination of the stable market share and the decreasing number of horticulturists is resulting in lower revenues. AgroEnergy is working on growth in a broader target group in two ways: acquiring large-volume customers who wish to determine their purchase mix themselves, and capitalising on the need for products that are related to the spot market among producers of sustainable electricity and gas.

AgroEnergy drew up a plan in 2019 for a more efficient and less vulnerable chain. The execution has started and will continue until 2021. The policy for energy cost management has also been made more concrete. This makes it possible to better monitor and manage the credit risk. Furthermore, Eneco has concluded two new gas purchasing contracts, which increase AgroEnergy's possibilities to sell gas.

Innovative services

Grid operator Liander issued a tender in 2019 to obtain flex capacity from the market to resolve constraints in the grid. The fluctuations in the demand and supply of energy in specific parts of the grid lead to undesired transport constraints. Tenergy Services and AgroEnergy were awarded the flex capacity of this tender. More customers also started to purchase the product EnergyBeheer [Energy Management].

In spite of this growth, the scale on which AgroEnergy can offer energy management services, and thus can grow within the existing customer base, is limited. This is why two scaling-up initiatives were launched in 2019. The first was offering services without a delivery contract. This demands a long start-up period due to the existing positioning of AgroEnergy as energy delivery company. The second initiative is the development of data-driven cultivation management.

Heating

As Eneco sold the development of the pipeline Leiding door het Midden to Gasunie, AgroEnergy sees opportunities to deliver non-used heat from the Eneco portfolio to the greenhouse horticulturists in the Westland region.

Together with heat corporations that have been established in the Oostland region, possibilities are being looked into to further expand the heat delivery area of the RoCa (Rotterdam-Capelle) pipeline Together with partners, AgroEnergy submitted SDE+ subsidy applications for two geothermal projects in 2019.

Result: One Planet

If everyone in the world were to live as we do in the Netherlands, we would require 3.6 planets to meet our demand. Eneco wishes to bring its impact within the boundaries of the planet's capacity. To this end, we have the One Planet programme. This is inspired on the concept of Planetary Boundaries of the Stockholm Resilience Centre. We combine our One Planet goals with the United Nations Sustainable Development Goals (SDGs).

Climate

We aim to contribute to the goals of the Paris climate agreement of 2015. This means that the related emissions of our suppliers, our operations and our customers (chain emissions) must be limited in order to ensure that global warming remains below 2ºC, with the aim to remain below 1.5ºC. The impact of our chain emissions on climate change is relatively large. Our own emissions (scope 1 according to the Greenhouse Gas Protocol) consist mainly of the CO_2 emissions of our power plants. Our scope 3 emissions have the largest impact, in particular the consumption of natural gas mainly for the heating of the homes and offices of our customers.

Our One Planet goals

Climate

- Our One Planet goalsKeep global warming below 2ºC, while aiming for 1.5ºC (Paris Agreement)
- The share of sustainable electricity production in the total supply is 50% in 2022

Biodiversity

Our activities are not at the expense of the biodiversity and ecosystems

Clean air

- Together towards 100% sustainable mobility
- Flue gas treatment by using the best available and proven techniques

Circularity

Socially Responsible Procurement (SRP) of which circularity is a part

Keeping global warming well below 2ºC while aiming for 1.5ºC.

The agreements to achieve this goal have been translated into a carbon budget for our company, including our suppliers and customers. This budget has been calculated according to the SDA (Sectoral Decarbonisation Approach) of the Science-Based Target initiative (SBTi). The carbon budget in 2019 was 17.9 Mton CO_2-eq.

Our chain emissions have remained under the agreed carbon budget already since the signing of the Paris Climate Agreement in 2015. With 15.6 Mton CO_2-eq this also applies for 2019.[1] This is mainly due to our investments in sustainable energy. The transparency in our delivery of heat also contributes to this decrease, as our heat emissions turned out to be lower than the earlier used generic emission factor. The acquisition of E.ON Benelux took place on 1 May 2018. These customers were included in our chain emission for the full year in 2019. We expect to be able to make the transition possible for more customers in the coming years.

1 Our own consumption is not material in this figure. In order to comply with the GRI requirements, we have been working in 2019 on reporting about our own energy consumption in all countries in which we are active. However, due to the sales process of the Eneco Group, we have been unable to allocate the time and resources that were necessary to complete this reporting. We still plan to finalise this in 2020 and we thus maintain our intention to report extensively about our own energy consumption.

The share of sustainable electricity production in the total supply is 50% in 2022

The share of sustainable production in our total electricity delivery rose from 16% in 2018 (including E.ON Benelux) to 21.6 % in 2019.[1] This is also due to the taking into operation of the offshore wind farm Norther. We expect to realise our goal for 2022 by investing substantially and by concluding more long-term contracts in the form of PPAs (Power Purchase Agreements).

Climate Agreement

Eneco signed the Climate Agreement in September 2019. A year before that, we participated in the sector table Electricity and represented the whole energy sector at the sector table Built Environment. The agreement contains good agreements about the goals and policy instruments. If all proposed policy instruments are implemented timely, the Netherlands could transform from laggard to frontrunner in the energy transition. This agreement should lead to 2 million electric cars, 1.5 million gas-free homes and 70% electricity from solar and wind power in 2030.

It is positive that it was agreed at the table for the Built Environment that the supervision of making approximately 12,000 city districts gas-free has been delegated to the municipalities. Crucial elements in this are the proposed cost-neutral shift in the energy tax from electricity to natural gas and the sustainable subsidy schemes (ISDE and SDE) for heat sources, heat pumps and heat grids. The heat transition is above all a social transition and not so much a technical challenge. Therefore, we wish to help people and businesses make this transition as effortlessly as possible. For example by offering unburdening solutions including financial constructions so that the transition remains affordable.

Also on behalf of the heat companies, we have concluded agreements with AEDES, the Woonbond [Tenants Association], the Association of Dutch Municipalities, the Ministry of Economic Affairs and Climate Policy and the Ministry of the Interior and Kingdom Relations. These agreements should result in the beginning of 2020 in a national framework for increasing the sustainability of 100,000 housing corporation homes between 2020 and 2025. As a result, tenants can switch to heat grids without having to pay more than for their current gas connection. This "start motor" is an agreement from the Climate Agreement and anticipates the city-district approach that the municipalities are going to apply on a larger scale.

More sustainable electricity production from onshore solar and wind farms is possible than the agreed 35 TWh in 2030. We believe that, subject to the right prerequisites, more areas can be designated for this. We believe that there will be sufficient base of support if people in the surrounding area also benefit from the financial advantages of these projects and can participate. This is in line with the agreement in the Climate Agreement to strive for 50% ownership by local residents of new solar and wind farms.

Target 13.2	Goal Eneco	Result 2019
Climate policy and reduction of greenhouse gas emissions(CBS)	Keeping global warming well below 2ºC while aiming for 1.5ºC	15.6 Mton CO_2eq
Target 7.2	**Goal Eneco**	**Result 2019**
Promoting the use of renewable energy (CBS)	Increasing the share of sustainable electricity production in the total delivery to 50% in 2020	21.6%

1 The comparative figures over 2018 were not adjusted retrospectively for acquisitions due to materiality (acquisition Robin Energie). The underlying method of the retrospective adjustment of figures of prior years for material acquisitions has remained unchanged.

Laws and regulations

The Dutch government is increasingly focusing on measures to reduce CO_2 emissions.

The legislative proposal for a minimum CO_2 price for the production of electricity was submitted to the House of Representatives in 2019. The impact of this law is limited at present because the minimum CO_2 price in this law is lower than the forecast European CO_2 price.

The Senate and the House of Representatives also adopted a law for a ban on the use of coal for the production of electricity. As a consequence of this law, coal-fired power plants will have to stop using coal in the coming years.

In addition, an expansion of the SDE+ subsidy scheme was initiated in 2019. This means that not only will the production of renewable energy be subsidised but also measures that reduce CO_2 emissions, such as electrification of the industry or making use of residual heat. The extension of SDE+ offers new opportunities for Eneco to develop new sustainable products.

The legislative proposal that compels nine high-volume consumers of low caloric natural gas from Groningen to stop using this natural gas as of October 2022 will have a direct effect on Eneco. Of course, we will implement this if the parliament adopts this legislative proposal. The compensation scheme for the necessary conversion of installations will be important.

Biodiversity

Biodiversity is of importance for a resilient natural environment. We can gain more support among local residents and stakeholders for our projects by taking biodiversity into account in our project development. Our impact on biodiversity relates mainly to emissions to air and water, use of space and noise in new and existing energy projects and the use of biomass for energy production.

On balance, our activities are not at the expense of the biodiversity and ecosystems

Nature development

The first results of the project The Rich North Sea have become available. The oysters that were placed in the wind farm Eneco Luchterduinen in the fall of 2018 have grown and reproduced and were free of the parasite bonamia. Unfortunately, the cages in which the oysters were held turned out not to be suitable for the location Luchterduinen and the experiment was terminated. A new plan is now being made for nature development.

The construction of the offshore wind farms Borssele III and IV has begun and oysters are also being placed here. In view of the construction of additional wind farms in the North Sea, we are partners in an experiment (WinWind) for sustainable crab and lobster fishing in the wind farm Princess Amalia.

Eneco is a partner of GROW, a joint programme for offshore wind energy that initiates research and accelerates innovations. The objective of the GROW project Gentle Driving of Piles (GDP) is to make the installation process of piles more efficient. The objective is to reduce the vibration level of the seabed and reduce the installation noise, which is harmful for mammals and fish.

A lot of research was carried out in Luchterduinen in 2019, together with Dutch Ministry of Infrastructure and Water Management, into the behaviour of birds in and around the wind farm. This took place in order to obtain more insight into the migration of birds over the North Sea and the number of fatalities. Results are not yet available.

Nitrogen

Nitrogen is increasingly an issue in society following the decision of the Supreme Court. Agriculture, traffic and industry release nitrogen oxide. Nitrogen oxide deposition alters the landscape and affects the food chain. We have initiated a collaboration with the National Park De Hoge Veluwe to compensate for the nitrogen oxide deposition from our power plant in Utrecht. With less than 1 million kilo a year, our total nitrogen emissions are limited: they amount to 0.3% of the total nitrogen emissions into air and thus account for less than 0.1% of the total nitrogen deposition in the Netherlands. As a result of our collaboration with the National Park De Hoge Veluwe, a PhD research project was started focusing on the effect of grazers on the development of deciduous trees and the effects of stonemeal in the forest on the grazing of deciduous trees. To this end, a number of areas in the forest were treated with stonemeal.

The decision of the Supreme Court regarding the Nitrogen Reduction Programme (PAS) has the direct consequence for Eneco that the permit procedure for a medium-sized bio-steam installation has been suspended (Vossenberg). In addition, existing permit procedures for wind and solar energy projects of Eneco are being examined on a case-by-case basis and where possible continued.

Biomass

In order to realise our One Planet goals, we need all sustainable energy sources: solar, wind, geothermal, hydro energy and energy from biomass. This is the biologically degradable part of products, waste and residual matter from agriculture and

14 LIFE BELOW WATER; TARGET 14·2 PROTECT AND RESTORE ECOSYSTEMS	**Target 14.2**	**Goal Eneco**	**Result 2019**
	Sustainable management and conservation of marine and coastal ecosystems (CBS)	On balance, our activities are not at the expense of the biodiversity and ecosystems	First results of oyster pilot Luchterduinen Partner in WinWind (sustainable crab and lobster fishery), GROW and GROW pilot 'Gentle driving of piles' Collaboration with the Dutch Ministry of Infrastructure and Water Management in research into the behaviour of birds at Luchterduinen
15 LIFE ON LAND; TARGET 15·5 PROTECT BIODIVERSITY AND NATURAL HABITATS	**Target 15.2**	**Goal Eneco**	**Result 2019**
	Pollution of land and soil (with regard to nitrogen surplus) (CBS)	Our activities are not at the expense of the biodiversity and ecosystems	Co-funding nature restoration measures
TARGET 15·2 END DEFORESTATION AND RESTORE DEGRADED FORESTS	**Target 15.5**	**Eneco's approach**	**Result 2019**
	Biodiversity (CBS)	Purchasing biomass that satisfies strict sustainability requirements (NTA8080/Better Biomass, FSC or comparable)	Eneco assesses all of its biomass projects against the sustainability framework NTA 8080 with the Better Biomass certification scheme

horticulture, our forests, the sea or industrial and household waste.

Eneco's point of departure where biomass is concerned is that we only make use of this when there are insufficient sustainable alternatives and that we only use biomass that satisfies strict sustainability criteria. We make use of certificates that have been approved by European and Dutch governmental bodies - such as Better Biomass - to prove that the biomass that we process, trade and use satisfies international sustainability criteria and chain management requirements. These certificates lay down requirements for greenhouse gas emissions, competition with food production and local use of biomass, biodiversity, the environment, prosperity and well-being. When there is insufficient supply of biomass with the necessary certificates, Eneco uses the Dutch verification protocol. With this, the sustainability criteria can be covered partially with certification schemes that the Dutch government has recognised, such as FSC.

Although these sustainability criteria are among the strictest in the world, we impose additional sustainability criteria. For instance, we use biomass for the production of energy based on cascading. This means that in the processing in several stages, the components with the highest added value are retrieved in each stage. In this manner, the biomass is used optimally. You can read more about cascading of biomass on our website.

We make use of biomass to produce steam for industries (with renewable electricity as a by-product) and heat for our heating grids. As many types of biomass do not satisfy the norms for sustainability or do not result in significant CO_2 reduction, we make use of wood waste and residual flows that have no further higher value application in our country. In the power plant Eneco Bio Golden Raand , wood chips of wood waste are converted into green steam and green electricity. The wood waste comes from, for instance, construction and demolition waste, household waste and municipal waste deposit stations and as much as possible regionally from the Netherlands and surrounding countries. At the BioHeat Installation Lage Weide in Utrecht, we mainly use wood shreds, material that is made from green waste or that remains after composting. Other biomass consists of wood chips from regular maintenance of parks, green areas and managed forests. The wood waste is collected as locally as possible and we make an effort to have our suppliers use the cleanest vehicles (Euro VI) for transport.

We reduce the emission of nitrogen and particulate matter during the combustion to a very far-reaching degree as we impose stricter requirements on flue gas treatment than required by law, by making use of the best available techniques. The composition of treated flue gases is constantly monitored and periodically reported to municipalities and relevant bodies.

Clean air

In the countries in which we are active, the air quality is worse than the World Health Organisation (WHO) advises and sometimes even exceeds the European norm. Eneco has a limited impact on air quality; however, Eneco considers it important to contribute to clean air.

Flue gas treatment

Where regulations lag behind the technical possibilities, we wish to be in the forefront by laying down stricter requirements in permits, like we did for the construction of the Enecogen power plant. We also specified stricter emission requirements for our BioHeat Installation Lage Weide in Utrecht than stipulated by law. In addition, we plan to monitor the composition of flue gases more closely than required by law.

Energy production with fuels such as biomass and natural gas produces emissions that include particulates and nitrogen. Our commitment is to apply flue gas treatment according to the best available and proven techniques.

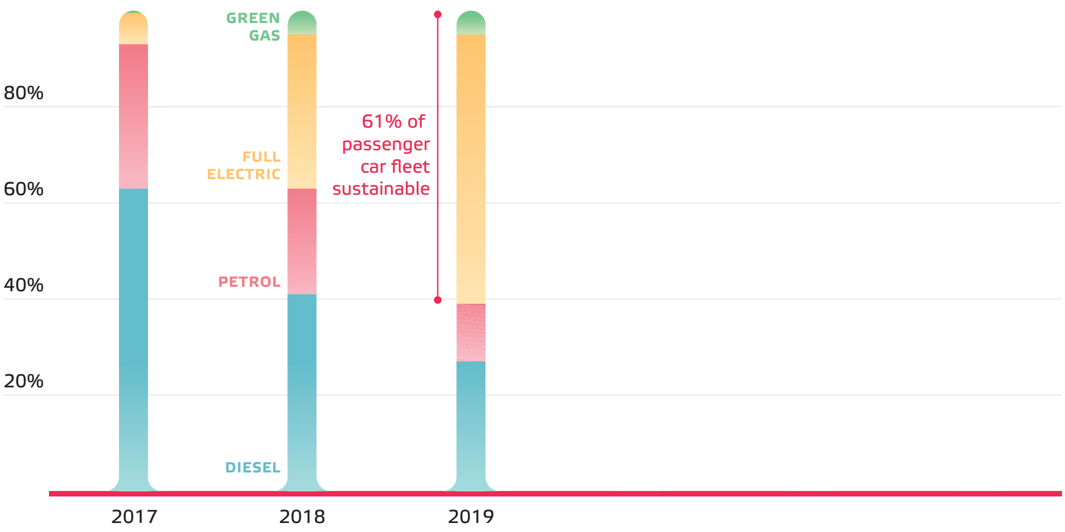
Together towards 100% sustainable mobility

Our mobility is based on sustainable means of transport, such as public transport, electric (shared) cars, bicycles or a combination. If travelling is not really necessary, then we won't travel and we will use smart means of communication.

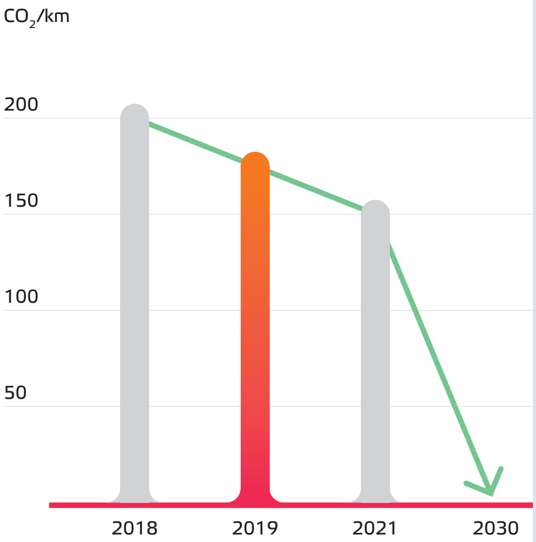
We are a frontrunner in sustainable mobility. Our Dutch passenger car fleet is rapidly becoming increasingly sustainable since 2018. At the end of 2019, 61% of our passenger car fleet in the Netherlands is sustainable (electric or running on green gas). We expect to have a completely sustainable passenger car fleet in the Netherlands in 2022. We have also started to increase the sustainability of our passenger car fleet in Belgium and Germany and we expect to have a completely sustainable fleet in 2025.

Employees who opt for public transport can travel 24/7 by public transport for free throughout the Netherlands, both for work and in their free time. Cyclists receive a kilometre allowance and can buy a bicycle or e-bike with a tax advantage. Drivers of company cars drive electric and charge their

Passenger car fleet in the Netherlands (around 350 cars)



Lower carbon limit is environmental norm



Our (future) measures must result in:

Leased cars
Part of employment conditions and functional zero emissions in 2022

Company cars
Vans and minivans zero emissions in 2030

Commuting
Sustainable compensation only in 2030

Business travel
Sustainable compensation only in 2030

Parking
Access for sustainable vehicles only in 2020

cars while they work. They can spend the lease budget that is not used freely. Business trips facilitated by us take place as sustainably as possible. For instance, we have NS Business Cards, electric shared cars and bicycles available. For international business trips, trains are the preferred mode of transport when the destination can be reached within 5 hours.

If the travel time by public transport is much longer than by car and the car satisfies the norm, an employee will be given access to the parking garage. Our environmental norm is characterised by an increasingly lower carbon limit.

With regard to our mobility, we have realised a 34% reduction in CO_2 emissions per FTE compared to 2016 (1.9 tons CO_2 per FTE in 2019 compared to 2.9 tons CO_2 per FTE in 2016). The emissions of our internal business operations (mobility and energy for our offices) decreased in absolute terms to 5.7 ktons in 2019 compared to 8.7 ktons (-34%) in 2016.

We have been compensating the CO_2 emissions of our internal business operations since 2008 with REDD+ and Gold Standard CO_2 certificates. Due to energy savings and the use of sustainable energy in our buildings, the footprint of our internal business operations is practically solely attributable to mobility. The CO_2 emissions were also compensated in 2019 to arrive at climate-neutral internal business operations. As the sustainability of our mobility increases, compensation will ultimately no longer be necessary.

Circularity

Our impact on people, the economy and the environment is caused by the purchasing of goods and the sale and rental of equipment. In addition to quality, service and costs, we also select our suppliers based on sustainability. In every procurement process, we ask ourselves and our suppliers whether the requirement can be fulfilled in a more sustainable manner.

With Socially Responsible Procurement (SRP), we are shifting our focus in the regular procurement process and we are also taking social and ecological criteria into account when selecting suppliers. It is our aim that the SRP criteria are included in 60% of our contracts in 2020. We performed a baseline assessment in 2019: of our new contracts with a procurement volume of more than € 50,000 28% contained one or several sustainability criteria. We now have a clearer idea which approach we should take to increase this percentage. To this end, we have prepared ‘Category Cards’ for each category with sustainability criteria that our buyers can use when preparing a tender.

Eneco signed the letter of intent for the Wind Energy Covenant in May 2019, which contains agreements about respecting the rights of people and their living environment in the wind energy value chain. This is a wind energy sector-wide initiative coordinated by the Dutch Social Economic Council (SER) and supervised by a number of NGOs.

	Target 11.6	Goal Eneco	Result 2019
11 SUSTAINABLE CITIES AND COMMUNITIES; TARGET 11.6 REDUCE THE ENVIRONMENTAL IMPACT OF CITIES	Less environmental impact in cities (CBS)	Together towards 100% sustainable mobility	-34% CO_2 reduction compared to 2016 (1.9 versus 2.9 Mton CO2/FTE) 61% of our Dutch passenger car fleet is now fossil-free.

In order to increase our circular procurement percentage of 6% in 2019 to 20% in 2020, six purchasers followed the training Circular Procurement Academy at Copper8 and PIANOo. Based on our own tender cases, they learned how to carry out a successful circular procurement procedure. The first steps in this process were taken in the purchase of laptops and circular supply in work clothes.

We assess our strategic and preferred suppliers on the basis of their social responsibility. To this end, we work together with Ecovadis. The target for the percentage of Leaders among our top 50 suppliers in the area of CSR has been adjusted downward to a more realistic 40% in 2022, as this target can only be achieved in good cooperation with our suppliers and demands time and effort on the part of both parties. At present, only 14% fall within the category Leader and 37% are in the category Performer. We discuss the results with our suppliers with the aim of further increasing the Environmental Social and Governance (ESG) scores.

We wish to spend at least 90% of our procurement expenditure at suppliers who endorse our Supplier Code of Conduct (which can be downloaded from the Conditions page on our corporate website). 90% of the procurement volume in 2019 is from suppliers who have signed this code.

Sustainability scores

Our customers, investors and other stakeholders attach more and more value to proof in the form of ESG (Environmental, Social & Governance) scores and sustainability benchmarks and standards.

EcoVadis

The international sustainability ratings company EcoVadis assesses companies on their sustainability and corporate social responsibility. With these ratings, businesses and organisations can compare suppliers in the area of sustainability, the environment and social and ethical business operations. They use international CSR norms such as the Global Reporting Initiative, United Nations Global Compact and ISO 26000. Eneco scores the Gold CSR Rating. With this, we rank among the 7% best-scoring companies in our sector. With regard to sustainable procurement, we even rank among the best 4% of our sector.

Sustainalytics

Sustainalytics is a global player in the assessment of the sustainability of companies at the request of investors. Our ESG score from Sustainalytics is 76 out of the maximum 100 points. With this, we our an outperformer and rank among the best 15%.

Target 12.2	Goal Eneco	Result 2019
Sustainable management and efficient use of natural resources (CBS)	20% circular procurement in 2020	6% circular procurement
	SRP criteria in 60% of our new contracts (>50 k euro) in 2020.	28% new contracts with SRP criteria

CDP

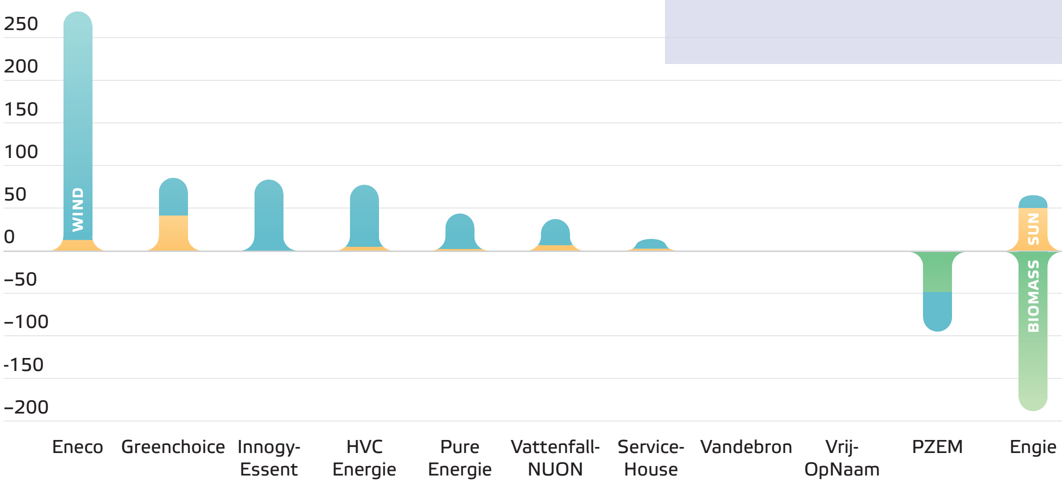
At the initiative of investors, the CDP (formerly the Carbon Disclosure Project) has been approaching listed companies already for more than 15 years to share their climate footprint publicly. They thus enables investors to estimate risks better. Eneco Group participated voluntarily in the CDP Climate Change programme for the second time in 2019. The CDP assessed Eneco with a B score. This is higher than the sector average (C) and the European average (C).

Science-Based Targets initiative

Already in 2017, Eneco was the first Dutch company with targets approved by the Science-Based Targets initiative (STBi). The relative targets at the time were set for 2020 and have already been amply met. Nearly three years later, we are updating our targets and switching to absolute targets for the whole chain. After all, it is about reducing the absolute quantity of our emissions. It is exceptional that Eneco takes responsibility for the whole production chain in which we are active. In this manner, we aim to help our customers transition to sustainable energy. Aligning our goals with the Paris Climate goals helps us realise our One Planet ambition 'Living within the boundaries of our planet' and contributes to finding alternatives, for example, for the use of natural gas by our customers and thus the creation of new business models. With regard to our contribution to the Paris Climate Agreement, we have remained well below 2ºC global warming since 2015.

Eneco is investing substantially in wind farms and solar parks in the Netherlands. This is apparent from research conducted by the agency CE Delft (2020). This graph provides insight into the degree in which electricity suppliers (i.e. companies that sell electricity to retail and business customers in the Netherlands) have invested, in the period 2014-2019 (up to 1 July), in renewable production capacity that is currently operational in the Netherlands.

Invested in renewable capacity in the Netherlands (minus disposals)
by electricity supplier and type in the period 2014 to 1 July 2019 (in operation)
In MW



Source: CE Delft (2020), Investments in renewable capacity in the Netherlands; comparison electricity suppliers 2014-2019.

The magazine Focus Money 'highly recommended' LichtBlick as a green gas supplier in the category 'House + Energy'. LichtBlick received the stamp 'high competence' from Focus Money and form ServiceValue, in which consumers give their opinion about products, services and businesses. In a customer survey of ServiceValue and DIE WELT regarding how customers perceive digital customer closeness, LichtBlick attained silver in the category 'Digital Champions'.

Dutch Electricity Suppliers Sustainability Study

Wise, Greenpeace, Natuur en Milieu [Nature and Environment] and the Dutch Consumers' Association published their annual report on the sustainability of Dutch Electricity Suppliers in November. The brand Eneco scored positively in this ranking with a 7.7. We scored lower in this commercial ranking than you would expect from a company that has invested the most in renewable production capacity in the Netherlands of all Dutch electricity suppliers. This is also apparent from a recent study by CE Delft (see graph).

Eneco supports the annual publication of the ranking of electricity suppliers by NGOs as this contributes to transparency and stimulates suppliers to attach more importance to sustainability. However, the underlying methodology that is used for the ranking allocates relatively little weight to investments in sustainable production capacity. For example, suppliers can attain the maximum score and head the ranking without having invested one euro in solar panels or wind turbines. This does not do justice to suppliers who invest in renewable capacity on a large scale but at the same time still have to maintain a gas-fired power plant to ensure that there is back-up when there is no wind or sun. Eneco calls on the NGOs to bring the methodology in this area in line with what society requires so that the ranking will provide even better insight in the coming years into which suppliers contribute to the acceleration of the energy transition.

An important reason for the temporary drop of Eneco in the commercial ranking is the acquisition of E.ON Benelux in 2018. The share of 'grey' customers in our business portfolio has increased as a result of this acquisition. We would like to enable these customers to switch to sustainable energy as soon as possible. A number of these customers have already switched and, as a result, the share of sustainable electricity in the business segment increased this year.

The complete survey can be viewed on the website of the Dutch Consumers' Association.

Sustainability standards

The report is compliant with the standards of the Global Reporting Initiative (GRI). We use the framework of the International Integrated Reporting Council (IIRC) to clarify the interrelationship between the core elements of our policy. We also report on the Sustainable Development Goals (SDGs) that are relevant for us: 7, 11, 12, 13, 14 and 15. We became a member of the UN Global Compact in 2019 and, in our report, we report on our progress with regard to the ten principles and each of the four focus areas: human rights, labour conditions, the environment and anti-corruption. See annex Communication on Progress(see page).

Greenpeace ranking of Belgian electricity suppliers

Every year, Greenpeace analyses the sustainability of around twenty energy suppliers. They examine the origin of the electricity supply and the investment policy with regard to green energy. For the third year in a row, Greenpeace has awarded Eneco Belgium for its performance in the field of sustainable energy. Eneco scores light green, the second highest score. As a result, Eneco remains the greenest of all the large Belgian energy suppliers.

Eneco Belgium's high score is due to the large amount of green energy that it supplies to nearly 1 million customers. With more than 330,000 solar panels, Eneco Belgium is the second largest solar energy producer in the country. Eneco Belgium also has 98 onshore wind turbines. Eneco Belgium is by far the most active supplier of offshore wind energy with the recent completion of wind farm Norther and the construction of wind farm SeaMade.

Enthusiastic and knowledgeable employees

Excellent employees was the theme of the year 2019. People who use their abilities and talent to realise Eneco's strategy by excelling in customer focus, teamwork and execution power.

Transitioning together

In order to deliver on our promise to our customers, we have to transform ourselves into a company that excels more commercially than in the past. For our employees, this means a stronger focus on customers, more teamwork throughout the chain and more execution power. With the change approach 'All of Eneco in transition', we have paid a lot of attention to this transformation in 2019. In a Change Compass, we have recorded the behaviour and competences that we expect from employees and managers. The competences have been laid down in leadership profiles and the whole personnel cycle. In order to reinforce the change process, we share examples of how we encourage customers to take sustainable measures or of how employees demonstrate focus, teamwork and execution power.

Leadership

We changed the composition of teams and put together new teams, and these teams worked on team building. A leadership team with one common language and culture is essential for the execution of our strategy. This is why we have summarised leadership interventions - such as training, coaching and assessments - in menu cards for operational and tactical leaders and for strategic leaders.

Influencers

At the same time, we wish to stimulated change from the bottom up. We have identified around 150 colleagues in all layers of the organisation who demonstrate exemplary behaviour in their work: *'the influencers'*. They have been named by other as the persons whom they like to work with or whom they like to contact when they have to get something done. The influences help the organisation actively with the transition by contributing to execution power, chain-wide collaboration and customer focus with concrete actions. 50 noteworthy examples have been collected in a 'transition box', which has been made available as a toolkit.

State of the transition

This year, we conducted the employee survey 'State of the transition' twice. In this survey, we ask employees whether they are ready, willing and able to realise the change. The first results have led to three key questions that the organisation is looking into:
1. What would you like to stop with already tomorrow?
2. What is promising and would you like to do more of?
3. Where do you experience contrary objectives and how do you solve this?

At the same time, it appeared that, after two surveys, we did not achieve the target of 75% on 'execution power' by a small margin. The score was 74%. However, we did see a positive trend in the two statements with which we aim to realise this target: 'The colleagues in my team translate ideas and the goals agreed with them into results' (+8%); 'My team executes Eneco's strategy' (+2%).

The right people in the right place

Having the right people in the right positions is important in an effective organisation. This year, we paid extra attention to insight into our workforce in order to make optimal use of the potential of our employees. Eneco employees are constantly working on their own development. We are working with a new integrated portal, MyTalent, which supports the dialogue between managers and employees with questions such as: are you doing the right things, are you doing things well, are you working sufficiently on your own development, what are your strengths, are you still in the right place? We have set up a modern learning portal together with Springest, our new Learning Service Partner, which helps employees to find and book suitable training and education programmes via a single learning catalogue for the whole organisation. This results in more insight into training and education activities, lower costs and better quality.

Performance – ability to work, vitality and absenteeism

Eneco aims to ensure that all employees can make optimal use of their talents in a safe and ambitious working environment. We entered into a collaboration with Arbobutler mid-2019 as our new occupational health and safety agency. With this, Eneco embraces the vision of the 'House of the ability to work' model, a means for supporting sustainable employability. The various 'stories' of the house (work, norms and values, competences and health) provide direction and support in the timely dialogue about sustainable employability and the total ability to work. To this end, we offer an Ability to work scan and coaching.

Eneco embraced Talent Management and Diversity & Inclusiveness as development themes in 2019 by developing a new visions and strategy for both areas.

Safety, security and ICT

In all our activities, we aim to safeguard the health and safety of everyone who is involved in our business operations or is impacted by this. The security of our systems also demands the necessary attention to ensure the continuity of our business operations.

We train our employees in order to avoid incidents and to promote their safety and safety awareness. This mainly concerns employees and contractors who work on the development and maintenance of sustainable assets and other sources; however, office personnel is also being trained. The contents of these training programmes are based on risk inventories.

Safety scores

We measure safety with the strategic KPI Recordable Incident Frequency (RIF). This is the moving average number of incidents resulting in absenteeism, alternative work or medical treatment per 200,000 hours worked. Our RIF score was 0.89 in 2019. This score is far above the target of 0.54. There were in total nine accidents resulting in absenteeism, with in total 91 absentee days. The severity rate thus amounted to 10.1(91/ 9).

The explanation for the higher number of incidents is that Eneco carried out more projects and large maintenance work in 2019, and that these projects were also very complex (for example BioHeat Installation, large maintenance stops, blade switches at offshore wind farms, a lot of solar energy and onshore wind farms). In addition, from various audits of the safety ladder, it appears that employees are experiencing more work pressure. We aim to reverse this upward trend in 2020 by focusing on further increasing safety awareness.

The explanation for the higher number of incident reports is that we have worked hard on increasing risk awareness as well as the willingness to report dangerous situations. This as part of our efforts to strengthen the safety culture. We are pleased that this is bearing fruit.

We made 2233 safety rounds in 2019 and experts carried out 601 workplace inspections. This in accordance with our target.

The business units Field Services and Heat Utrecht (heat and electricity production) are certified on step 3 (on a scale of 5) of the NEN Safety Culture Ladder in accordance with their target. Our branches in Inverness (UK), and the divisions Solar Belgium and Gasspeicher even attained step 4 this year. In total, six division are now certified externally on the NEN Safety Culture Ladder. This is an important milestone on the way to step 4 that we aim for, the level of a proactive safety culture (step 4 stands for: safety has a high priority and is in deeply ingrained in the company's operations). Our safety and culture programme for attaining step 4 is a multi-year process which will receive unmitigated attention in the coming years.

Important safety risks

We distinguish three main categories in the safety reports in 2019: falling objects and the danger of people falling, being hit by a (moving) object, and aggression against personnel.

With regard to height risks, i.e. falling objects or people falling, 152 reports were made in 2019. This mainly concerned people who were not using their fall protection gear or not using this correctly, or who underestimated the risk of falling from heights of more than 2.5 meters. Height risks exists, for example, at wind turbines and in the power plants in Delfzijl, in Utrecht and on the Maasvlakte.

With regard to being hit by a (moving) object, this concerned 31 reports, in particular collisions in public areas and the use of tools.

In 2019, 13 reports were also made regarding aggression towards people. Unfortunately, more and more often Eneco employees are not treated correctly or are even threatened. This occurs in all business units and in all sorts of ways, such as via social media (for example, in the case of wind energy developers), via the telephone (yelling at call centre employees) or on site (various complaints) and against technicians. This trend is acknowledged by various bodies (including the national anti-terrorism coordinator NCTV). Various bodies are also pointing out in their reports that protests are becoming more extreme, for example, in connection with the construction of onshore wind farms.

Safety of subcontractors

In on our role as contracting party, we take safety very serious. The sector-wide initiative ‘Working Together Safely on Heat’ also organised meetings in 2019 with companies in the heat sector and new parties joined. The contacts with Eneco's heat contractors have improved considerably and we are collaborating closely in more and more areas. We also participated in the Occupational Health and Safety catalogues Wind Energy Production and Delivery Companies. These form a platform for closer cooperation with other companies in the area of health and safety to improve the standards together.

This year, there were 11 accidents resulting in absenteeism, alternative work or medical treatments in which our subcontractors were involved. We follow-up these accidents directly with a dialogue between the management of Eneco and the management of the relevant contractor. We do this because we believe that a constructive dialogue based on the shared interest to work safely is the right way to create safety awareness.

Crisis organisation

If there is a crisis or the threat of a crisis, we mobilise a temporary crisis organisation which is convened in addition to the existing organisation to deal with the crisis professionally. A special meeting technique enables fast and good decision-making. The crisis organisation has been further professionalised by means of training. Besides joint crisis training, crisis communication is trained separately. It was demonstrated in 2019 that the organisation can resolve a crisis efficiently. A number of calamities were dealt with and resolved by the organisation. Examples include not only accidents but also the attack on the tram in Utrecht, where aspects that were relevant to Eneco.

Quality management

The organisation of quality management was further centralised in 2019. As a result, we have been able to increase the efficiency of our quality management. Eneco's Quality Information System (QIS) was further developed this year and expanded with components such as risk management and improvement management. In QIS we record and connect, for example, legislation, our processes, risks and controls, management systems and information. In this manner, we can make these efficiently accessible for the whole organisation. Our certification portfolio has been expanded further, for instance, in the area of asset management (ISO 55001), quality management (ISO 9001) and the NEN safety ladder (step 3 and 4).

Cyber security

Cyber security received a lot of attention in the Netherlands in 2019 in public statements of government bodies and the Minister of Justice and Security. The annual official Cyber Security Overview Netherlands 2019 even had the subtitle ‘Destabilisation of society is a threat’. It is striking in this report that state actors (actors acting in the name of the government) are now cited as the largest threat. Incidents in the European energy supply are named explicitly from which it appears that there have been actual attacks.

Incidents

Eneco took far-reaching measures in the field of cyber security in 2018 and these have had effect in 2019. With five, the number of large incidents in the internal information supply remained at the relatively low level of the end of 2018. No successful ransom or malware infections were detected in the internal ICT network.

There were many phishing attacks throughout 2019 of which two were successful in the beginning of 2019. The damage remained limited due to a greater awareness among users and a more effective approach of the management organisation. Organisation-wide, Eneco was already working on the implementation of multi-factor authentication. This means that access to the system requires a combination of methods. The successful phishing attacks formed a reason to accelerate the implementation of multi-factor authentication. After this, no more successful phishing attacks were detected, although many attempts were reported.

Outlook

In our 2018 annual report, we announced the implementation of the new Security of networks and information systems act (Wbni), which would become relevant for Eneco in 2019. The Ministry has postponed the introduction until 2020. According to the impact analysis that was performed in 2019, the Wbni is especially relevant for Eneco's energy production activities.

Financial result

Excellent year for Eneco

Financial

The revenue increase of 4% (2019: € 4.3 billion, 2018: € 4.2 billion) can mainly be attributed to the acquisition of Robin Energie and the acquisition of E.ON which was now included for the whole year. It is positive that the revenue increase occurred in the delivery of electricity, gas and heat, but also among Eneco's (new) services, such as e-mobility.

When the financial figures are normalised for non-recurring sale-related expenses and the changes in corporate income tax, the company has performed very satisfactorily. EBITDA rose 10% to € 464 million (2018: € 421 million), the operating profit (EBIT) remained stable at € 168 million. Profit before tax rose 13% to € 153 million (2018: € 136 million) and the net result rose 14% to € 115 million,(2018: € 101 million).

The company's operating performance is thus satisfactory and is completely in line with the expectations that were expressed to current and future shareholders.

Effect of the sale and corporate income tax
Where the future change in the corporate income tax rate added € 40 million to the net result in 2018, there is now a deduction of € 8 million. The costs in connection with the sale of Eneco's shares amounted to € 36 million before tax in 2019 (2018: € 6 million), including project and advisory costs and costs for a gratuity payment.

Reported EBITDA rose 3% to € 428 million. Reported net profit amounted to € 80 million in 2019.

Investments
Eneco aims to double the number of megawatt of its own installed capacity of sustainable production assets. In four years time, we plan to expand from 1100 MW to 2200 MW. This means that more and more new wind farms and solar parks will be taken into production. Besides the large wind farm Norther off the Belgian coast, this concerned in 2019, for example, the Dutch wind farms Nieuwe Waterweg, Slufterdam and Hogezandsepolder, and Cordona and Louwind in Belgium and several solar parks.

Eneco invested € 343 million in sustainable production assets in 2019, which is a significant increase compared to 2018, when Eneco invested € 248 million. The largest share was spent on the construction of new wind farms (in total € 205 million), including Seamade, Borssele III & IV, Delfzijl, Libeccio and Verda. Eneco also invested € 23 million in the expansion of solar parks. In addition, Eneco also invested substantially in the expansion and maintenance of the heat grids (€ 69 million) and the production of heat (€ 39 million), in particular in the BioHeat Installation recently taken into use in Utrecht.

Controlling costs
A large-scale change process was announced in June 2018 directed at an improved customer experience, also by means of digitalisation and an integrated customer experience. One of the objectives of the change process was a structural results improvement. This totalled € 70 million at the end of 2019. The ongoing attention for controlling costs in 2019 also led to a decrease in the costs for permanent employees by € 29 million (normalised) and the average number of FTE decreased by 215 to 2775.

Continuing to transition
Over 150,000 customers took a step towards sustainability in 2019. For example by switching to Eneco HollandseWind, by profiting from the revenues from solar energy produced by a Dutch solar park by purchasing a ‘StukjeZon’, by generating sustainable energy themselves by purchasing, for example, solar panels, or by switching to an electric car. This demands offering various and integrated services and products to customers which requires better collaboration internally within the chain. In this manner, we are better able to help customers make the necessary transition that the energy transition demands.

Outlook

Our strategy and ambitions for growth give us confidence in the further development of our company. The new shareholders not only support the existing strategy, they also wish to strengthen it and expand it internationally. Eneco will become the European hub for all the sustainable energy activities of Mitsubishi Corporation and Chubu Electric Power, and Mitsubishi plans to transfer about 400 MW installed sustainable capacity (offshore wind energy) to Eneco. The government's role in the execution of the Climate Agreement has not yet been elaborated on all points and the manner in which that will take place, for example, how policy instruments and subsidies will be structured, will have an impact on our growth possibilities. Against this background, we will refrain from issuing a results forecast for 2020.

Corporate Governance

In this chapter, we will describe which executive and supervisory roles we distinguish and the corresponding tasks and powers. We underline the importance of diversity, inclusion and integrity.

Task and responsibilities

Management Board

The Management Board holds the ultimate responsibility for the performance of Eneco. The Management Board is appointed by the Supervisory Board and is accountable to the Supervisory Board and the General Meeting of Shareholders (AGM). The Management Board, consisting of four members, represents the company. The biographies of the members of the Management Board can be found on the Governance page on the Eneco corporate website.

The Strategic Board that Eneco had appointed in 2017 was disbanded mid-2019. In addition to the Management Board, Eneco also has an Executive Committee (Exco).

Supervisory Board

The Supervisory Board of Eneco advises the Management Board, operates independently and supervises the policy of the Management Board and the general course of business in the Eneco Group. The Supervisory Board of Eneco has seven members and had the following committees in 2019:

- A Remuneration, Selection and Appointment Committee, which provides advice on matters such as the remuneration, selection and appointment of members of the Management Board and the nomination of members of the Supervisory Board. Frederieke Leeflang chairs this committee. The other members are Ewoud Goudswaard and Atzo Nicolaï.
- An Audit Committee, which supervises the integrity of the financial and non-financial reporting, the internal control and risk management. The Audit Committee also supervises the internal and external audit process. Michael Enthoven, Marco Keim and Rob Zandbergen are members of this committee, the two latter members chair the committee in rotation.

The biographies of the members of the Supervisory Board can be found on the Governance page on the Eneco corporate website.

Diversity and inclusion

Eneco Group considers it very important to work with teams in which diversity in backgrounds and personalities mirrors society and in which we appreciate these differences and make use of these differences in a positive manner. Diversity enables us to connect with our customers, our environment and with each other to the greatest extent possible. Eneco's focus on diversity is also reflected in actively recruiting and employing people who have limited access to the labour market. Another example is the way we strive for gender diversity. At the end of 2019, Eneco decided to prioritise diversity with a programme that has a number of concrete ambitious goals.

Diversity cannot be separated from inclusion. Inclusion is creating a working environment in which the individual characteristics of and differences between people are acknowledged and in which everyone feels welcome, appreciated and supported. Inclusion is therefore also an important part of the programme.

In 2019, the Management Board consisted of four male members and the Supervisory Board consisted of seven members of whom two were women. We have thus not yet achieved the desired diversity. However, we have made sure that this aim is explicitly included in the profile for new board members, so that this is taken into account in any new appointments. Given the existing appointment terms, we have not yet been able to increase the gender diversity within the Management Board. As soon as a vacancy occurs, we will aim for a more balanced composition.

Code of Conduct

Norms regarding conduct and integrity apply for everyone within Eneco. These norms have been laid down in writing in our Code of Conduct (which can be downloaded on the Governance page on our corporate website). An integrity reporting desk has been established within Eneco and a confidential counsellor has been appointed to whom employees can report complaints regarding socially undesirable conduct (see Integrity and compliance (see page 72)).

Risk management

Risk management contributes to realising our strategic objectives in a responsible manner. In our risk policy, we carefully weigh which risks Eneco is running and which control measures are required to manage these risks. We assess the effectiveness of these measures.

Governance

The Management Board is responsible for the risk management of the whole Group. Our risk management is based on the three lines of defence model. This structure ensures that we follow the current good practices with regard to risk management. The Management Board has delegated the execution of risk management primarily to the directors of the business units (i.e. the first line of defence). Business Control and functional areas such as compliance and security support the business units from the second line of defence. The Operational Risk Management department is also part of the second line of defence and translates policy into guidelines and coordinates the risk management process. The Internal Audit function (third line of defence) conducts independent audits and reports the results to the Management Board and the Audit Committee of the Supervisory Board.

The directors of the business units discuss their risks, risk estimates and the status of measures directed at mitigating and controlling these risks every quarter. The most important risks and measures are reported to the responsible portfolio holder of the Management Board every quarter in the Business Unit Review. These are consolidated and reported to the Management Board and the Audit Committee.

We have laid down the risk limits on a company level in various concrete policy statements, codes and guidelines in areas such as safety, trading mandates, authorisations and conduct. The Audit Committee supervises the adequate functioning of the risk management activities.

Risk and performance management

We use the internal Eneco control and risk management system (ECRS) that is based on the COSO ERM framework, the worldwide standard for Enterprise Risk Management.

The ECRS comprises a systematic approach for risk assessment, a set of control measures and a self-assessment method with which the management of the business units can determine whether the control measures are effective. The In-Control statement of the Management Board is based in part on the outcomes of these self-assessments that are carried out by the business units.

Risk management is an iterative and continuous process and is part of the regular Business Planning Cycle. The business units carry out a thorough analysis of the threats and opportunities at least once a year. For each risk, we determine what the possible impact could be on the risk categories Financial, Reputation, Integrity and Safety. We manage our risks by means of control measures that reduce individual risks and by means of financial-strategic projections supported by sensitivity analyses, including single-event stress tests and VaR analyses for all of our business risks. Risk management

Risk and performance management framework

1. **Strategic Framework Strategic KPIs**
   - Framework risk and performance management
2. **Financial Strategic Forecasts 'FSP'**
   - Expected realisation of strategic objectives
   - Expected financial results
   - Expected credit rating ratios
3. **Risk & control assessment**
   - Gross risk inventory (risk register)
   - Determining controls
   - Determining the potential impact of risks on financial strategic forecasts
4. **Risk management & monitoring**
   - Mitigating measures and follow up
   - Net risk reporting and monitoring on all levels
   - Determing whether risks are acceptable

systems have been set up at all levels of the organisation and contain specific risk-mitigating measures. The business units report twice a year on the self-assessments that they have carried out with regard to the key controls. The key controls are the control measures that significantly reduce the most important risks.

We have determined our risk tolerance for each risk category identified by Eneco.

Risk tolerance

Risk categories	Impact: low	Impact: medium	Impact: high
Safety	Injury resulting in alternative work	Injury resulting in absenteeism or hospitalisation	One or more fatalities
Integrity & Compliance	No/limited fraud possible	Incidental fraud possible	Large-scale fraud possible
Financial	< €1 million	> € 1 million < € 10 million	> € 10 million
Reputation & Quality	Limited negative image among stakeholders	Decrease in confidence among stakeholders	Structural damage among stakeholders

Risk categories	Risk tolerance
Safety	A lot of attention is paid to safety within Eneco and our risk tolerance is very low. We regard serious incidents (hospitalisation, fatal accidents) as unacceptable.
Integrity & Compliance	Eneco has a zero-tolerance policy with regard to integrity and compliance risks.
Financial	Our risk tolerance is low in general; however, sometimes we have to 'accept' a higher financial impact for a risk because the possibility to mitigate this risk is limited (for example the weather risk). In addition, we consciously opt for a higher risk profile in specific areas, such as innovation and transformation. We use sensitivity analyses and stress tests to determine whether we are sufficiently robust to deal with negative developments and incidents.
Reputation & Quality	Our risk tolerance is low and, where possible, we try to avoid any occurrence that could give rise to a negative image of Eneco.

Developments in 2019

The programme approach, which is aimed at implementing a generic norm framework, for example for controlling risks in the area of external reporting, compliance and IT, was continued in 2019. The programme aims to improve both the quality and the demonstrability of control measures and processes.

Incidents

A number of incidents occurred in 2019. We will discuss one of these incidents in more detail.

Ice fell off the blades of a wind turbine in Marrum in Friesland in November 2019. This caused damage to cars and solar panels. An ice detection system was installed and smart software is being used in order to prevent this from happening again in the future.

Strategic risks

Strategic risks are long-term risks that influence the realisation of our strategic objectives. For the goals and objectives that we have defined, we acknowledge the most important strategic risks listed below, which may not only constitute a threat, but can often also present an opportunity.

1. Loss of credibility of our sustainable image

The mission of Eneco Group is ‘Everyone's sustainable energy’. We aim to be a frontrunner in the energy transition also in our capacity as a sustainable energy company acting within the boundaries of our planet, our One Planet ambition. The ambition has been translated into a CO2 reduction target for our own operations, i.e. a twofold increase of our own sustainable production capacity, and the aim to deliver more than 50% green energy to our customers. Our mission ‘Everyone's sustainable energy’ is reflected in all our interaction with business and non-business customers and stakeholders. Consensus with regard to this mission plays a central role during discussions with possible future shareholders.

2. Changes in customers’ needs

The energy transition is transforming customers' needs and stimulating innovations. There is pressure on the margin per customer and loss of 'traditional' energy customer contracts. Eneco aims to create added value for customers, develop new energy services with promising technologies such as blockchain, and make smart use of data for Smart Home applications and energy management. Furthermore, we apply digitalisation and data analytics to optimise existing processes, to ensure that we get things right the first time and that we exceed out customers’ expectations. We want to be the exclusive owners of specific data and market knowledge so we can develop valuable propositions.

3. Structurally low electricity prices

Structurally low electricity prices in the future and lower subsidies on sustainable production have a negative impact on the feasibility of our strategic goals in the field of sustainability. Electricity prices and the prices of green certificates can be fixed for a number of years on the energy trading markets, but often not for the full useful economic life. Lower revenues imply that the room for future investments in sustainable production assets is decreasing. We spread the risk through international diversification. In addition, our strategy is also to build sustainable production facilities together with and at the request of customers (Client Sources with multi-year purchasing contracts) and to transfer price risks by structuring trade contracts. We have increased our profitability via several efficiency programmes, which contributes to our financial strength and expands our future potential.

4. Decreasing profitability of gas

The government wants all households to be independent of natural gas in 2050. Gas revenues and margins will also decrease in the short term due to increasing insulation and new energy saving (local) solutions, such as the electrification of heating. We are investing in sustainable heating solutions, collective solutions such as district heating and individual solutions such as heat storage. In addition, we are optimising the chain in order to mitigate the effect of lower gas margins.

8. Missing the boat in the data revolution

The energy transition is a challenge for society. Our success in achieving our goals depends strongly on public opinion. Public opinion can have a direct impact, for example, on the willingness of residents to accept district heating, and an indirect impact, for instance, in how the government determines the level of stimulation measures.

Eneco is aware of the uncertainties for customers inherent in the energy transition. Our mission ‘Everyone's sustainable energy', means that we will seek to facilitate changes proactively together with customers. We also mitigate this risk by means of transparent communication with stakeholders regarding how the execution of our strategy is progressing.

6. Increasing impact of weather on the result

Weather conditions lead to fluctuations in revenues from delivering both sustainable production and heating. In view of the expected relative growth of this in our portfolio and the growing number of weather-dependent energy sources in the market, our financial result's dependence on the weather is increasing structurally. With active portfolio management, we can get a grip on the increasing exposure. Mitigation of the weather risk primarily takes place by means of hedging transactions in the market, entering into structured agreements and taking out insurance.

7. Insufficient competencies and employability of personnel

The execution of our strategy and the realisation of the energy transition require new competencies, speed and agility of the organisation and its employees. Our focus is on building a high-performance organisation, for instance by applying the principles of agile working and Lean methodology and by means of further digitalisation. The inverted organisation structure supports a customer-oriented and chain-oriented approach. A scarcity of qualified personnel will occur within specific fields. Eneco aims to prevent scarcity of qualified personnel within its own company by paying proactive attention to these fields. Two examples of this are: 1) our own business school which we set up to train technical personnel, and 2) the Eneco hackathons that we organise in order to retain our IT colleagues.

8. Missing the boat in the data revolution

The development towards digital and data-driven products and services is continuing at a rapid pace. Smart application of data technology can threaten existing markets and value chains; however, this also offers opportunities for those who capitalise on this at an early stage. Eneco embraces this trend and is able to detect the electricity consumption of old and inefficient appliances by making use of artificial intelligence (AI) in Toon devices. This enables Eneco to provide targeted advice to customers. In this respect, a lot of attention is paid to the careful handling, storage and use of these data, in particular when this can be traced back to individuals.

Operational risks

The operational risks are mainly related to performance and business. Below, we discuss our most important operational risks that can still have an estimated remaining impact of > € 5 million after mitigating measures.

Risk (trend compared with 2018 ↑→↓[1])	Potential impact	Control measures
Financial position		
Creditworthiness ↓ Decrease in the perceived creditworthiness of Eneco, or a rating downgrade.	• Decrease in the willingness of energy trading parties to give Eneco Group uncovered limits on trading positions or an increase in guarantees and other collateral to be provided by Eneco Group. • Less favourable conditions for access to capital and money markets and (limited) higher interest mark-ups.	• As a result of the support of creditworthy new shareholders (Mitsubishi Corporation and Chubu Electric Power), our credit rating improved compared to 2018. • Stress tests in particular on EBITDA. • Stipulating contract conditions with customers and trading parties. [2]
Spark spread → Lower spark spread resulting in there being fewer hours in which a high spark spread can be profited from and power plants are idle more often.	• Approximately € 10 million per year (€ 20 million in non-liquid years). • Impact potential CO_2 tax will depend on political decisions.	• Portfolio management and hedging strategies in the energy trading markets with energy derivatives.
Profitability sustainable assets ↑ Lower future revenues due to lower electricity prices or lower market value of green electricity.	• Approximately € 10 million per year (€ 15 million in non-liquid years). • The Dutch and Belgian subsidy schemes do not eliminate the price risk entirely. The subsidy scheme in the UK implies an inherent large price-level sensitivity. • Portfolio is growing and thus also the risk.	• Spreading investments over several countries. • Hedging positions via energy trading markets ; however, the market is only liquid for a limited number of future years. • Concluding multi-year customer supply transactions.
Degree days risk → Lower customer demand for gas and heating due to mild weather.	• Approximately € 25 to € 30 million on an annual basis. • The temperature risk per household is gradually decreasing due to lower consumption as a result of better insulation and other technologies. To a certain extent, the weather risk can be mitigated cost effectively; however, a substantial residual risk remains. • This risk can increase as a result of an expansion of the gas and heating customer portfolio.	• Taking out degree days hedges, weather insurance. • Making use of Eneco's storage facilities. • Portfolio management and use of expertise to forecast weather in relation to expected energy supply and demand. • Using demand-steering mechanisms together with our customers.
Wind volume risk ↑ Due to weather conditions, lower than average production yields of wind farms (less wind).	• Approximately € 35 to € 55 million on an annual basis • The influence of weather on our results has increased due to the expansion of our wind energy production. Less wind leads to lower revenues.	• Taking out weather insurance, wind volume hedges • Portfolio management and use of expertise to forecast weather in relation to expected wind energy production. • Sourcing of sustainable energy partially via multi-year procurement from third parties (PPAs).
Risks with regard to business performance, control and governance of our associates and recent acquisitions →	• Reputation damage and financial losses in relation to the scale of the organisation and the interest that we have in it. Reputation damage occurs when business objectives are not achieved sufficiently or incidents occur in the area of internal control. Financial losses occur when anticipated synergy advantages are not realised when acquisitions are consolidated, when claims arise, or when the company is unable to realise the growth objectives with acquisitions and associates. We intentionally give our innovative associates more room so that they can innovate and excel faster and we accept that an inherently larger risk is attached to these types of associates.	• Through its representative seats in supervisory bodies of its associates, Eneco supervises and assesses the policy of the management with regard to business development and internal control. • Additional requirements apply to associates included in the consolidation, in particular regarding reporting and IT controls, if these are not in line with Eneco standards. • We supervise our venture portfolio via periodic monitoring. The higher risk profile is partially mitigated by the applied transaction structure and conditions (for example, the use of preference shares).

1 ↑ risk higher compared to 2018 ↓ risk lower compared to 2018 → risk unchanged compared to 2018.
2 See note 31 of the consolidated financial statements for more information about controlling financial risks

Risk (trend compared with 2018 ↑→↓[1])	Potential impact	Control measures
Financial reporting		
Risks in the area of the internal and external financial planning and reporting →	• Reputation damage, claims and legal proceedings. • Non-compliant or incorrect reporting. • Lack of correct, timely and substantiated financial steering information for decision-making by the management.	• Keeping financial reporting knowledge up-to-date. • The internal control and administrative-organisational measures, including our accounting guidelines. • Procedures for periodic closing, reporting, forecasting and energy balance.
Operational – IT related		
Unauthorised access to and/or changes in IT systems as well as cyber security →	• Reputation damage. • Fraud. • Financial impact: depending on the nature and seriousness of the incident in question damage can exceed € 1 million. • In line with the general trend in society, the risk of cyber security incidents remains high.	• Awareness training for employees. • Strengthening the management organisation for the coordination of critical suppliers. • In-Control programme in which self-assessments are carried out for important control measures. These measures concern, for example, change management, creating and deleting accounts, checking authorisations and applying IT security protocols. • Signalling and detection techniques for unauthorised access and suspicious activities. • Penetration tests by specialised, external parties. • Assurance assessments by third parties (audits).
Operational - Customers		
Business continuity interruptions → Incidents and/or interruptions in our heating supply, production and/or trading and customer systems with a negative impact on operations.	• Safety incidents with injury or worse. • Financial impact: depending on the nature and seriousness of the incident in question this can exceed € 5 million.	• Safety policy and instructions. • Duplicated IT platform for critical systems. • Carrying out periodical crisis management and recovery tests. • Maintenance and monitoring of our heating grids and own production units. ISO 55001 certification of production units, such as in in Utrecht and Delfzijl. • Critical business processes such as procurement and invoicing are organised and controlled centrally.

1 ↑ risk higher compared to 2018 ↓ risk lower compared to 2018 → risk unchanged compared to 2018.

Risk (trend compared with 2018 ↑→↓[1])	Potential impact	Control measures
Laws and regulations		
Non-compliance with laws and regulations →	• Reputation damage. • Claims • Legal proceedings • Financial impact: The Personal Data Protection Authority (AP) can impose fines up to € 20 million or up to 4% of the company's worldwide revenue for fundamental violations or not complying with the AP's instructions. • Energy companies are becoming increasingly data intensive; the increasing regulations in this area are augmenting the risks.	• Privacy and compliance control frameworks at business units including risk-mitigating measures. • Keeping knowledge about prospective relevant laws up-to-date and sharing this actively with the business via internal media and knowledge sessions (e.g. privacy).

1 ↑ risk higher compared to 2018 ↓ risk lower compared to 2018 → risk unchanged compared to 2018.

Integrity and compliance

Doing business in accordance with the rules is a prerequisite for all our business activities. Eneco applies a pro-active compliance policy in order to comply with laws and regulations. In addition, we wish to distinguish ourselves in the way that we treat our customers, each other and our partners. This is why we have an integrity programme in place to enforce norms and values within the company.

Integrity

Our values are: customers first, together, assuming responsibility and inspiring trust. With this guideline for our conduct, we can accelerate, strengthen and connect: exactly what our strategy requires of us. Our guideline helps us to constantly take the right decisions about the question of how we should carry out an activity.

We organised workshops with managers and employees in 2019 in which we also paid attention to promoting the implementation of these values. In addition, we reformulated our code of conduct. We introduced the new version within Eneco with an organisation-wide e-learning module. We also regularly pay attention to our integrity awareness by communicating via our in-company ‘influencers’. They take the initiative to translate our values into daily conduct, so that colleagues can also follow this example.

There is an integrity reporting desk and a confidential counsellor. Employees who are the victim of undesired conduct such as bullying, discrimination or sexual harassment can contact this confidential counsellor. The reporting desk and the confidential counsellor received 33 reports in 2019, about the same number as in 2018. Approximately 40% related to fraud or theft, 15% related to undesired conduct such as discrimination, intimidation and bullying, and 45% concerned other integrity-related problems. After incidents were reported, where necessary disciplinary measures were taken and changes in procedures were implemented to prevent new incidents from occurring.

Compliance

Non-compliance with national and international laws and regulations leads to risks with regard to our licence to operate and our reputation and possible financial consequences in the form of fines and invalid agreements. Eneco has a compliance policy, carries out an annual compliance programme and has a Compliance Officer to support this. The Compliance Officer works together closely with the Legal and Regulatory Affairs departments. In addition, there are compliance representatives in every business unit for compliance issues.

Assurance is obtained internally by means of the In-Control statement and audits. Various supervisory bodies, including the Netherlands Authority for Consumers & Markets (ACM) and the Dutch Data Protection Authority supervise the enforcement of laws and regulations externally. At the beginning of 2019, we again received an exemption from the Dutch Authority for the Financial Markets (AFM) for a year from the obligation to have a MiFID licence (MiFID stands for Markets in Financial Instruments Directive and is a European investment directive).(see page 74)

A relatively limited compliance incident was detected within Eneco in 2019, about which we have informed the ACM. The settlement of this incident will be determined in consultation with the ACM in 2020.

A lot of attention was paid to the implementation of the General Data Protection Regulation (GDPR) in 2019, which came into effect on 25 May 2018.A privacy assessment was performed with a peer comparison to determine the status with regard to privacy of the Eneco business unit in the Netherlands that deals with consumers. The recommendations were taken into account in the internal privacy programme of this business unit. The privacy programme is currently in a finalising phase. The remaining recommendations will be transferred to the business in 2020. In order to demonstrably safeguard privacy, a Privacy Risk and Control Matrix was rolled out and the business units in the Netherlands and Belgium performed a privacy In-Control self-assessment. Eneco appointed a Data Protection Officer, who has been registered with the Dutch Data Protection Authority, to provide advice and supervise compliance with the GDPR.

Eneco reported in total four data leaks: two to the authorities that supervise privacy in the Netherlands, one in Belgium and one in Germany. Together with the Dutch energy industry association Energie Nederland, Eneco has formulated a new Smart Meter Code of Conduct for Suppliers, which contains the obligations pursuant to the GDPR. This proposal was discussed with the Dutch Data Protection Authority and is expected to come into effect in 2020, after formal approval by the Data Protection Authority.

It is apparent from the Declaration of compliance with the code of conduct for suppliers (see page 179) of electricity and gas, that we handle the personal data of our customers with care.

In-Control statement

The Management Board is aware of its responsibility for the adequate and effective functioning of the internal control within Eneco Group.

The Management Board has also implemented the risk management and control system described in the risk paragraph to ensure that the realisation of strategic, operational and financial objectives is monitored, the reporting on financial and non-financial information is reliable and that laws and regulations are complied with.

Every internal risk management and control system has its inherent limitations. Therefore, we can not provide absolute assurance that we will realise our business objectives or that no material errors, losses, incidents of fraud or violations of laws and regulations will occur.

With regard to financial reporting risks, the Management Board is of the opinion that the internal risk management and control systems provide a reasonable degree of assurance that the financial reporting is free from material misstatement and that the risk management and control systems have functioned adequately in the reporting year.

We continued with our project approach to further strengthen the standardisation and formalisation of the control measures for financial reporting, energy balance, ICT and compliance risks. This programme was launched in 2018 and provides for the professionalisation that the Management Board considers appropriate for the progress that it intends to make with regard to internal control and eliminating risks as much as possible in the aforementioned areas. The aforementioned programme will be continued in 2020.

Remuneration

Remuneration Policy for the Management Board

When determining the remuneration of the members of the Management Board, Eneco Groep N.V. takes its special position in society into account by applying the market principle and the moderation principle.

Point of departure

The primary employment conditions of the Management Board are determined based on the Remuneration Policy for the Management Board, which was adopted by the General Meeting of Shareholders (AGM) of Eneco Holding N.V. on 20 May 2005.

The remuneration policy of the Management Board must enable Eneco Group to attract and retain qualified management. The median level in the General Market for Senior Executives is the reference point for the desired market position of the employee conditions of the members of the Management Board. Two policy principles are leading in this respect: the market principle and the moderation principle.

Market principle and moderation principle

The market principle means that Eneco Group should be regarded as a normal, commercial and market-oriented company. The moderation principle means that the Supervisory Board pursues a moderate remuneration policy in view of Eneco Group's history and because 100% of the shares of Eneco Groep N.V. are held by public shareholders (municipalities). This is why the Supervisory Board does not translate the benchmark with companies of a comparable size and complexity in the private sector completely into the current remuneration of the Eneco Group board members.

For the determination of the remuneration policy, the Supervisory Board applies the reference framework of the general employment conditions for senior executives, which is based on the remuneration data of over 200 senior executives. In order to do justice to the market principle, Eneco Group has opted for a position around the median of the reference framework. We thus focus on the medium-large companies in the reference group and we avoid a comparison with the largest companies. In view of the moderation principle, we apply a reduction to the median outcome. In accordance with the remuneration policy approved by the General Meeting of Shareholders, Eneco Group applies a bandwidth of plus or minus 20% around the reference on the median. With the last salary reference point, the actual 'moderation' has risen to nearly 30% compared to the median.

Variable remuneration

As in previous years, the remuneration of the members of the Management Board - with the exception of the Chair of the Management Board - was again dependent on performance criteria in 2019. The four main criteria for variable remuneration were largely in line with the strategic themes and were:

1. financial result (EBITDA) (performance criterion for the CFO, CSGO and COO);
2. successful privatisation process (performance criterion for the CFO, CSGO and COO);
3. strategy, growth and acquisitions (performance criterion CSGO), restructuring (performance criterion COO) and in control (performance criterion CFO);
4. sustainability (performance criterion for the CFO, CSGO and COO).

Eneco Group publishes the remuneration report, which contains further details on the remuneration of the members of the Management Board, on the governance page of its corporate website.

Assurance report

Assurance report of the independent auditor with respect to the Sustainability Information as included in the Annual Report 2019

To the shareholder of N.V. Eneco Beheer

We have reviewed the Sustainability Information as included in the Annual Report for the year 2019 of N.V. Eneco Beheer ("**Eneco**" or the "**Company**"), Rotterdam (the "**Sustainability Information**").

The Sustainability Information consist of the strategic key performance indicators regarding:

- customer satisfaction;
- recordable incident frequency;
- renewable sources;
- CO_2 reduction (One Planet);
- execution power;
- number of contracts; and
- charging services eMobility

as included in the chapters 'Value creation, 'Results: growth in delivery of energy, 'Results: growth in innovative services', 'Results: One Planet', 'Enthusiastic and knowledgeable employees', 'Safety, security and IT'

Responsibilities of the Board of Management

The Board of Management of the Company is responsible for the preparation of the Sustainability Information in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative ("**GRI**") and the internally applied supplemental reporting criteria as disclosed in the chapter 'Reporting Policy' in the annual report (**the "Reporting Criteria**"), including the identification of the stakeholders and the determination of material issues. The disclosures made by the Board of Management with respect to the scope of the Sustainability Information are included in the chapter 'Reporting Policy' and the chapter 'Topic-specific disclosures and management approach' in the Annexes 'GRI Content Index'.

Furthermore, the Board of Management is responsible for such internal control as it determines is necessary to enable the preparation of the Sustainability Information that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Information based on our review. We conducted our review in accordance with Dutch law, including the Dutch Standard 3810N "Assurance engagements relating to sustainability reports". This requires that we comply with ethical requirements and that we plan and perform the review to obtain limited assurance about whether the Sustainability Information is free from material misstatement.

A review is focused on obtaining limited assurance. The procedures performed in obtaining limited assurance are aimed at the plausibility of information which does not require the same exhaustive gathering of evidence as in engagements focused on reasonable assurance. The procedures performed consisted primarily of making inquiries of management and others within the entity, as appropriate, applying analytical procedures and evaluating the evidence obtained. Consequently, a review engagement provides less assurance than an audit.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Procedures performed

Our main procedures included the following:

- performing an external environment analysis and obtaining an understanding of the sector, relevant social themes and issues and the characteristics of the organization;
- evaluating the acceptability of the reporting policies and their consistent application, such as assessment of the outcomes of the stakeholder dialogue and the reasonableness of accounting estimates made by the Board of Management;
- obtaining an understanding of the reporting processes for the Sustainability Information, including obtaining a general understanding of internal control relevant to our review;
- Identifying areas in the Sustainability Information with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or error. Designing and performing further assurance procedures aimed at determining the plausibility of the Sustainability Information responsive to this risk analysis. These procedures consisted amongst others of:
  - interviewing management (and/or relevant staff) responsible for the sustainability strategy and policies at corporate and business unit level;
  - interviewing relevant staff responsible for providing the information in the Sustainability Information, carrying out internal control procedures on the data and the consolidation of the data in the Sustainability Information;
  - obtaining assurance information that the sustainability information reconciles with underlying records of the company;
  - reviewing internal and external documentation, including examination of information on a limited test basis, to determine whether the information in the Sustainability Information is reliable; and
  - performing an analytical review of the data and trend explanations submitted for consolidation at group level.
- reconciling the relevant financial information with the financial statements;
- evaluating the consistency of the sustainability information with the information in the Annual Report which is not included in the scope of our review;
- evaluating the presentation, structure and content of the sustainability information;
- considering whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

Conclusion

Based on our procedures performed, nothing has come to our attention that causes us to conclude that the Sustainability Information in all material respects, does not provide a reliable and appropriate presentation of the policy of N.V. Eneco Beheer for sustainable development, or of the activities, events and performance of the organization relating to sustainable development during 2019 in accordance with the Reporting Criteria.

Rotterdam, 3 March 2020

Deloitte Accountants B.V.

Was signed,

J.A. de Bruin

N.V. Eneco Beheer Financial Statements 2019

Consolidated financial statements 2019

Consolidated income statement

x € 1 million	Note	2019	2018
Revenues from energy sales and energy-related activities	3	4,271	4,100
Purchases of energy and energy-related activities		3,236	3,101
Gross margin		**1,035**	**999**
Other revenues	4	61	83
Gross margin and other operating revenues		**1,096**	**1,082**
Employee benefit expenses	5	260	264
Cost of contracted work and other external costs		382	389
Depreciation and impairment of property, plant and equipment	12	220	180
Amortisation and impairment of intangible assets	14	76	73
Other operating expenses		26	14
Operating expenses		**964**	**920**
Operating profit		132	162
Share of profit of associates and joint ventures	7	-	-9
Financial income	8	9	9
Financial expenses	9	-24	-32
Profit before income tax		**117**	**130**
Income tax	10	-37	6
Profit after income tax		**80**	**136**
Profit distribution			
Profit after income tax attributable to non-controlling interests		1	-
Profit after income tax attributable to shareholder of N.V. Eneco Beheer		79	136
Profit after income tax		**80**	**136**

Consolidated statement of comprehensive income

x € 1 million	Note	2019	2018
Profit after income tax		**80**	**136**
Unrealised gains and losses that will not be reclassified to profit or loss			
Remeasurement of defined-benefit pension plans		1	-1
Unrealised gains and losses that may be reclassified to profit or loss			
Exchange rate differences	31	13	-1
Unrealised gains and losses on cash flow hedges and hedge of net investment in foreign operations	31	-29	-13
Deferred tax liabilities on cash flow hedges and hedge of net investment in foreign operations	17 31	8	2
Share of unrealised profit of associates and joint ventures after tax	16 31	-7	-2
Total other comprehensive income		**-14**	**-15**
Total comprehensive income		66	121
Profit distribution			
Non-controlling interests		1	-
Shareholder of N.V. Eneco Beheer		65	121
Total comprehensive income		**66**	**121**

Consolidated balance sheet

x € 1 million	Note	At 31 December 2019	At 31 December 2018
Non-current assets			
Property, plant and equipment			
Owned assets	12	2,661	2,495
Right-of-use assets	13	212	-
Intangible assets	14	1,045	1,074
Associates and joint ventures	16	111	109
Deferred income tax assets	17	30	30
Financial assets			
- Derivative financial instruments	18	51	84
- Other financial assets	19	114	129
Total non-current assets		**4,224**	**3,921**
Current assets			
Assets held for sale	20	1	2
Intangible assets and inventories	14	158	178
Trade receivables	21	655	722
Current income tax assets		6	1
Other receivables	22	162	239
Derivative financial instruments	18	225	176
Cash and cash equivalents	23	537	504
Total current assets		**1,744**	**1,822**
TOTAL ASSETS		**5,968**	**5,743**
Equity			
Equity attributable to N.V. Eneco Beheer shareholder	24	2,932	2,936
Non-controlling interests	24	5	3
Total equity		**2,937**	**2,939**
Non-current liabilities			
Provisions for employee benefits	25	8	9
Other provisions	26	140	107
Deferred income tax liabilities	17	251	267
Derivative financial instruments	18	72	76
Lease liabilities	13	193	-
Interest-bearing debt	27	479	464
Other liabilities	28	148	142
Total non-current liabilities		**1,291**	**1,065**
Current liabilities			
Liabilities held for sale	20	1	3
Provisions for employee benefits	25	7	7
Other provisions	26	2	13
Derivative financial instruments	18	214	150
Lease liabilities	13	23	-
Interest-bearing debt	27	72	41
Current income tax liabilities		4	8
Trade creditors and other payables	28	1,417	1,517
Total current liabilities		**1,740**	**1,739**
TOTAL EQUITY AND LIABILITIES		**5,968**	**5,743**

Consolidated cash flow statement

x € 1 million	Note	2019	2018
Profit after income tax		**80**	**136**
Adjusted for:			
- Financial income and expense recognised in profit or loss	8.9	15	23
- Income tax recognised in profit or loss	10	37	-6
- Share of profit of associates and joint ventures		-	9
- Depreciation, amortisation and impairment	12, 13, 14	296	253
- Result from sale of tangible and intangible assets		5	1
- Movement in working capital	33	55	120
- Movements in provisions, derivative financial instruments and other		33	-19
Cash flow from business operations		**521**	**517**
Dividend received from associates and joint ventures		1	2
Interest paid		-20	-18
Interest received		8	10
Income tax paid / received		-56	-83
Cash flow from operating activities		**454**	**428**
Issued loans granted		-3	-6
Repayment of loans granted		-	201
Acquisition of subsidiaries (net, exclusively purchased cash)	15	-22	-288
Disposal of subsidiaries (net, exclusively sold cash)		7	48
Acquisition of joint operations, joint ventures and associates		-7	-12
Disposal of joint operations, joint ventures and associates		-	11
Investments in property, plant and equipment		-325	-229
Disposal of property, plant and equipment		5	5
Investments in intangible assets	14	-18	-19
Disposal of assets held for sale		-2	6
Cash flow from investing activities		**-365**	**-283**
Dividend payments		-68	-64
Payment of current lease liabilities		-25	-
Repayment of non-current interest-bearing debt	27	-47	-108
Non-current interest-bearing debt issued	27	82	66
Purchase/sale of non-controlling interests		1	-
Cash flow from financing activities		**-57**	**-106**
Movement in cash and cash equivalents		**32**	**39**
Balance of cash and cash equivalents at 1 January		504	465
Translation gains and losses on cash and cash equivalents of subsidiaries		1	-
Balance of cash and cash equivalents of disposed consolidated entities		-	-
Balance of cash and cash equivalents at 31 December		**537**	**504**

Consolidated statement of changes in equity

x € 1 million	Equity attributable to shareholder of N.V Eneco Beheer[1]						Non-controlling interests	Total equity
	Paid-up and called-up share capital	Translation reserve	Cash flow hedge reserve	Retained earnings	Undistributed profit	Total		
At 1 January 2018	**122**	**-6**	**10**	**2,613**	**127**	**2,866**	**3**	**2,869**
Adjustments to opening balance at 1 January	-	-	-	13	-	13	-	13
Adjusted opening balance at 1 January	**122**	**-6**	**10**	**2,626**	**127**	**2,879**	**3**	**2,882**
Profit after income tax 2018	-	-	-	-	136	136	-	136
Total other comprehensive income	-	-1	-13	-1	-	-15	-	-15
Total comprehensive income	**-**	**-1**	**-13**	**-1**	**136**	**121**	**-**	**121**
Profit appropriation 2017	-	-	-	127	-127	-	-	-
Dividend to shareholder of N.V. Eneco Beheer	-	-	-	-64	-	-64	-	-64
Total transactions with owners of the company	**-**	**-**	**-**	**63**	**-127**	**-64**	**-**	**-64**
At 31 December 2018	122	-7	-3	2,688	136	2,936	3	2,939
Profit after income tax	-	-	-	-	79	79	1	80
Total other comprehensive income	-	3	-18	1	-	-14	-	-14
Total comprehensive income	**-**	**3**	**-18**	**1**	**79**	**65**	**1**	**66**
Profit appropriation 2018	-	-	-	68	-68	-	-	-
Dividend to shareholder N.V. Eneco Beheer	-	-	-	-	-68	-68	-	-68
Changes in non-controlling interest in subsidiaries	-	-	-	-1	-	-1	1	-
Total transactions with owners of the company	**-**	**-**	**-**	**67**	**-136**	**-69**	**1**	**-68**
At 31 December 2019	122	-4	-21	2,756	79	2,932	5	2,937

1 See note 24 'Equity' for further information on equity.

Notes to the consolidated financial statements

All amounts in millions of euros unless stated otherwise.

1. Accounting principles for financial reporting

1.1 General information

N.V. Eneco Beheer ('the company') is a company incorporated under Dutch law, with its registered office in Rotterdam. It is the holding company of subsidiaries, interests in joint operations and joint ventures and associates (referred to jointly as 'Eneco' or the 'Group'). The company is registered at the Chamber of Commerce under number 67470041.

In line with its mission of 'everyone's sustainable energy', the Group is investing in making the supply chain more sustainable with the aim of keeping energy clean, available and affordable for customers into the future. The Group focuses on innovative energy services and products that allow customers to save energy or generate sustainable energy jointly or alone and feed it into the energy network. New services are being developed for this that form and shape the energy transition. These include the Toon® platform, innovative flexible services and services focusing on saving energy. In addition to the Netherlands, the Group operates in Belgium, Germany, Switzerland and the United Kingdom.

The Group's main strategic alliances are its investments and participating interests in onshore and offshore wind farms, solar farms and start-ups, and memberships of co-operatives. These are the joint investment with Mitsubishi Corporation in the Luchterduinen offshore wind farm and the Norther wind farm off the Belgian coast (which came on stream in May 2019) and investments with a number of others (Partners Group, Shell, Mitsubishi Corporation and Van Oord) in the Blauwwind (Borssele III & IV) offshore wind farm currently under development. Since 2018, Eneco has also participated in the SeaMade wind farm being developed off the Belgian coast. The Group is also a member of the Enecogen VOF power station partnership and has interests in Groene Energie Administratie B.V. (Greenchoice) and Next Kraftwerke GmbH, a German virtual power plant operator.

The consolidated financial statements have been prepared by the company's Management Board. The 2019 financial statements were signed by the Management Board during its meeting on 21 February 2020 and will be submitted for adoption by the General Meeting of Shareholders on 20 March 2020.

The company's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) in force at 31 December 2019, as adopted by the European Commission, and with the provisions of Part 9, Book 2 of the Dutch Civil Code. Where necessary, the accounting policies of joint operations, joint ventures and associates are brought into line with those of N.V. Eneco Beheer The consolidated financial statements have been prepared on a going-concern basis using the accrual basis of accounting.

The company income statement is presented in an abridged form pursuant to the provisions of Section 402, Part 9, Book 2 of the Dutch Civil Code.

1.2 New or amended IFRS standards

A new IFRS standard, a new IFRS interpretation and a number of changes to existing IFRS standards adopted by the European Commission have been in force since 1 January 2019 and have been applied by Eneco since that date where relevant.

- New standard: IFRS 16 'Leases'

General impact of applying IFRS 16
IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. This new standard replaces the existing regulations in IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases – Incentives' and SIC 27 'Evaluating the Substance of Transactions in the Legal Form of a Lease'.

Under this standard, no distinction is drawn between operating and finance leases for lessees and off-balance-sheet accounting is no longer permitted for operating leases. The right of use of an asset under an operating lease must be capitalised on the balance sheet while recognising a lease liability.

The distinction between operating and finance leases is maintained for lessors. The accounting policies for measurement and determining the result for lessor accounting have not changed in 2019 and are the same as those used for the 2018 financial statements.

On IFRS 16's introduction, Eneco made use of the practical expedient in the standard to recognise the accumulated effect of this in the opening balance sheet at 1 January 2019 and not to restate the comparative figures for 2018 (the 'modified retrospective approach').

As a result of the implementation of IFRS 16, lease assets and lease liabilities are recognised at present value in the balance sheet at 1 January 2019, being €220 million for 'Property, plant and equipment - right-of-use assets' and €225 million for 'Lease liabilities' (current and non-current liabilities). A further consequence of IFRS 16 is that the capitalised lease assets are depreciated over their remaining useful life, charged to the result through 'Depreciation and impairment of property, plant and equipment'. After initial recognition, the lease liabilities are reduced by the lease payments and interest is added. The interest charge from adding interest to the lease liabilities is recognised through the income statement in 'Financial expenses'.

Impact of the change in the definition of a lease
Eneco has made use of the practical expedient in IFRS 16 to not reassess whether existing contracts were or contained a lease by the criteria in IFRS 16 on the transition date of 1 January 2019. This means that contracts which were formerly classified as leases under IAS 17 and IFRIC 4 continue to be regarded as such under IFRS 16. Contracts that were not formerly classified as leases continue to be regarded as such from 1 January 2019. This also applies to existing energy purchase contracts up to the end of 2018 disclosed in note 29 'Contingent assets and liabilities' to the 2018 financial statements and to the extent they relate to specific production capacity (wind or solar farms).

New purchase or other contracts entered into from 1 January 2019 are assessed as to whether they are or contain a lease under the IFRS 16 criteria. The change in the definition of a lease under the new rules relates mainly to the concept of 'control'. IFRS 16 states that whether a contract is or contains a lease is determined by whether, as lessee, Eneco has acquired the right to control the use of a specifically defined asset for a period of time in exchange for consideration.

See note 1.4 'Implementation of IFRS 16 'Leases' on 1 January 2019' for more information.

- New Interpretation IFRIC 23 'Uncertainty over Income Tax Treatments'

This interpretation provides guidance on accounting for uncertainties in the income tax position in interim and annual financial statements. Eneco has to establish whether it considers uncertain tax positions independently or together. A taxpaying entity is required to use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.

Eneco has to consider whether it is probable (> 50%) that the relevant authority will accept each tax treatment, or group of tax treatments, that it ('the entity') used or plans to use in its income tax filing:

- If the entity concludes that it is probable that a particular tax treatment will be accepted, the entity has to account for the tax position consistently with the tax treatment included in its income tax filings.

- If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the 'most likely amount' or the 'expected value' of the tax treatment adopted to determine the tax position. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

It is inherent to Eneco's operations, which involve various taxpaying entities in several tax jurisdictions, that a number of uncertain tax positions have been incorporated in these financial statements. These positions are included in the figures in accordance with the above explanation, depending on whether in Eneco's opinion it is or is not probable that the tax authorities will accept the positions. The impact of these uncertain tax positions is not material to these financial statements so is not addressed further.

- Changes to other standards

Annual Improvements to IFRS Standards 2015-2017 Cycle

- IFRS 3 'Business Combinations': clarification of obtaining control of a business that is already a joint operation. The transaction is regarded as a business combination achieved in stages under which the previously held interest in that business is remeasured at fair value.

- IFRS 11' Joint Arrangements': clarification of obtaining joint control of a business that is already a joint operation. In this case the entity does not remeasure the previously held interest in that business.

- IAS 12 'Income Taxes': clarification of existing requirements for the treatment of the income tax consequences of dividends that currently apply to all income tax consequences of dividends and no longer to certain specific situations where, if applicable, there are different tax rates for distributed and undistributed profits.

- IAS 23 'Borrowing Costs': clarification of when a specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the general borrowings of an entity. Based on that, the percentage capitalisation rate is calculated as part of the costs of that asset (such as an item of property, plant and equipment).

Amendment of IAS 28 'Investments in Associates and Joint Ventures'

This standard has been amended to clarify that an entity applies IFRS 9 'Financial Instruments', including its impairment requirements, to long-term interests other than acquired equity instruments, for example loans granted by Eneco to an associate or joint venture. This only applies if those long-term interests form part of the net investment in the associate or joint venture. The equity method is used to measure the equity holding as part of this net investment. The measurement rules in IFRS 9 rather than those formerly in IAS 28 apply to these other long-term interests.

The amendments to existing IFRS standards set out below apply from the 2020 reporting period and have already been adopted by the European Commission.

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'

- The amendments are designed to make the definition of 'material' in IAS 1 more easily understood while not altering the underlying concept of 'materiality' in IFRS standards.

- The concept of 'obscuring' material information by immaterial information is included as part of the new definition.

- The threshold for materiality that influences users has been changed from 'could influence' to 'could reasonably be expected to influence'.

- The definition of 'material' in IAS 8 has been replaced by a reference to the definition of 'material' in IAS 1. To ensure consistency, the IASB has also amended other Standards and the Conceptual Framework for Financial Reporting where they contain a definition of 'material' or refer to the term 'material'.

- The definition has now been changed to "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

Changes in IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures' in respect of the 'Interest Rate Benchmark Reform' project (endorsed by the EU in January 2020)
The Group applies cash flow hedge accounting to hedge Euribor-based interest rate risks. Euribor will be replaced in the next few years by new interest rate benchmarks currently under development. The new benchmarks are not yet available for the Group's hedging relationships. Application of hedge accounting requires an economic relationship between the hedged risk and the hedging instrument (interest rate swap contracts based on Euribor) and the highly probable fluctuations in the cash flows as the hedged risk (interest payments based on Euribor). Given the economic relationship and high level of probability of cash flows changing as a result of the replacement of Euribor, it may no longer be possible to meet the requirements for hedge accounting under IFRS 9. IFRS facilitates transitional arrangements (temporary exemption) under which hedge accounting can continue during the transition to new interest rate benchmarks. These transitional arrangements are being applied until the uncertainty surrounding the new interest rate benchmark has disappeared or the hedging relationship is ended.

Other new IFRS standards, amendments to existing standards and/or new interpretations that will apply in later reporting periods and/or that have not yet been adopted by the European Commission and/or that are not relevant to the Group are not addressed further in these financial statements.

1.3 Principles of consolidation

The consolidated financial statements incorporate the financial statements of N.V. Eneco Beheer, its subsidiaries and the relevant proportion of the joint operations, non-consolidated joint ventures, associates and other capital interests.

Subsidiaries
A subsidiary is an entity where the company exercises control. This means that the company controls, directly or indirectly, that entity's financial and business operations with the purpose of

gaining economic benefits from the activities of that entity. Control is based on whether the investor (1) exercises control over the entity, (2) is exposed, or has rights, to variable returns from the investment in the entity and (3) has the ability to affect those returns through its control. In general, the company holds more than half the shares in its subsidiaries.

The financial statements of a subsidiary are recognised in the consolidated financial statements according to the full consolidation method from the date on which control is obtained until the date on which that control no longer exists. Potential voting rights which can be exercised immediately are also taken into account when determining whether control exists. Pursuant to the full consolidation method, 100% of the assets, liabilities, income and expenses from subsidiaries are recognised in the consolidated financial statements. Intercompany balance sheet positions, transactions and results on such transactions between subsidiaries are eliminated.

Non-controlling interests consist of the capital interests of minority shareholders in the fair value of the identifiable assets and liabilities when a subsidiary is acquired and the non-controlling interest in subsequent changes to the equity. Non-controlling interests in the equity and results of subsidiaries are disclosed separately.

Joint operations / Joint ventures
Joint operations and joint ventures are entities for alliances in respect of which there are contractual undertakings with one or more parties under which they have joint decisive control over that entity. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Only the Group's share of assets, liabilities, income and expenses of joint operations are consolidated, in accordance with the accounting policies of the Group. Joint ventures are recognised using the equity method in accordance with the accounting policies of the Group. Interests in joint operations and joint ventures are recognised from the date on which joint control is obtained until that joint control no longer exists.

Associates
An associate is an entity where there is significant influence over the financial and operating strategy, but not control. In general, 20% to 50% of the voting rights are held in an associate. The share in associates is recognised in the consolidated financial statements using the equity method, in which initial recognition is at the cost of acquisition of the interest in the associate. The carrying amount is then adjusted by the share in the result less dividends received. The cost of acquisition of an associate is the amount at which an associate was acquired by Eneco. If this is higher than the value of the net identifiable assets acquired, it may include goodwill. Associates are recognised from the date on which significant influence has been obtained until the date on which that influence no longer exists. Results on transactions with associates are eliminated in proportion to the interest in the associate. Impairment losses on associates are not eliminated.

Losses on associates are recognised up to the amount of the net investment in the associate, including both the carrying amount and any loans granted to the associate. A provision is only formed for the share in further losses if the Group has assumed liability for those losses.

Other capital interests
Other capital interests are investments in entities in which the Group has an interest but where neither control nor significant influence can be exercised. These interests are carried at fair value with movements recognised through profit or loss. If its fair value cannot be reliably measured, a capital interest is carried at the cost of acquisition. Dividends are recognised through the income statement when they fall due.

1.4 Implementation of IFRS 16 'Leases' on 1 January 2019

Restatement of the opening balance sheet as a result of the introduction of IFRS 16
On applying IFRS 16, the Group recognised liabilities in the balance sheet relating to leases that had previously been classified as operating leases by the criteria in IAS 17 and IFRIC 4. These liabilities, adjusted according to IFRS 16, have been measured in the 2019 opening balance sheet at the present value of the remaining lease payments discounted using Eneco's incremental borrowing rates for each class of asset. The weighted average incremental borrowing rates used when measuring the lease liabilities at 1 January 2019 and related to the various associated asset classes and currencies, range between 0.22% and 3.56%.

The Group has no leases as lessee that were formerly classified as finance leases under IAS 17.

	At 1 January 2019
Liabilities for operating leases at 31 December 2018 according to 2018 financial statements, nominal value	**291**
Short-term leases with costs taken directly to the result[1]	-1
Low-value leases with costs taken directly to the result	-2
Reassessed contracts, identifying non-lease components (e.g. service charges)	-3
Adjustments as a result of differing treatment of extension and termination options in the contracts (compared with the 2018 calculation)	1
Adjustments relating to variable lease payments and/or movements in the index or rate that could affect variable lease payments	-12
Adjustments as a result of the proportional method for joint operations	-15
Adjustments for other differences	4
Lease liabilities recognised in the balance sheet at 1 January 2019, at nominal value	**263**
Lease liabilities recognised in the balance sheet at 1 January 2019, discounted	**225**
Of which:	
- Current lease liabilities	22
- Non-current lease liabilities	203

1 There are two classes for this calculation: true short-term leases entered into for no more than 12 months and the residual amounts of longer term leases whose final portion expires in 2019.

An amount equal to the relevant lease liabilities was measured and recognised in the 2019 opening balance sheet for the right-of-use assets and adjusted for the sum of all prepaid or accrued lease payments relating to those leases as recognised in the balance sheet at 31 December 2018 and for lease incentives received. There were no onerous leases at the date of initial recognition that required an adjustment to the measurement of the right of use.

The right-of-use assets of €220 million recognised in the balance sheet at 1 January 2019 related to land and buildings (€212 million) and other assets (€8 million).

The change in the accounting policies on leases affected the following items in the opening balance sheet at 1 January 2019:

	At 1 January 2019
Property, plant and equipment – right-of-use lease assets	220
Deferred tax assets	-
Other non-current liabilities	5
Interest-bearing debts - lease liabilities	-225
Other current liabilities	-
Total impact	**-**

The net impact of the implementation of IFRS 16 on the Group's equity at 1 January 2019 was nil.

Change in presentation in the 2019 income statement as a result of the implementation of IFRS 16
The change in the accounting policies on leases have led to changes in measurement and presentation in the income statement compared with the application of the previous standard, IAS 17:

	2019	
	IFRS 16 (new)	Pro forma IAS 17 (previous)
Cost of contracted work and other external costs	2	28
Depreciation and impairment of property, plant and equipment	22	-
Financial expenses	4	-
Total lease costs	**28**	**28**

Impact of IFRS 16 on the consolidated cash flow statement
Following the implementation of IFRS 16, the presentation of lease payments in the consolidated cash flow statement is as follows:

- payments for short-term leases, low-value leases and variable payments not included in the measurement of lease liabilities are presented as part of the 'Cash flow from operating activities';
- payments for the interest portion of the lease liabilities are presented as part of the 'Cash flow from operating activities';
- payments for the nominal/principal portion of the lease liabilities are presented as part of the 'Cash flow from financing activities'.

Under IAS 17 all lease payments under the heading of operating leases were presented as part of the 'Cash flow from operating activities'.

Application of practical expedients under IFRS 16
The Group used the following practical expedients permitted by IFRS 16 when implementing this standard:

- contracts that were formerly classified as leases under IAS 17 and IFRIC 4 continue to be regarded as such under IFRS 16. Contracts that were not formerly classified as leases continue to be regarded as such from 1 January 2019;
- the use of a single discount rate for measuring a portfolio of leases for each asset class (e.g. land and buildings) allowing for the currency;
- the application of earlier assessments of whether leases are onerous;

- accounting for current or former operating leases with a remaining term of less than 12 months on 1 January 2019 as short-term leases;
- the exclusion of previously settled initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

See notes 2.7 'Property, plant and equipment - right-of-use assets and lease liabilities' , 2.8 'Leases – leasing property, plant and equipment' , 13 'Property, plant and equipment – right-of-use assets and lease liabilities', 29 ' Contingent assets and liabilities’ and 31.3 'Liquidity risk’ for more information.

2. Accounting policies

2.1 General

The principal accounting policies used when preparing the 2019 financial statements are summarised below.

The accounting policies used in these financial statements are consistent with those set out in the 2018 financial statements except for the effect of new and amended standards as set out in 1.2 'New or amended IFRS standards'.

Judgements, estimates and assumptions
In preparing the financial statements, management applied judgements, estimates and assumptions which affect the reported amounts and rights and obligations not disclosed in the balance sheet. The judgements, estimates and assumptions that have been applied are based on market information, knowledge, historical experience and other factors that can be deemed reasonable in the circumstances. Actual results could, however, differ from the estimates. Judgements, estimates and assumptions are reviewed on an on-going basis.

Judgements
The following notes disclose information used when forming judgements when applying the accounting principles for financial reporting that have a significant effect on the amounts recognised in the consolidated financial statements:

- note 2.2 'Revenues’ whether revenues under the items Energy supply and Energy-related activities are recognised over a period or at a specific time;
- note 3 'Revenues from energy sales and energy-related activities’: whether the Group acts as agent or principal; and
- the ‘Overview of the main subsidiaries, joint operations, joint ventures and associates’: the degree of control the Group has over an associate.

Estimates and assumptions
Changes in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision also affects future periods, the change is made prospectively in the relevant periods. Notes that disclose information on the principal estimates and assumptions involving a considerable risk of a material change to the carrying amount of assets and liabilities or impact on the results include:

- note 3 'Revenues from energy sales and energy-related activities': estimated consumption relating to energy deliveries as set out in 2.2 (accounting policies for revenues);
- note 12 'Property, plant and equipment – owned assets': the useful lives of property, plant and equipment;
- note 13 'Property, plant and equipment – right-of-use assets and lease liabilities': the useful lives of lease assets if different from the lease term and the potential exercise of renewal options in leases;
- note 14 'Intangible assets ': the useful lives of intangible assets and impairment and significant assumptions underlying realisable amounts when performing an impairment test;
- note 17 ' Deferred taxes': recognition of deferred tax assets and availability of future taxable profits against which transferrable tax losses can be used;
- note 21 'Trade receivables': the main assumptions for determining the provision for doubtful debts and impairment of contract assets using the expected credit losses method; and
- notes 25 'Provisions for employee benefits' and 26 ' Other provisions' (of which the decommissioning provisions are the greatest part): the main actuarial and other parameters and estimates of the level of the provisions.

Impairment of assets
There is evidence of an impairment when the carrying amount of an asset is higher than the recoverable amount. The recoverable amount of an asset is the higher of the sale price less costs to sell and the value in use. An asset's value in use is based on the present value of estimated future cash flows calculated using a pre-tax discount rate which reflects the time value of money and the specific risks of the asset. The recoverable amount of an asset which does not independently generate a cash flow and is dependent on the cash flows of other assets or groups of assets is determined for the cash-generating unit of which the asset is part.

A cash-generating unit is the smallest identifiable group of assets separately generating cash flows that are significantly independent of the cash flows from other assets or groups of assets. Cash-generating units are distinguished on the basis of the economic interrelationship between assets and the generation of external cash flows and not on the basis of separate legal entities.

Goodwill is allocated on initial recognition to one or more cash-generating units in line with the way in which the goodwill is assessed internally by the management. Impairment tests are performed each half year. If there is evidence of impairment, the recoverable amount of the relevant asset or cash-generating unit is determined. The recoverable amount of goodwill is determined each year.

If the carrying amount of assets allocated to a cash-generating unit is higher than the recoverable amount, the carrying amount is reduced to the recoverable amount. This impairment is recognised through the income statement. Impairment of a cash-generating unit is first deducted from the goodwill attributed to that unit (or group of units) and then deducted proportionately from the carrying amount of the other assets of that unit (or group of units).

Impairment may be reversed through the income statement if the reasons for it no longer exist or have changed. Impairment is only reversed up to the original carrying amount less regular depreciation. Impairment losses on goodwill are not reversed.

Foreign currencies
The euro (€) is the Group's functional currency and the currency in which the financial statements are presented. Transactions in foreign currencies are translated into euros at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on the reporting date are translated into euros at the exchange rate prevailing on the

reporting date. Foreign currency exchange differences that arise on translation are recognised through the income statement.

If the functional currency of a foreign subsidiary, joint operation, joint venture or associate is not the euro, foreign currency exchange differences arising from translation are recognised as translation differences in equity. The accumulated translation difference is recognised through the income statement when a foreign subsidiary, joint operation, joint venture or associate is sold. Translation differences on monetary items that are or were part of the net investment in such foreign operations are also accumulated in the translation reserve and released to profit or loss on sale of the foreign operation.

Netting off
Receivables and payables with a counterparty are netted off if there is a contractual right and the intention to settle net. In the absence of an intention or actual netted settlement, the existence of an asset or liability is determined for each contract.

2.2 Revenues

Performance obligations
Revenues are recognised on the basis of the expected consideration when the performance obligation for a good or service has been met. The consideration may consist of a fixed price with a variable price supplement for some types of product. Eneco only recognises the variable price when it is highly probable that the cumulative amount of the consideration will not be reversed in the future once uncertainty associated with the variable price is known. Contracts and any separate performance obligations within them are identified to determine the revenues. There is a separate performance obligation if a good or service has a stand-alone value for the end user and delivery is not to a large extent dependent on other components of the contract. Once established, the transaction price is allocated to performance obligations by reference to the price at which the good or service is sold to customers.

Amounts invoiced and collected for the company’s own risk (if Eneco acts as principal) are recognised as revenue. Amounts invoiced and collected for third parties (where Eneco is agent) are not recognised as revenue. The Group’ payment terms are generally 15-30 days, depending on the type of customer.

It is established whether each performance obligation is met over time or at a point in time. Eneco is applying the practical solution in IFRS 15 of ignoring possible financing components in advances and periodic fees from customers if these are not significant according to assessments at portfolio level.

Performance obligations that have been or are still to be performed and settled in the preceding or subsequent period create contract assets or contract liabilities respectively. A contract asset from revenues is a conditional right to compensation for the Group in exchange for goods or services to the customer. Once the goods or services have been transferred to the customer and the Group has no further risk in the transaction, this asset is presented as a receivable (debtor or ‘amount to be billed’). These receivables do not form part of the contract assets.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has or will receive compensation. Amounts to be settled under advances paid for energy are part of other liabilities and do not form part of the contract liabilities.

Energy supply
Revenues from the sale of energy to end-users are recognised over the period in which energy is supplied to a customer. If the Group pays sums to the customer during or at the end of the term of the contract, they are deducted from revenue during the term of the contract.

Sales to large-volume consumers are billed monthly based on meter readings. Billing for sales to retail consumers is also based on actual meter readings or readings taken throughout the year. Part of the amount of energy supplied to retail consumers during the reporting period and the resulting revenues is, therefore, estimated from historical consumption figures, standard customer profiles, weather conditions and applicable energy tariffs. Historical information on meter readings shows that the data used is sufficiently reliable to estimate usage at the reporting date.

A difference between the instalments billed and the actual amount of energy delivered to retail consumers is recognised as amounts still to be billed or amounts to be settled at the end of the reporting period. Contributions by heating customers for connection charges are recognised as contract liabilities and are recognised through profit or loss on a straight-line basis over the estimated useful life.

Revenues for energy delivered under ongoing energy contracts correspond directly with the amount consumed by the customer. Eneco is applying the practical solution in IFRS 15 of not disclosing the price of future performance obligations and only recognises delivery obligations in line with 'Contingent assets and liabilities' (see note 29).

Energy-related activities
Revenues from the construction, maintenance and leasing of energy installations and equipment, the sale of solar panels and rental of smart thermostats are recognised as revenues from energy-related activities. Revenue from installing equipment and sales of solar panels and smart thermostats is recognised when control of the good passes to the customer. Revenue from other energy-related activities is recognised over the period of supply.

Government grants
Government grants are recognised when it is reasonably certain that the conditions related to receiving the grants have been or will be met and that the grants have been or will be forthcoming. Grants related to income as a contribution to costs are recognised as revenues in the period in which those costs are incurred.

2.3 Purchase cost of energy

Purchases of energy comprise directly attributable costs for the sale of energy to end-users. The purchase cost of energy and commodities contracts entered into with the intention of actually acquiring energy ('own use') is recognised in the same period as that in which the sales revenue is realised.

Additional costs incurred to win contracts are capitalised as prepaid expenses and amortised over the term of the contract provided that they will be recovered. Depending on the sales channel, the amortisation charge is presented under 'Purchases of energy' or 'Cost of contracted work and other external costs'. These acquisition costs for contracts with a term of one year or less are charged directly to the result.

2.4 Financial income and expenses

Financial income and expenses comprise interest income from outstanding investments, dividend revenues from other capital interests, interest charges on borrowings, interest charges arising from the periodic addition of interest to provisions and lease liabilities, foreign exchange rate gains and losses and gains and losses on financial hedging instruments recognised through the income statement. Interest income and expenses are recognised using the effective interest method. Dividend revenues from other capital interests are recognised when they fall due.

2.5 Income taxes

Income taxes comprise current taxes and movements in deferred taxes. These amounts are recognised through the income statement unless they concern items that are recognised directly through equity.

Current tax is the likely amount of income taxes payable or recoverable in respect of the taxable profit or loss for the year under review and is calculated on the basis of applicable tax legislation and rates.

Income taxes comprise all taxes based on taxable profits and losses, including taxes which subsidiaries, associates or joint ventures must pay on distributions to the Group.

Additional income taxes on the result before dividend distributions are recognised at the same time as the obligation to distribute that dividend is recognised.

2.6 Property, plant and equipment - owned assets

Property, plant and equipment is recognised at cost less accumulated depreciation and impairment. Cost comprises the initial acquisition price plus all directly attributable costs. Cost of assets constructed by the company comprises the cost of materials and services, direct labour and other directly attributable costs. Contributions towards cost from third parties and government grants are deducted from the cost, provided they are not contributions from customers. Cost includes an estimate of the present value of the cost of dismantling, demolishing and removing the item when it ceases to be used and of restoring the site on which it is located, if there is a legal or constructive obligation to do so

Financing costs (interest) directly attributable to the purchase, construction or production of an eligible asset are recognised in cost. If an asset comprises multiple significant components with differing useful lives, these components are recognised separately.

Government grants
Government grants are recognised when it is reasonably certain that the conditions related to receiving the grants have been or will be met and that the grants have been or will be forthcoming. Grants contributing to the cost of an asset are deducted from the asset's cost and reflected in the depreciation throughout the useful life of the asset.

Expenditure incurred subsequent to initial recognition
Expenses incurred at a later date are only added to the carrying amount of an asset if and to the extent that the condition of the asset is improved compared to the originally formulated performance standards. Repair and maintenance are recognised through the income statement in the period in which the costs are incurred.

Depreciation
The depreciation charge for each period is recognised through the income statement using the straight-line method based on estimated useful life, taking into account the estimated residual value. Useful lives and residual values are reassessed annually and any changes are recognised prospectively. Land, sites and assets under construction are not depreciated.

The following useful lives are applied:

Category	Useful life in years
Buildings	25 - 50
Machinery and equipment	10 - 50
Other operating assets	3 - 25

2.7 Property, plant and equipment - right-of-use assets and lease liabilities

General
From 1 January 2019, leases are recognised in the balance sheet as a right-of-use asset with a corresponding lease liability on the date on which the lease asset becomes available for use at Eneco. The assessment of whether a contract is or contains a lease is carried out at the start of that contract. If payments include non-lease components (such as maintenance or service charges), these are not recognised in the balance sheet but are charged to the result over the period to which the performance relates.

Low-value leases for assets with a value of less than USD 5,000 (€5,000 is used for practical reasons) or with a lease term of less than 12 months are exempt from capitalisation under IFRS 16 and the Group has made use of this exemption.

Measurement of lease liabilities
Liabilities arising from a lease are initially recognised using the present value of the following types of lease payment:

- fixed payments (including payments that appear to be variable but which by their nature are fixed) less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if it is reasonably certain that the option will be exercised;
- the lease payments resulting from a renewal option if it is reasonably certain that the option will be exercised; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

A lease liability is initially discounted using the rate of interest implicit in the lease. If that rate cannot be readily determined, the incremental borrowing rate of the relevant class of asset is used. This is the rate of interest that Eneco would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment and on similar terms.

Interest is then added to the lease liability using the rate of interest implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is decreased by lease payments and increased by the addition of interest. The interest charge from adding interest to the lease liabilities is recognised through the income statement in 'Financial expenses'. These financing charges are charged to the result over the lease period in a way that produces a constant periodic rate of interest on the remaining balance of the lease liability.

Eneco reassesses a lease and remeasures the lease liability and associated right-of-use asset if:

- the lease term is changed or there is a change in the assessment of exercising a purchase option;
- there is a change in future fixed or variable lease payments resulting from a change in an index or a rate used to determine those payments, or a change in the amount expected to be payable under the residual value guarantee; and
- a lease is modified and the modification of the lease is not accounted for as a separate lease.

Measurement of right-of-use assets
Right-of-use assets are initially recognised at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- restoration (dismantling) costs if required by lease.

The right-of-use asset is subsequently depreciated and charged to the result on a straight-line basis over the shorter of the useful life and the lease period of the asset.

Under IFRS 16, the right-of-use assets are assessed for impairment in accordance with IAS 36 'Impairment of Assets'. Consequently, the requirement in the previous standard, IAS 17, to form a provision for an onerous contract lapses.

Amounts not included in the measurement of lease liabilities
These are the following amounts:

- payments related to short-term leases and low-value leases are charged to the income statement in line item 'Cost of contracted work and other external costs'. Short-term leases are those with a lease term of 12 months or less and low-value lease assets are mainly ICT equipment and small items of office furniture; and
- variable lease payments that do not depend on an index or a rate.

These payments are recognised in the period in which an event or condition occurs and are charged to the income statement in line item 'Cost of contracted work and other external costs'.

Key accounting policies for measurement and determining the result under IAS 17 'Leases'
Prior to the 2019 reporting period, all contracts suspected to contain a lease, were first assessed by the criteria in IFRIC 4 'Determining whether an Arrangement contains a Lease'. All such contracts containing leases of property, plant and equipment were then classified as operating leases; the Group had no finance leases as lessee. Payments made under operating leases (after deduction of any incentives received from the lessor) were charged to the result over the lease period (largely as 'Cost of contracted work and other external costs' in the income statement).

2.8 Leases – leasing property, plant and equipment

A lease where Eneco, as lessor, has in fact all the benefits and risks of ownership is designated as an operating lease; otherwise, such agreements are recognised as finance leases. This accounting policy has not changed because of the implementation of IFRS 16 from 1 January 2019.

Property, plant and equipment made available to third parties by means of an operating lease is recognised in accordance with the accounting policies for property, plant and equipment. Lease income is recognised in the income statement on a straight-line basis over the lease term unless a different allocation is more in line with the pattern of the revenues obtained from the leased asset. Any charges, for example for service and repairs, included in the lease instalments are recognised in accordance with the criteria for providing services.

Property, plant and equipment made available to third parties by means of a finance lease is recognised as a receivable for the net investment in the assets. Lease instalments are then broken down into interest and repayment components based on a constant periodic rate of interest. The interest component is recognised through the income statement in the relevant period. The repayment component is deducted from the lease obligation.

2.9 Goodwill

The acquisition price of a subsidiary, joint operation, joint venture or associate is equal to the amount paid to purchase the interest. If the acquisition price is higher than the share in the fair value at the date of acquisition of the identifiable assets, liabilities and contingent liabilities, the excess is recognised as goodwill. Any shortfall is recognised as a gain (bargain purchase) through the income statement.

Goodwill is measured at cost less impairment. Goodwill is allocated to one or more cash-generating units. Goodwill is tested for impairment annually.

Goodwill purchased on acquisition of subsidiaries and joint operations is recognised in the balance sheet in intangible assets. Goodwill paid to acquire an interest in a joint venture or associate is included in the cost of acquisition.

2.10 Other intangible assets

Other intangible assets comprise customer databases acquired with acquisitions, software and licences, concessions, permits, trade names, other rights and development costs. The related costs are capitalised if it is probable that these assets will have an economic benefit and their costs can be reliably measured. Other intangible assets are recognised at cost less accumulated amortisation and impairment.

Customer databases
A customer database obtained from an acquiree is initially recognised at fair value, including purchased capitalised contract acquisition costs. This value is determined on the date of acquisition on the basis of the most recent comparable transactions if the economic conditions are comparable or, if they are not, the fair value is determined from the present value of the estimated future net cash flow from this asset.

Software
Software is capitalised at cost. Cost of standard and customised software comprises the one-time costs of licences plus the costs of making the software ready for use. All costs attributable to software which qualifies as an intangible asset are recognised at cost. Costs of software maintenance are recognised as an expense in the period in which they are incurred.

Trade names
If, for commercial reasons, the Group decides to retain the trade name of a party acquired as part of a business combination, it is recognised initially at fair value, determined using the ‘relief from royalty method’ on the acquisition date.

Development costs
Development costs are the costs of applying knowledge acquired through research by the company or a third party for a plan or design for the manufacture or application of improved materials, products, processes, systems or services, prior to the commencement of commercial manufacture or use. Development costs are only capitalised if they can be regarded as intangible assets. If this is not the case, they are recognised as an expense in the period in which they are incurred. Research costs are the costs of research aimed at the acquisition of new scientific or technical knowledge and understanding and are recognised through the income statement in the period in which they are incurred.

Amortisation
Amortisation is recognised as an expense on the basis of the estimated useful life from the time that the relevant asset is taken into use. Other intangible assets are amortised using the straight-line method. The residual value of these assets is nil.

The following useful lives are applied:

Category	Useful life in years
Customer databases	6 - 20
Licences	3 - 30
Software	3 - 5
Brands	20
Concessions, permits and rights	3 - 30
Development costs	5 - 15

2.11 Emission rights

Emission rights are categorised on initial recognition either as rights intended for the company's own use or as rights destined to be traded.

Emission rights held for periodic redeeming to the government for actual CO_2 emissions (company's own use) are recognised as intangible assets and measured at cost. Rights of a current nature are presented as intangible assets. A provision, also carried at cost, is formed for this redemption obligation. If a shortfall in the quantity required for redeeming is expected, an addition, charged through the income statement, is made to this provision for the lower of the market value of that shortfall or the penalty expected to be due for that shortfall.

Emission rights held for trading purposes are recognised as derivative financial instruments. The profit or loss arising from revaluing these rights to fair value is recognised directly through the income statement as Other revenues.

2.12 Deferred taxes

Deferred taxes are calculated using the balance sheet method for the relevant differences between the carrying amount and taxable value of assets and liabilities. Deferred taxes are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on applicable tax rates and tax laws. Deferred taxes are recognised at face value.

Deferred tax assets are recognised for temporary differences available for relief, tax losses carried forward and the settlement of unused tax credits. This is only permitted if and to the extent it is probable that future taxable profit will become available, so enabling an offset of unrelieved tax losses and unused taxed credits.

Deferred tax assets for all temporary differences available for relief relating to investments in subsidiaries, joint operations and interests in associates and joint ventures are only recognised if is probable that the temporary difference will be settled in the near future and that future taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences arising from investments in subsidiaries, joint operations and interests in associates and joint ventures, unless the Group can determine the time at which the temporary difference will be settled and it is probable that the temporary difference will not be settled in the near future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off tax assets against tax liabilities and where the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same fiscal unity.

2.13 Derivative financial instruments

There is exposure to risks in operational and financing activities arising from developments in market prices of energy commodities (electricity, gas, oil, etc.), foreign currencies, interest rates and emission rights. Derivative financial instruments such as futures and swap contracts are used to manage these risks. In the case of commodity contracts, the instruments are categorised as for own use or hedging when the transaction is entered into.

Measurement and recognition
Derivative financial instruments are measured at fair value. Movements in the fair value of derivative financial instruments are recognised directly through the income statement, unless the derivative financial instruments are for own use or risk hedging. Fair value of derivative and other financial instruments depends on their level in the fair value hierarchy:

Level 1
The fair value of financial instruments in level 1 is based on using unadjusted quoted prices in active markets for identical instruments.

Level 2
The fair value of financial instruments in level 2 is based on market prices or pricing statements and other available information. Where possible, the measurement method uses observable market prices. Level 2 energy commodity contracts are measured using market prices or pricing statements for periods in which an active market exists for the underlying commodities such as electricity, gas (title transfer facility), oil-related prices and emission rights. Other contracts are measured by agreement with the counterparty, using observable interest rate and foreign currency forward curves.

Level 3
The fair value of financial instruments in level 3 is based on calculations involving significant inputs that are not based on observable market data.

Presentation in the balance sheet
Derivative financial instruments with a positive value are recognised as current (settlement within one year) or non-current (settlement after one year) assets. Instruments with a negative value are recognised as current or non-current liabilities. Assets and liabilities with each counterparty are netted off if there is a contractual right and the intention to settle the contracts net.

Own use
Contracts are classified for own use if they are settled by physical delivery or receipt of energy commodities or emission rights in line with the company's needs. Transactions based upon these contracts are recognised through the income statement in the period in which delivery or receipt takes place (accrual accounting).

Cash flow hedge accounting
Contracts are classified as hedging instruments if the risk of fluctuations in current or future cash flows which could affect the result is hedged. If the hedge can be attributed to a particular risk or to the full movement in the transaction (energy contracts) associated with an asset, liability or highly probable forecast transaction, the attributed derivative financial instruments are recognised as hedging instruments.

If the conditions for hedge accounting are met, the effective portion of the changes to the fair value of the derivative financial instruments concerned are recognised directly in the equity through the cash flow hedge reserve. The ineffective portion is recognised through the income statement.

Amounts recognised through equity are recognised through the income statement when the hedged asset or liability is settled. When a hedging instrument expires, is sold, terminated or exercised, or when the conditions for hedge accounting are no longer met, although the underlying future transaction has yet to take place, the accumulated result remains in equity (in the cash flow hedge reserve) until the forecast future transaction has taken place. If the forecast future transaction is no longer likely to take place, the cumulative result is transferred directly from equity to the result.

Hedges of net investment in a foreign operation
Net investment hedge accounting is applied to mitigate translation differences on foreign non-euro operations. Application of this type of hedge accounting means that foreign currency exchange differences arising from translation of foreign operations and those on financial instruments (such as loans or currency futures contracts) allocated to them are recognised through the translation reserve (taking into account deferred tax) until the end of the hedging relationship or earlier termination.

2.14 Other financial assets

Other financial assets are mainly long-term items with a term of more than one year, such as loans, receivables and prepayments due from associates, joint ventures or third parties. Long-term receivables, loans and prepayments are recognised at fair value and subsequently measured at amortised cost using the effective interest method. To the extent necessary, other receivables and loans are impaired using the expected credit losses method in IFRS 9. See note 2.17 'Trade and other receivables' for more information on this method.

2.15 Assets and liabilities held for sale

Assets (and liabilities of an asset group) held for sale and discontinued operations are classified as held for sale when the carrying amount will be recovered through a sale transaction rather than through continuing use. The classification is only made if it is highly probable that the asset group or operations are available for immediate sale in their present condition and the sale is expected to be completed within one year. If activities to be disposed are classified as discontinued operations (e.g. significant business units), their results and the comparative figures in the income statement are presented on the discontinued operations line. Where necessary, eliminations for consolidation are made.

Assets and asset groups held for sale are measured at the lower of the carrying amount preceding classification as held for sale and fair value less costs to sell.

2.16 Inventories

Inventories are recognised at the lower of weighted average cost and net recoverable amount. Cost of inventories is the purchase price including directly attributable costs incurred to bring the inventories to their current location and state. Net recoverable amount is the estimated sales price in the ordinary course of business less forecast costs of sale. Impairment of inventories is recognised through the income statement if the carrying amount exceeds the net recoverable amount.

2.17 Trade and other receivables

Trade and other receivables are receivables with a term of less than one year. Performance delivered by Eneco at the reporting date but not yet billed to the customer, including amounts that have still to be billed on the reporting date in addition to the advances already billed are recognised as 'Amounts to be billed'. Receivables are recognised at fair value and subsequently measured at amortised cost less impairment losses using the expected credit losses method in IFRS 9.

Impairment of trade receivables is determined over the full lifetime of the asset ('lifetime expected credit losses method' in IFRS 9). This is done for trade receivables using a provision matrix based on historical figures for losses on each category/type of debtor, adjusted for non-recurring past effects, that reflects relevant information on current circumstances and offers a reasonably reliable forecast and the implications for the expected losses. This measurement is made for other receivables (current and non-current) using the 12-month expected credit losses method.

Trade receivables are written off when there is no reasonable expectation of receiving full or partial payment of the receivable or amount still to be billed.

Impairment of trade receivables is presented as 'Other operating expenses' in the operating profit. Later reversals of amounts written off are credited to the same line in the income statement.

Receivables with a term of less than one year are not measured at present value on initial recognition. In view of their short-term nature, the carrying amount of trade and other receivables at the reporting date is equal to their fair value.

2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and deposits with a maturity of approximately three months or that can be called within approximately three months.

2.19 Provisions for employee benefits

Defined-contribution pensions
Pension liabilities of almost all Dutch business units have been placed with the industry-wide pension funds: Stichting Pensioenfonds ABP (ABP) and the Stichting Pensioenfonds Metaal en Techniek (PMT). There is a state pension plan for employees in Germany; contributions are collected with the social security charges on the employee's salary. A limited number of employees have individual plans insured with various insurance companies.

In the event of future shortfalls, the pension funds may only adjust future contributions and only within a limited range. Under IFRS, the ABP and PMT plans are classified as multi-employer defined-contribution plans. A defined-contribution plan is a plan in which a fixed contribution is paid for the benefit of an employee without any further claim by or liability to that employee. Liabilities in respect of contributions to pension and related plans on the basis of available contributions are recognised as an expense in the income statement in the period to which they relate.

The amount of the pension in the Netherlands depends on age, salary and years of service. Employees may opt to retire earlier or (with the Group's agreement) later than the state retirement age, in which case their pension is adjusted accordingly. At ABP this is between 60 and the state retirement age plus 5 years and at PMT between 5 years before and 5 years after the state retirement age.

Defined-benefit plans
Defined-benefit plans are obligations to pay out future pension entitlements. The defined-benefit entitlements depend on age, years of service and salary. The liabilities under defined-benefit plans are calculated actuarially for each plan separately. This applies mainly for the pensions plans in Belgium, which are classified as defined-benefit plans since the employer has issued a certain guarantee on returns.

Liabilities for defined-benefit plans are based on the actuarial present value of the liability determined using the projected unit credit method that is based on a straight-line accrual of rights using projected salaries and takes into account aspects such as future salary increases and inflation. The net liabilities are determined as the net amount of the actuarial present value of the liabilities and the fair value of the fund assets according to actuarial reports. Service charges and net interest are included in employee benefits. Gains and losses on settlement of a defined-benefit plan are taken and recognised in the result at the time of settlement. Actuarial gains and losses on the revaluation of a net pension liability are recognised in the statement of comprehensive income.

Other provisions for employee benefits

A provision is recognised for the obligation to pay out amounts related to long-service benefits and on the retirement of employees. A provision is also recognised for the obligation to contribute towards the health insurance premiums of retired employees, salary payments in the event of illness and the employer's risk under the Unemployment Act. Where appropriate, these liabilities are calculated actuarially at the reporting date using the projected unit credit method, using a pre-tax discount rate which reflects the current market assessment of the time value of money.

2.20 Other provisions

A provision is recognised when, due to a past event, there is a present legal or constructive obligation that is of an uncertain size or that will occur at an uncertain future date, and where its settlement will probably lead to outgoings of an economic nature.

Provisions that will be settled within one year of the reporting date, or that are of limited material significance, are recognised at face value. Other provisions are recognised at the present value of the expected expenditure. The specific risks inherent to the relevant obligation are taken into account when determining this expenditure. The present value is calculated using a pre-tax discount rate which reflects the current market valuation of the time value of money. The determination of the expected expenditure is based on detailed plans in order to limit the uncertainty regarding the amount.

Decommissioning

A provision is recognised that equals the present value of the expected costs where there is an obligation to dismantle, demolish or remove an item of property, plant or equipment when it ceases to be used. No decommissioning provision is formed if there is only a remote likelihood of an outflow of resources under the obligation. The initial recognition of the decommissioning provision for an asset is included in the cost of that asset. If a subsequent assessment shows that the present value of the estimated decommissioning and restoration costs differs considerably from the provision, the difference is settled as an addition or release against the cost of the asset concerned. The adjusted cost is then depreciated over the remaining useful life of that asset. Interest is added regularly to the decommissioning provision.

Onerous contracts

A provision for onerous contracts is recognised when it is probable that the unavoidable costs of meeting the contractual obligations exceed the economic benefits to be derived from the contract.

Restructuring

A restructuring provision is recognised if a formal plan for the restructuring has been approved and its main features have been announced to those affected by it and there is a valid expectation that the restructuring will be carried out. A restructuring provision only includes the expenditures necessarily entailed by the restructuring and not those relating to continuing activities.

2.21 Interest-bearing debt

On initial recognition, interest-bearing debt is carried at fair value of the consideration received less the directly attributable transaction costs (including any premium/discount). Subsequent to initial recognition, interest-bearing debt is recognised at amortised cost using the effective interest method.

2.22 Trade creditors and other payables

Trade creditors and other payables are recognised at fair value and subsequently at amortised cost. Payables with a term of less than one year are not discounted on initial recognition. In view of their short-term nature, the carrying amount of trade and other payables at the reporting date is equal to their fair value.

Contributions received from district heating customers for connection costs are part of the contract liabilities.

Notes to the consolidated income statement

All amounts in millions of euros unless stated otherwise.

3. Revenues from energy sales and energy-related activities

The tables below show revenues from energy sales and energy-related activities broken down by type of product and geographical market.

	2019	2018
Electricity	2,457	2,347
Gas	1,430	1,398
District heat	298	279
Energy-related activities	86	76
Total	**4,271**	**4,100**

Electricity revenue in 2019 included €115 million (2018: €95 million) of government grants. See note 11 'Government grants' for more information.

Each year, the Group settles prior year revenues with its customers. In 2019, revenue of €26 million that related to earlier years of supply was recognised (2018: €30 million), €11 million of which has been recognised in 'Other revenues'.

	2019	2018
Netherlands	2,893	2,615
Belgium	627	717
Germany	669	686
United Kingdom	82	75
Other	-	7
Total	**4,271**	**4,100**

Revenue for 2019 included transmission charges of some €256 million (2018: €261 million) invoiced on behalf of grid operators and some €210 million (2018: €220 million) of environmental and other levies and taxes, both from operations in Germany as, under local regulations, Eneco is acting as principal for these items.

4. Other revenues

Other revenues are mainly proceeds from recharges of costs, sales of CO_2 rights, release of contributions to connection charges and income from the disposal of interests in subsidiaries and joint operations.

5. Employee benefits

	2019	2018
Wages and salaries	199	178
Social security contributions	23	25
Pension contributions	18	18
Other employee benefits	20	43
Total	**260**	**264**

Total employee benefits were €281 million (2018: €281 million). €13 million (2018: €8 million) of employee benefits have been capitalised. As their nature is directly related to revenue, employee benefits of €8 million (2018: €9 million) have been recognised as part of Purchases of energy and energy-related activities. Wages and salaries include €25 million of employee benefits related to the transaction for the sale of Eneco. This bonus scheme does not apply to the members of the Management Board and Supervisory Board.

Headcount

The table below shows average headcount during the year expressed in full-time equivalents (FTE):

	2019	2018
Average		
FTEs employed	2,775	2,990
of whom, working outside the Netherlands	766	726
At 31 December		
FTEs employed	2,802	2,873

6. Remuneration of the Management Board

The remuneration policy for the Management Board as proposed by the Supervisory Board was approved at the General Meeting of Shareholders of the then Eneco Holding N.V. on 20 May 2005 and applies unchanged to the Group.[2] The remuneration of the Management Board is set by the Supervisory Board on the recommendation of the Remuneration, Selection and Appointments Committee. The Remuneration Report for 2019 is published on the Eneco website.

The remuneration of the members of the Management Board other than Mr Sondag consists of a fixed salary and a variable salary. Mr Sondag receives a fixed salary only. On-target variable salary amounts to 20% of the total salary including the holiday allowance. In 2019 the variable remuneration of the members of the Management Board was again dependent on performance criteria. The main criteria for the variable salary are largely in line with the strategic themes and are:

- Financial results (EBITDA);
- Successful privatisation process;
- Sustainability objective;
- Strategy, growth and acquisitions (performance criterion for the CSGO), restructuring (performance criterion for the COO) and in control (performance criterion for the CFO).

2 Members of the Management Board and Supervisory Board are regarded as key management personnel pursuant to IAS 24 ‘Related Party Disclosures’.

The pension entitlements of the members of the Management Board come under Eneco's standard pension plan. Since 1 January 2015, tax facilities for accrual of pension entitlements have been limited to an indexed maximum gross annual salary of €107,593 (2019). As a result, the contribution to pensions for the part of the gross salary over €107,593 (2019) has taken a different form and is presented in the Other column.

The current employment contracts with the members of the Management Board other than Mr Sondag are for an unlimited time with a period of notice for the company (N.V. Eneco Beheer) of four months. The members of the Management Board have been appointed for a period of four years. Messrs Rameau, Dubbeld and Van de Noort are entitled to a payment of 12 months salary if dismissed by the company.

Mr Sondag's employment contract has been entered into for four years with a period of notice for the company (N.V. Eneco Beheer) of six months. As Mr Sondag will, at his own request, be leaving the company when Eneco's shares are transferred, he would be entitled to severance pay[2]. He has, however, independently waived that entitlement. Following the transfer of the shares, Mr Sondag will serve as a senior adviser to the company for a period of six years for a fee of €100 thousand per calendar year.

Total remuneration was as follows:

Remuneration of the Management Board

x € 1.000	Gross salary	Variable remuneration	Pension contributions	Other	Total 2019
L.M. Sondag	558	N/A	32	60	650
C.J. Rameau	395	85	28	40	548
G.A.J. Dubbeld	395	100	28	40	563
F.C.W. van de Noort	332	78	25	30	465
Total	**1,680**	**263**	**113**	**170**	**2,226**

x € 1.000	Gross salary	Variable remuneration	Pension contributions	Other	Total 2018
L.M. Sondag	336	N/A	20	36	392
C.J. Rameau	395	85	27	41	548
G.A.J. Dubbeld	395	67	27	41	530
F.C.W. van de Noort	321	80	24	29	454
J.F. de Haas[1]	1,608	N/A	21	40	1,669
Total	**3,055**	**232**	**119**	**187**	**3,593**

1 Mr de Haas was in office until 1 September 2018 and so the figures refer to the period until that date. This amount is including of the arrangements relating the redundancy scheme (€1,221 thousand). In accordance with the agreements to that effect, an amount of € 30 thousand was paid for activities carried out in 2018.

7. Share of profit of associates and joint ventures

The associates and joint ventures are included in the List of principal subsidiaries, joint operations, joint ventures and associates in these financial statements.

2 The value of the payment is fixed at one-and-a-half times the most recent actual annual salary earned plus holiday allowance, subject to a maximum of the value of the salary plus the holiday allowance in the period between the termination date and the date when the contract of employment would have ended by operation of law.

	2019	2018
Share in net profit	9	-4
Result on disposal	-	-
Impairment	-9	-5
Total	**-**	**-9**

8. Financial income

Financial income was mainly interest income on a loan to a joint venture relating to the financing of off-shore wind farms.

9. Financial expenses

	2019	2018
Interest expenses	16	25
Interest added to provisions	2	2
Other	6	5
Total	**24**	**32**

See note 27 'Interest-bearing debt' for the average interest rate on the debt.

10. Income tax on the result

N.V. Eneco Beheer heads a fiscal unity for corporate tax purposes which includes almost all of its Dutch subsidiaries. The table below shows the tax on the result:

	2019	2018
Current tax expense	52	47
Movements in deferred taxes	-15	-53
Income tax	**37**	**-6**

In December 2018, the Dutch Senate passed legislation on a gradual reduction of corporate income tax rates from 25% in 2018 to 20.5% in 2021. However, on Budget Day 2019 the Dutch Government presented its 2020 Tax Plan which proposed delaying the reduction in the corporate income tax rate from 2020 to 2021, at which time the rate will be cut to 21.7% (rather than 20.5% as decided in 2018). The Senate agreed to this on 17 December 2019. Eneco has incorporated the effect of this in the measurement of its deferred tax assets and liabilities to the extent that they relate to entities subject to Dutch corporate income tax (in accordance with the provisions of IAS 12 'Income Taxes'). This delayed tax cut in the Netherlands has led to a net increase of €8 million in deferred tax assets and liabilities. This has been recognised in the result for 2019 and shown as 'Movements in deferred taxes' in the table and as part of 'Income tax' in the consolidated income statement.

The decisions on cutting corporate income tax rates taken in Belgium and the United Kingdom in 2018 were not changed in 2019. In Belgium there is a rate of 29.6% for 2018 and 2019 (reduced from 33.99%) and from 2020 this will be reduced further to 25%. In the United Kingdom the corporate income tax rate will be cut from 19% in 2018 and 2019 to 17% in 2020.

Including prior year adjustments of €4 million (2018: €3 million), current tax charges were €52 million (2018: €47 million). The movements in deferred taxes in the table above include a release of €3 million from the Energy Investment Allowance to be amortised (2018: €3 million). This amount includes a net deferred tax gain of €6 million (2018: charge of €1 million) for adjustments to deferred taxes in respect of prior years.

The table below shows the effective tax burden expressed as a percentage of the profit before income tax and the equivalent amount of tax:

		2019		2018
Profit before income tax		**117**		**130**
Nominal tax rate (in the Netherlands)	25.0%	29	25.0%	33
Effect of:				
- Participation exemption	4.6%	5	-5.2%	-7
- Non tax-deductible expenses	2.6%	3	3.8%	5
- Tax incentives	-2.7%	-3	-2.5%	-3
- Foreign loss claw-back	0.0%	0	1.4%	2
- Movement in deferred taxes (effect rate change)	6.7%	8	-30.8%	-40
- Movement in deferred taxes (other)	-2.0%	-2	2.2%	3
- Adjustment of prior years results (current and deferred taxes)	-1.8%	-2	2.5%	3
- Investment allowances and foreign loss relief	0.0%	0	-0.9%	-1
- Tax effect of different foreign tax rates	-1.1%	-1	2.2%	3
- Other	0.3%	0	-2.3%	-4
Effective tax rate	**31.6%**	**37**	**-4.6%**	**-6**

11. Government grants

Government grants recognised in the result were as follows:

	2019	2018
Energy Investment Allowance (EIA scheme)	3	3
Stimulation Sustainable Energy Production (SDE scheme)	115	94
Other government grants	-	1
Total	**118**	**98**

Notes to the consolidated balance sheet

All amounts in millions of euros unless stated otherwise.

12. Property, plant and equipment – owned assets

	Land and buildings	Machinery and equipment	Other operating assets	Assets under construction	Total
Cost					
At 1 January 2018	**86**	**3,810**	**44**	**180**	**4,120**
Investments	1	50	1	187	239
Acquisitions	-	25	-	-25	-
Disposals	-11	-44	-1	-6	-62
Reclassification from / to assets held for sale	-	3	-	4	7
Reclassification other	3	41	1	-113	-68
Translation differences	-	-3	-	-	-3
At 31 December 2018	**79**	**3,882**	**45**	**227**	**4,233**
Investments	-	69	2	292	363
Acquisitions	-	6	-	-	6
Disposals	-	-9	-2	-9	-20
Reclassification from / to assets held for sale	-	-2	-	-	-2
Reclassification other	-	191	-	-183	8
Translation differences	-	19	-	1	20
At 31 December 2019	**79**	**4,156**	**45**	**328**	**4,608**
Accumulated depreciation and impairment					
At 1 January 2018	**21**	**1,504**	**29**	**28**	**1,582**
Annual depreciation and impairment	3	174	5	-	182
Disposals	-3	-19	-1	-	-23
Reclassification from / to assets held for sale	-	1	-	-	1
Reclassification other	-	-3	-	-	-3
Translation differences	-	-1	-	-	-1
At 31 December 2018	**21**	**1,656**	**33**	**28**	**1,738**
Annual depreciation and impairment	3	191	4	-	198
Acquisitions	-	3	-	-	3
Disposals	-	-2	-2	-	-4
Reclassification from / to assets held for sale	-	-2	-	-	-2
Reclassification other	-	9	-	-	9
Translation differences	-	4	-	1	5
At 31 December 2019	**24**	**1,859**	**35**	**29**	**1,947**
Carrying amount					
At 1 January 2018	65	2,306	15	152	2,538
At 31 December 2018	58	2,226	12	199	2,495
At 31 December 2019	**55**	**2,297**	**10**	**299**	**2,661**

Capitalised interest

During the reporting period, attributable interest capitalised for property, plant and equipment was €3 million (2018: €1 million). The capitalisation rate of interest was 1.4% in 2019 (2018: 1.35%).

Assets under construction
Assets under construction were mainly offshore and onshore wind farms and standard investment in district heating networks.

Leases – property, plant and equipment leased by Eneco ('lessor')
Equipment and energy installations (such as domestic water heaters and solar panels) leased to customers remain the property of the Group. The leases cover making the equipment available to users and maintenance. Lease revenues of €21 million (2018: €21 million) have been recognised through the income statement.

13. Property, plant and equipment – right-of-use assets and lease liabilities

The classification and movements in the rights of use for the lease assets were as follows:

	Land and buildings	Other operating assets	Total
Purchase costs			
At 31 December 2018	**-**	**-**	**-**
Adjustments to opening balance at 1 January 2019	212	8	220
Adjusted opening balance at 1 January 2019	**212**	**8**	**220**
Acquisitions	7	1	8
Reclassification	2	4	6
Translation differences	-	-	-
At 31 December 2019	**221**	**13**	**234**
Accumulated depreciation and impairment			
At 31 December 2018	**-**	**-**	**-**
Adjustments to opening balance at 1 January 2019	-	-	-
Adjusted opening balance at 1 January 2019	**-**	**-**	**-**
Annual depreciation and impairment	19	3	22
Translation differences	-	-	-
At 31 December 2019	**19**	**3**	**22**
Carrying amount			
At 1 January 2018	-	-	-
At 31 December 2018	-	-	-
At 31 December 2019	**202**	**10**	**212**

Movements in lease liabilities were as follows:

	2019
At 1 January on implementation of IFRS 16	**225**
New leases	10
Lease payments	-29
Interest added to lease liabilities (financial expenses)	4
Changes of contract period, indexation	6
Reclassifications	-
Translation differences	-
At 31 December	**216**
Classification at 31 December	
Current	23
Non-current	193
At 31 December	**216**

Eneco's leasing activities as lessee
The Group rents or leases assets such as land for wind and solar farms, roofs of commercial buildings for solar panels, offices, warehouses, ICT and other equipment and company cars. Leases are usually entered into for fixed periods ranging from 1 to 40 years but may include extension and termination options. Rental periods are negotiated individually and contain a wide range of terms and conditions. No leases impose covenants but lease assets may not be used as collateral for financing purposes.

Amounts for leases recognised in the income statement

	2019
Depreciation charge for right-of-use assets	22
Interest added to lease liabilities	4
Other Lease costs[1]	2

1 This concerns the costs for 'short-term leases', costs of 'low value leases' not included in 'short-term leases' and costs relating to variable lease payments that are not included in the lease liabilities

Amounts for leases recognised in the cash flow statement
Total lease payments in 2019 were €31 million (lease repayments of €25 million, interest of €4 million and other lease costs of €2 million). See also the Notes to the consolidated cash flow statement.

Variable lease payments
Eneco has a number of leases containing arrangements on variable lease payments (that do not depend on an index or a rate). These relate in particular to leases for land for the wind farm activities in the United Kingdom. These variable components depend in particular on the amount of electricity generated.

Other possible lease payments and liabilities
Any possible future lease payments resulting from renewal or termination options in leases, residual value guarantees and/or leases which have been entered into but are not yet in force, are not material in the context of these financial statements or are not applicable to Eneco. Leases do not otherwise include any special arrangements involving restrictions or covenants that could lead to a restriction on the use of the lease assets. No 'sale-and-lease-back' transactions have been entered into.

14. Intangible assets

	Goodwill	Customer databases	Licences and software	Concessions, permits, trade names and other rights	Development costs	Total
Cost						
At 1 January 2018	**506**	**509**	**116**	**127**	**10**	**1,268**
Adjustments opening balance at 1 January 2018	6	-2	-	-	-	4
Adjusted opening balance at 1 January 2018	**512**	**507**	**116**	**127**	**10**	**1,272**
Investments	-	-	14	-	5	19
Acquisitions	1	82	2	-	-	85
Disposals	-	-	-13	-	-2	-15
Inkrimping Consolidatiekring	-1	-	-2	-1	-1	-5
Translation differences	-	-	-	-	-	-
Reclassification other	13	-1	4	51	-3	64
At 31 December 2018	**525**	**588**	**121**	**177**	**9**	**1,420**
Adjustments opening balance at 1 January 2019	-	-	-	-	-	-
Adjusted opening balance at 1 January 2019	**525**	**588**	**121**	**177**	**9**	**1,420**
Investments	-	2	15	-	1	18
Acquisitions	10	4	3	1	7	25
Disposals	-	-	-2	-	-	-2
Disposal of group companies	-	-	-	-	-	-
Translation differences	-	-	-	1	-	1
Reclassification other	2	-	1	-	-	3
At 31 December 2019	**537**	**594**	**138**	**179**	**17**	**1,465**
Accumulated depreciation and impairment						
At 1 January 2018	**-**	**182**	**75**	**33**	**2**	**292**
Annual depreciation and impairment	-	49	16	5	2	72
Disposals	-	-	-15	-	-	-15
Disposal of group companies	-	-	-2	-	-1	-3
At 31 December 2018	**-**	**231**	**74**	**38**	**3**	**346**
Annual depreciation and impairment	-	49	18	7	2	76
Disposals	-	-	-2	-	-	-2
Disposal of group companies	-	-	-	-	-	-
At 31 December 2019	**-**	**280**	**90**	**45**	**5**	**420**
Carrying amount						
At 1 January 2018	506	327	41	94	8	976
At 31 December 2018	525	357	47	139	6	1,074
At 31 December 2019	**537**	**314**	**48**	**134**	**12**	**1,045**

Goodwill

Goodwill was €537 million at 31 December 2019 (31 December 2018: €525 million) and consisted mainly of €148 million of goodwill relating to the group of cash-generating units in the Netherlands, €213 million relating to the group of cash-generating units in Belgium and €159 million relating to the group of cash-generating units in Germany.

An impairment analysis was performed on this goodwill which showed that the recoverable amount of each group of cash-generating units (value in use) was higher than their carrying amount. The following assumptions were used to establish the value in use: the value in use of the cash-generating units was based on expected future cash flows for three years as in the Group's long-term plans (based in part on historical figures) and thereafter extrapolated on the expected life of the assets of these cash-generating units, which is generally longer than the three-year period; long-term growth of 1.0% was taken into account. The pre-tax discount rates, which reflect the risks of the activities of the relevant cash-generating units, were 3.3% - 5.4% (in 2018: 4.9% - 7.2% for all cash-generating units). These discount rates are based on the weighted average cost of capital (WACC), whose parameters are derived from data from a peer group and market information. The calculation of the value in use of these assets is sensitive to the following assumptions: the discount rate, the growth figure applied for extrapolating cash flows beyond the three-year plan and the average life of the assets. Of these factors, the discount rate is the most sensitive and an increase of 0.5 percentage points would reduce the value in use of the total cash-generating units by some €0.3 billion but would not lead to impairment for any of the cash-generating units.

Customer databases

Customer databases relate to REMU (acquired in 2003), Dong Energy Sales (acquired in 2014), LichtBlick and Eni (acquired in 2017) and E.ON Benelux Levering (acquired in 2018). The customer databases of Robin Energie and the customer databases and charging points of several companies with electric vehicle activities were acquired in 2019 (see note 15 'Business combinations and other changes in the consolidation structure').

Concessions, permits, trade names and other rights

Concessions, permits, trade names and other rights consist mainly of the capitalised trade name of LichtBlick and permits granted for existing wind farms in Belgium and the United Kingdom.

Current intangible assets and inventories

'Intangible assets and inventories' were €158 million at 31 December 2019 (2018: €178 million), €130 million of which (2018: €145 million) related to green certificates and emission rights and the remainder to other inventories.

15. Business combinations and other changes in the consolidation structure

General

There were four acquisitions in 2019, relating to one company in the Netherlands (FLOW Nederland B.V.), one in Germany (chargeIT mobility GmbH) with activities relating to charging points for electric vehicles and two in Belgium, one organising crowdfunding for energy transition projects and one with solar energy generating operations. These acquisitions are not material to the financial statements and so only limited disclosures are presented in accordance with IFRS 3 'Business Combinations'. The total purchase price was €22 million, including €2 million relating to earn-out obligations, mainly for the purchase at fair value of intangible assets and property, plant and equipment (customer databases/charging points/solar panels) of €17 million, related deferred tax liabilities of € 4 million and a total of €10 million of goodwill.

The assessment of the fair value of the identified assets and liabilities was completed during the second half of 2019 and so the figures for the business combinations in the Netherlands and Belgium are now definitive. The short period between the transaction and the reporting date means that the assessment of the fair value of the identified assets and liabilities of the company in Germany had not been completed on the reporting date of 31 December 2019. This assessment may have a limited effect on the allocation of the purchase price of these assets and liabilities. Consequently, the acquisition of the associate has been recognised 'provisionally' in the Group's 2019 financial statements.

Acquisition of LichtBlick – purchase of second tranche of 50% of the shares in 2018
In 2018 Eneco exercised the right to purchase the remaining 50% right of the shares in LichtBlick Holding AG for a total of some €0.2 billion. As a result of the acquisition, Eneco also obtained control of a wholly-owned associate of LichtBlick which was previously managed by the former shareholders. The assessment of the fair value of the identified assets and liabilities was completed during the second half of 2019 and so the figures for this non-material business combination are now definitive and have not led to a change in the 'provisional' figures incorporated in the 2018 financial statements.

Pro forma Group figures for 2019 including acquisitions
Had the above four acquisitions taken place on 1 January 2019, the impact on the Group's revenues and result after tax for the full year would not have been material and so no further details are provided.

16. Associates and joint ventures

The Group participates with one or more parties in businesses in the form of associates or joint ventures to perform shared operations.

The carrying amount of the associates and joint ventures was:

		At 31 December 2019	At 31 December 2018
Interest in Greenchoice (30%)	Associate	60	59
Interest in Norther wind farm (25%)	Joint venture	15	9
Other associates		33	32
Other joint ventures		3	9
Total		**111**	**109**

The total net movement in the carrying amount of the associates and joint ventures in 2019 was an increase of some €2 million, including investments in businesses aligned with the 'smart energy' activities for innovative energy services and products and investments in wind farms totalling €9 million. Impairment of €9 million (2018: €5 million) for certain associates was recognised through the result.

The table below summarises the financial data of the interests in Greenchoice and the Norther wind farm, which are material to the Group. The figures were drawn from their most recent published financial information (Greenchoice) or available internal information (Norther). Where necessary, they have been restated for differences between their accounting policies and IFRS. The table also shows a reconciliation between the summary financial information for each associate and the carrying amount of Eneco's interest in it.

Greenchoice

Balance sheet information	At 31 December 2019	At 31 December 2018
Property, plant and equipment	141	78
Current assets	234	227
Non-current liabilities	61	51
Current liabilities	189	132
Net assets (100%)	**125**	**122**
Eneco's share of net assets	38	37
Carrying amount of interest in Greenchoice (incl. acquired goodwill)	**60**	**59**

Profit or loss information	2019	2018
Revenues (100%)	437	366
Profit after income tax (100%)	3	10
Total other comprehensive income (100%)	-	-
Total comprehensive income (100%)	3	10
Group's share of comprehensive income (30%)	**1**	**3**

Norther

Balance sheet information	At 31 December 2019	At 31 December 2018
Property, plant and equipment	993	694
Current assets	152	178
- of which cash and cash equivalents	111	173
Non-current liabilities	959	759
- of which non-current financial liabilities (excluding trade creditors, other obligations and provisions	908	734
Current liabilities	125	76
- of which current financial liabilities (excl. trade creditors, other liabilities and provisions)	105	76
Net assets (100%)	**61**	**37**
Eneco's share of net assets	15	9
Carrying amount of interest in Norther	**15**	**9**

Profit or loss information	2019	2018
Revenues (100%)	105	-
Depreciation, amortisation and impairment (100%)	27	-
Financial income (100%)	-	-
Financial expenses (100%)	20	-
Tax charge or gain (100%)	24	-
Profit after income tax (100%)	51	-
Total other comprehensive income (100%)	-27	-9
Total comprehensive income (100%)	25	-9
Group's share of profit after income tax and total comprehensive income (25%)	**6**	**-2**

Total comprehensive income (the Group's share) for the other associates was €4 million negative (including impairment of €1 million) and for the other interests in joint ventures €10 million negative (including impairment of €8 million).

17. Deferred taxes

The table below shows the deferred tax assets and liabilities:

	Assets		Liabilities	
	At 31 December 2019	At 31 December 2018[1]	At 31 December 2019	At 31 December 2018[1]
Property, plant and equipment	-	-	147	144
Intangible fixed assets	21	21	115	123
Cash flow hedges	3	2	-3	3
Loss carry forwards	5	4	-17	-18
Losses at non-resident participating interests	-	-	11	12
Provisions	1	3	-7	-2
Effect of new IFRS standards in 2018 and 2019[2]	-	-	5	5
Total	**30**	**30**	**251**	**267**

1 For comparitive purposes, the 2018 figures have been restated accordingly
2 This concerns deferred taxes on trade receivables and other receivables (IFRS 9), revenue recognition - contract recruitment costs (IFRS 15) and rights of use of leased assets and lease obligations (IFRS 16)

Deferred tax assets and liabilities related to cash flow hedges have been recognised through equity. The losses at non-resident permanent establishments are a result of losses offset in the Netherlands before 2012 from a non-resident permanent establishment which would be included in the taxable result in the Netherlands (claw-back) if and to the extent that the permanent establishment makes profits.

Movements in deferred taxes during 2019 were as follows:

	Net balance at 1 January 2019[1]	Recognised in profit or loss[2]	Recognised in other comprehensive income	Other (including business combinations)	Net balance at 31 December 2019	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	- 144	- 3	–	- 1	- 148	–	- 148
Intangible fixed assets	- 102	12	–	- 4	- 94	21	- 115
Cash flow hedges	- 1	–	8	- 1	6	12	- 6
Loss carry forwards	22	–	–	1	23	23	–
Losses at non-resident participating interests	- 12	–	–	1	- 11	–	- 11
Provisions	5	3	–	–	8	8	–
Effect of new IFRS standards in 2018 and 2019	- 5	–	–	–	- 5	–	- 5
Tax liabilities (assets) before set-off	**- 237**	**12**	**8**	**- 4**	**- 221**	**64**	**- 285**
Set-off of tax						- 34	34
Total						**30**	**- 251**

1 For comparitive purposes, the 2018 figures have been restated accordingly
2 This amount is included in the 'Movements in deferred taxes' as part of 'Income tax on the result'. See note 10 'Income tax on the result'.

Movements in deferred taxes during 2018 were as follows:

	Net balance at 1 January 2018	Recognised in profit or loss[1]	Recognised in other comprehensive income	Other (including business combinations)	Net balance at 31 December 2018	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	-172	19	-	2	-151		-151
Intangible fixed assets	-112	24	-	-4	-92	21	-113
Cash flow hedges	-4	-	2	-	-2		-2
Loss carry forwards	22	-	-	1	23	23	-
Losses at non-resident participating interests	-16	6	-	-2	-12		-12
Provisions	4	1	-	-3	2	6	-4
Effect of new IFRS standards in 2018 and 2019	- 5	–	–	–	- 5	–	- 5
Tax liabilities (assets) before set-off	**-283**	**50**	**2**	**-6**	**-237**	**50**	**-287**
Set-off of tax						-20	20
Total						**30**	**-267**

1 This amount is included in the 'Movements in deferred taxes' as part of 'Income tax on the result'. See note 10 'Income tax on the result'.

The table below shows the expiry periods for temporary differences available for relief at 31 December 2019:

Expiry periods for differences available for relief	In years
Property, plant and equipment	1 - 45
Intangible fixed assets	1 - 20
Cash flow hedges	1 - 20
Losses available for relief	1 - 10
Provisions	1 - 10
Trade receivables and other receivables (IFRS 9)	1 -3 (descending)
Revenue recognition – contract acquisition costs (IFRS 15)	variable (depending contract duration)
Right-of-use assets and lease liabilities (IFRS 16)	1 - 20

No deferred tax asset has been recognised on pre-consolidation and other losses (including tax facilities not yet used) of €14 million (31 December 2018: €18 million) since it is not certain whether sufficient taxable profits will be available in the future at the associates and permanent establishment which are not members of the fiscal unity. The tax regulations in the relevant jurisdiction state that €8 million of these losses can be carried forward indefinitely and €6 million for between one and seven years.

18. Derivative financial instruments

18.1 Financial instruments of the Group

The table below shows the fair value of the derivative financial instruments:

Financial assets	At 31 December 2019	At 31 December 2018
Currency swap contracts	2	8
Energy commodity contracts	259	233
CO_2 emission rights	15	19
Total	**276**	**260**
Classification		
Current	225	176
Non-current	51	84
Total	**276**	**260**

Financial liabilities	At 31 December 2019	At 31 December 2018
Interest rate swap contracts	30	4
Currency swap contracts	4	-
Energy commodity contracts	251	219
CO_2 emission rights	1	3
Total	**286**	**226**
Classification		
Current	214	150
Non-current	72	76
Total	**286**	**226**

18.2 Financial instruments recognised through the income statement

The table below shows the fair value of derivative financial instruments for which movements in fair value have been recognised through the income statement:

Financial assets	At 31 December 2019	At 31 December 2018
Currency swap contracts	1	–
Energy commodity contracts	224	202
CO_2 emission rights	15	19
Total	**240**	**221**
Classification		
Current	211	160
Non-current	29	61
Total	**240**	**221**

Financial liabilities	At 31 December 2019	At 31 December 2018
Energy commodity contracts	240	200
CO_2 emission rights	1	3
Total	**241**	**203**
Classification		
Current	205	139
Non-current	36	64
Total	**241**	**203**

18.3 Financial instruments recognised in equity

The table below shows the fair value of derivative financial instruments for which movements in fair value have been recognised in equity through the cash flow hedge reserve:

Financial assets	At 31 December 2019	At 31 December 2018
Interest rate swap contracts	–	–
Currency swap contracts	1	8
Energy commodity contracts	35	31
CO_2 emission rights	–	–
Total	**36**	**39**
Classification		
Current	14	16
Non-current	22	23
Total	**36**	**39**

Financial liabilities	At 31 December 2019	At 31 December 2018
Interest rate swap contracts	30	4
Currency swap contracts	4	–
Energy commodity contracts	12	19
CO_2 emission rights	–	–
Total	**46**	**23**
Classification		
Current	9	11
Non-current	37	12
Total	**46**	**23**

These instruments are used in cash flow hedge transactions to hedge interest rate, currency and energy price risks and the currency risks in a net investment in a foreign operation.

18.4 Fair value hierarchy

The hierarchy of derivative financial instruments measured at fair value was as follows:

At 31 December 2019	Level 1	Level 2	Level 3	Total
Assets				
Energy commodity contracts and CO_2 emission rights	72	183	19	274
Interest rate and currency swap contracts	-	2	-	2
	72	**185**	**19**	**276**
Liabilities				
Energy commodity contracts and CO_2 emission rights	-	252	-	252
Interest rate and currency swap contracts	-	34	-	34
	-	**286**	**-**	**286**

At 31 December 2018	Level 1	Level 2	Level 3	Total
Assets				
Energy commodity contracts and CO_2 emission rights	50	189	13	252
Interest rate and currency swap contracts	-	8	-	8
	50	**197**	**13**	**260**
Liabilities				
Energy commodity contracts and CO_2 emission rights	4	218	-	222
Interest rate and currency swap contracts	-	4	-	4
	4	**222**	**-**	**226**

18.5 Cash flow hedges

Movements in the cash flow hedge reserve are presented in note 31.2 'Market risk'.

The cash flow hedging instruments are derivative financial instruments that are subject to net settlement between parties. The table below shows the periods in which the cash outflows from the cash flow hedges are expected to be realised:

	At 31 December 2019	At 31 December 2018
Expected cash flow		
Within 1 year	22	84
From 1 to 5 years	-5	21
After 5 years	29	-1
Total	**46**	**104**

The total cash flow hedges recognised through the income statement in the future are recognised in the Cash flow hedge reserve after deduction of taxes. The table below shows the periods in which the cash flows from the cash flow hedges are expected to be realised:

	At 31 December 2019	At 31 December 2018
Expected recognition in result after tax		
Within 1 year	2	-
From 1 to 5 years	-11	-3
After 5 years	1	-
Total	**-8**	**-3**

19. Other financial assets

	At 31 December 2019	At 31 December 2018
Other capital interests	-	-
Other receivables	92	99
Contract acquistion costs	22	30
Total	**114**	**129**

Other receivables include a loan of €52 million granted to a joint venture (2018: €48 million) and €4 million (2018: €7 million) of contract assets. These sums will be charged to the result over the life of the contracts.

See note 22 'Other receivables' for the movements in contract acquisition costs.

20. Assets/liabilities held for sale

The process of selling the CO_2 networks started in 2018 and continued in 2019. It is expected that the sale will be finalised during the first half of 2020. A non-material amount for impairment was charged to the result in 2019. It is also probable that the final part of the sale of heating infrastructure and installations that had been decided on in a prior year, will be completed during the first half of 2020.

21. Trade receivables

The table below shows the trade receivables:

	At 31 December 2019	At 31 December 2018
Energy receivables	557	659
Amounts to be invoiced	121	86
Other trade receivables	50	55
Less: Provision for expected credit losses	-73	-78
Total	**655**	**722**

The table below shows the aged analysis of the outstanding receivables:

	Percentage for expected credit losses	At 31 December 2019 Nominal receivables	At 31 December 2019 Provision for expected credit losses	At 31 December 2018 Nominal receivables	At 31 December 2018 Provision for expected credit losses
Prior to due date	0%	498	-	548	3
After due date					
- under 3 months	8%	110	9	130	7
- 3 to 6 months	27%	22	6	21	4
- 6 to 12 months	32%	28	9	23	8
- over 12 months	70%	70	49	78	56
Nominal value		**728**	**73**	**800**	**78**
Less: Provision for expected credit losses		-73		-78	
Total		**655**	**73**	**722**	**78**

The table below shows the aged analysis of the impaired receivables:

	2019	2018
At 1 January (calculated based on IAS 39 principles)		**79**
Adjustment provision following the introduction of IFRS 9 at 1 January		**1**
At 1 January (based on IFRS 9)	**78**	**80**
Additions for acquisitions	-	11
Additions through profit or loss	19	10
Withdrawals	-25	-22
Release	-	-1
Other movements	1	-
At 31 December	**73**	**78**

22. Other receivables

	At 31 December 2019	At 31 December 2018
Contract acquisition costs	26	19
Prepayments and accrued income	120	136
Margin calls	9	75
Other receivables	7	9
Total	**162**	**239**

The movements in contract acquisition costs were as follows:

	2019	2018
At 1 January	**49**	**18**
Reclassification	-4	5
Capitalization	43	44
Amortisation[1]	-40	-18
At 31 December	**48**	**49**
Classification at 31 December		
Current	26	19
Non-current	22	30
Total	**48**	**49**

1 including € 13 million impairment of capitalized contract acquisition costs in 2019.

Amortisation of contract acquisition costs has been recognised in the result as nil in 'Revenues from energy sales and energy-related activities' (2018: €3 million), €20 million in 'Purchases of energy and energy related activities' (2018: €2 million) and €20 million in 'Cost of contracted work and other external costs' (2018: €13 million).

23. Cash and cash equivalents

Cash and cash equivalents comprised bank balances, cash and deposits of €537 million at 31 December 2019 (31 December 2018: € 504 million). Term deposits and blocked accounts, which are not at the free disposal of the Group, were €58 million at 31 December 2019 (31 December 2018: € 58 million).

24. Equity

	At 31 December 2019	At 31 December 2018
Share capital	122	122
Translation reserve	-4	-7
Cash flow hedge reserve	-21	-3
Retained earnings	2,756	2,688
Undistributed result for the financial year	79	136
Equity attributable to N.V Eneco Beheer shareholder	**2,932**	**2,936**
Non-controlling interests	5	3
Total equity	**2,937**	**2,939**

General

The opening balance of group equity at 1 January 2018 was restated by a total of €13 million relating to the implementation of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' on that date (incorporated in Retained earnings).

Share capital

N.V. Eneco Beheer's authorised share capital is €341.25 million divided into 750,000 shares with a nominal value of €455 each. At 31 December 2019, 267,458 shares had been issued and fully paid. There were no changes in 2019. N.V. Eneco Beheer has only issued ordinary shares.

Translation reserve

Assets and liabilities of foreign group companies denominated in foreign currency and foreign-currency funding of those subsidiaries relating to long-term loans denominated in foreign currency, after tax, are translated into euros at the reporting date at the exchange rate prevailing on the reporting date. Foreign currency exchange differences arising on this are recognised in the translation reserve in equity. The results of foreign group companies are translated into euros at the average rate. The difference between the profit after income tax at the average rate and based on the exchange rate prevailing on the reporting date is recognised through equity in the translation reserve. If an investment in a foreign operation is ended or reduced, the related accumulated translation differences are recognised through the income statement. The translation reserve is not freely at the disposal of the shareholders.

The Group applies net investment hedge accounting to limit the translation gains and losses on its UK operations in the translation reserve and the income statement. The foreign currency exchange differences on the sterling loan has an opposite effect to the foreign currency exchange differences on the UK operations. Both the foreign currency exchange differences on the UK operations and the sterling loan are recognised through the translation reserve.

Cash flow hedge reserve

The cash flow hedge reserve recognises gains and losses in the fair value of the effective portion of derivative financial instruments designated as cash flow hedges for which the hedge transaction has not yet been settled. Consequently, the Group meets the conditions for cash flow hedge accounting. The cash flow hedging instruments are mainly energy, forward and swap contracts agreed with other market parties in order to cover the market price risks of purchasing and selling energy commodities. This reserve also recognises the effective portion of hedging with interest rate and currency swap contracts. The cash flow hedge reserve is not freely at the disposal of the shareholders. Section 31.2 Market risk in note 31 'Financial risk management' provides further information on cash flow hedging, including a statement of the movements in this reserve.

Non-controlling interests

These are third-party shares in the equity of subsidiaries of which the Group is not the sole shareholder.

25. Provisions for employee benefits

	Long-service benefits	Other	Total
Classification at 1 January 2018			
Current	-	7	7
Non-current	9	1	10
At 1 January 2018	**9**	**8**	**17**
Addition	-	4	4
Withdrawals	-	-4	-4
Release	-	-1	-1
At 31 December 2018	**9**	**7**	**16**
Classification at 31 december 2018			
Current	1	6	7
Non-current	8	1	9
At 1 January 2019	**9**	**7**	**16**
Addition	-	4	4
Withdrawals	-2	-3	-5
Reclassification	-	2	2
Release	-	-2	-2
At 31 December 2019	**7**	**8**	**15**
Classification at 31 December 2019			
Current	1	6	7
Non-current	6	2	8
At 31 December 2019	**7**	**8**	**15**

Long-service benefits and pension liabilities
This provision covers the obligation to pay amounts to employees achieving a certain number of years of employment and on retirement.

There are some defined-benefit pension plans but as the net liability (liabilities for pension commitments less the plan assets) is not material, at some €4 million (31 December 2018: €4 million), no disclosures for defined-benefit plans pursuant to IAS 19 'Employee Benefits' have been presented.

The following actuarial assumptions were used for the provisions:

	At 31 December 2019	At 31 December 2018
Long-service benefits (NL)		
Discount rate at reporting date	0.7%	1.6%
Future salary increases	1.25%-3.50%	1.50%-2.50%
Mortality table	GBM & GBV 2013-2018	GBM & GBV 2012-2017
Pension liabilities (BE)		
Discount rate at reporting date	0.45% - 0.75%	1.3% - 1.5%
Future salary increases	1.5%/scale + 1% 1.51%/scale + 0%	1.5% / scale + 1%
Mortality table	MR-5/FR-5	MR-5/FR MR (pensioned)/FR

Expenditures from the provisions for employee benefits are made over the long term. The provisions are remeasured annually using current employee information and properly reflect the expected cash flows.

Other employee benefits
The other provisions for employee benefits include the obligations for salary payments in the event of illness and unemployment benefits since the Group bears this risk under the Unemployment Act. In view of their predominantly short-term nature, these provisions are measured at nominal value.

26. Other provisions

	Decommissioning provision	Onerous contracts	Restructuring	Other	Total
Classification at 1 January 2018					
Current	-	4	1	2	7
Non-current	76	4	3	11	94
At 1 January 2018	**76**	**8**	**4**	**13**	**101**
Addition	12	-	16	3	31
Withdrawals	-	-	-12	-5	-17
Additions related to acquistions	-	-	7	4	11
Release	-1	-4	-	-1	-6
Other	-	-	-	-	-
At 31 December 2018	**87**	**4**	**15**	**14**	**120**
Classification at 31 December 2018					
Current	-	4	9	-	13
Non-current	87	-	6	14	107
At 31 December 2018	**87**	**4**	**15**	**14**	**120**
Addition	41	-	1	2	44
Withdrawals	-	-	-7	-3	-10
Additions related to acquistions	-	-	-	-	-
Release	-3	-4	-3	-	-10
Reclassification	-	-	-3	1	-2
At 31 December 2019	**125**	**-**	**3**	**14**	**142**
Classification at 31 December 2019					
Current	-	-	1	1	2
Non-current	125	-	2	13	140
At 31 December 2019	**125**	**-**	**3**	**14**	**142**

Decommissioning
The decommissioning provision is of a long-term nature. The cash flows will generally occur after ten but within twenty years. The amounts recognised are the best estimate at the reporting date of the expected expenditure for the machinery, transport, materials and labour that will be required. These amounts are reviewed annually for expected future movements in the cost of removing assets, allowing for inflation of 1.3% (2018: 1.0%). The amounts estimated for decommissioning are inherently uncertain since it is not expected that an asset will be dismantled until a date well into the future and only limited historical data is available. Interest in a range of 0.1% to 1.4% was added to the provisions in 2019 (2018: 2.1% to 3.8%).

Onerous contracts
Expenditures on onerous contracts will be incurred within one year. The provision fairly reflects the cash flows because of the relatively short period remaining for the contracts.

Restructuring provision
The restructuring of the Dutch and Belgian business units was effectively completed and settled financially during 2019. In view of its normally short-term nature, no interest is added to the restructuring provision.

Other
Expenditure on the other provisions is expected to be made over a longer period. The settlement date for these provisions is difficult to estimate. The current amounts are the best estimate on the reporting date.

27. Interest-bearing debt

At 31 December 2019, the Group's interest-bearing debt related largely to financing wind farms and general financing.

	At 31 December 2019	At 31 December 2018
Non-recourse (mainly financing wind farms and solar projects)	347	311
Other loans and liabilities	204	194
Total	**551**	**505**

See note 31 'Financial risk management' for details of the periods over which the repayments will be made.

	At 31 December 2019	At 31 December 2018
Classification		
Current	72	41
Non-current	479	464
Total	**551**	**505**

The main movements in the current and non-current interest-bearing debt in 2019 related mainly to drawing funding from the financing of wind farm projects under construction such as Blauwwind and SeaMade (some €0.1 billion) and regular repayment of existing loans.

Collateral has been provided for the interest-bearing debt for financing wind and solar farms in the form of mortgages, pledges of shares in the legal entities, pledges of energy purchase contracts or grant contracts. The outstanding principal on these loans at 31 December 2019 was €347 million (31 December 2018: €311 million). No collateral has been provided for the other interest-bearing debt.

The liability for loans of a fixed-rate nature (fair value risk) at 31 December 2019 was €95 million (31 December 2018: €82 million). Other loans are at market-linked variable rates. Repayment obligations for the first year after the reporting date are recognised under current liabilities.

The average interest rate in 2019 was 2.3% (2018: 3.3%). This was calculated as the weighted average monthly interest expense directly related to the interest-bearing debt, excluding other financial expenses.

The fair value of the loans at 31 December 2019 was €541 million (31 December 2018: €454 million) and was calculated using the income approach, based on relevant market interest rates for comparable debt. Consequently, the information for establishing value is covered by level 2 of the fair value hierarchy.

28. Trade creditors and other payables

	At 31 December 2019	At 31 December 2018
Trade and energy creditors	759	829
Contributions received for connections	108	101
Accruals and deferred income	352	319
Pension contributions	2	2
Other payables	344	408
Total	**1,565**	**1,659**
Classification		
Current	1,417	1,517
Non-current	148	142
Total	**1,565**	**1,659**

Other payables (part of non-current liabilities) in the consolidated balance sheet include contract liabilities for amounts paid by customers towards connections to district heating networks (contributions received for connections). In addition, the figure of €344 million in the above table includes €17 million (2018: €12 million) for other long-term contractual liabilities. Trade and energy creditors include advances already billed if they are higher than the actual or estimated energy consumption during the reporting period.

The table below shows the movements in contributions received for connections:

	2019	2018
At 1 January	101	84
Addition to contributions for connections	9	17
Release of contributions for connections as other revenues	-2	
Other	-	
At 31 December	**108**	**101**
Classification at 31 December		
Current	3	2
Non-current	105	99
Total	**108**	**101**

In view of their nature, the carrying amount of trade creditors and other payables is their fair value.

29. Contingent assets and liabilities

Contingent assets and liabilities other than guarantees and lease liabilities are measured at present value, calculated using a discount rate that reflects current market assessments of the time value of money.

Rights under operating leases (Eneco as lessor)
Equipment and energy installations are leased for periods of 5 to 15 years while the assets concerned remain the property of the Group.

The minimum receivables (nominal amounts) from non-terminable lease agreements fall due as follows:

	2019	2018
within 1 year	19	19
from 1 to 2 years	18	-
from 2 to 3 years	16	-
from 3 to 4 years	14	-
from 4 to 5 years	12	-
from 1 to 5 years	-	59
after 5 years	41	36
Total	**120**	**114**

Energy purchase and sale commitments
The Group has energy purchase commitments of €10.6 billion (31 December 2018: €9.4 billion) under contracts relating to 2020 and later years. €2.0 billion falls due within 1 year, €4.1 billion between 1 and 5 years and €4.5 billion after 5 years. The purchase commitments comprise energy contracts for the company's own use (pursuant to IFRS 9) with various energy generators. There are sales commitments relating largely to the business market of €5.5 billion (31 December 2018: €4.7 billion) for 2020 and later years. €2.1 billion falls due within 1 year, €2.9 billion between 1 and 5 years and €0.5 billion after 5 years.

The Group has commitments of €0.6 billion (31 December 2018: €0.6 billion) for the purchase of heat until 2043. The expected perpetual annual commitments for the sale of heat are €0.3 billion per year (31 December 2018: €0.3 billion).

Investment obligations
At 31 December 2019, the Group had entered into investment obligations with a total amount of €0.3 billion (31 December 2018: €0.4 billion).

Commitments under leases not recognised in the balance sheet
The minimum commitments for short-term leases, low-value leases and variable lease payments not recognised as lease liabilities in the balance sheet are €12 million, of which €2 million falls due within 1 year, €3 million between 1 and 5 years and €7 million after 5 years.

Other contingent obligations
At 31 December 2019, there were other contractual obligations of €0.5 billion (31 December 2018: €0.4 billion), mainly under maintenance contracts.

Guarantees
The Group has issued group and bank guarantees of €0.5 billion (31 December 2018: €0.5 billion) to third parties. At 31 December 2019, N.V. Eneco Beheer had issued guarantees of €0.4 billion (31 December 2018: €0.4 billion). The remaining group guarantees have been issued by subsidiaries for which N.V. Eneco Beheer has issued a declaration of joint and several liability pursuant to Section 403(1)(f), Part 9, Book 2 of the Dutch Civil Code.

Fiscal unity
N.V. Eneco Beheer heads a fiscal unity for corporate tax purposes which includes almost all of its Dutch subsidiaries and N.V Eneco Beheer is a member of a fiscal unity for VAT purposes covering most of the Group. All companies in a fiscal unity are jointly and severally liable for the tax obligations of the fiscal unity.

Cash pool
As a result of its participation in the Group cash pool, N.V. Eneco Beheer is jointly and severally liable, with the other participants, for deficits in the pool as a whole.

Legal proceedings

The Group is involved either as plaintiff or defendant in various legal and regulatory claims and proceedings related to its operations. Management ensures proper representation in these matters. The amounts claimed in some of these proceedings may be significant to the consolidated financial statements.

Liabilities and contingencies in connection with these claims and proceedings are assessed periodically based on the latest information available, usually with the assistance of lawyers and other specialists. A liability is only recognised if an adverse outcome is probable and the amount of the loss can be reasonably estimated. The actual outcome of proceedings or a claim may differ from the estimated liability and, consequently, could have a material adverse effect on the financial performance and position of the Group. Eneco has, for example, been ordered to pay a material amount but it denies all liability and disputes every alleged obligation for payment.

Unbundling Protocol between the Network Group and the Energy Company[3]

For a period of six years from 31 January 2017, N.V. Eneco Beheer will indemnify Eneco Holding N.V. (renamed Stedin Holding N.V. from the unbundling date of 31 January 2017) and its associated companies for:

- all liability, claims and costs suffered or to be suffered by Stedin Holding N.V. and its associated companies, if and to the extent that such liability, claims and costs relate to the activities of or companies in the group of N.V. Eneco Beheer and its associated companies, irrespective of whether the legal relationship for such claim arises from a relationship that relates to a period before or after the unbundling;
- the right of recourse of third parties against Stedin Holding N.V. or an associated company relating to liabilities as referred to in the preceding paragraph; and
- tax claims relating to N.V. Eneco Beheer and related companies.

Furthermore, for a period of six years from 31 January 2017, Stedin Holding N.V. will indemnify N.V. Eneco Beheer and its associated companies for:

- all liability, claims and costs suffered or to be suffered by N.V. Eneco Beheer and its associated companies, if and to the extent that such liability, claims and costs relate to the activities of or companies in the group of Stedin Holding N.V. and its associated companies, irrespective of whether the legal relationship for such claim arises from a relationship that relates to a period before or after the unbundling;
- the right of recourse of third parties against N.V. Eneco Beheer or an associated company relating to liabilities as referred to in the preceding paragraph, excluding any liability, claims, costs or right of recourse in respect of tax matters; and
- tax claims relating to Stedin Holding N.V. and related companies.

30. Related party transactions

The Group's related companies (the shareholder and its subsidiaries which are not part of the Eneco group), associates, joint ventures and board members are considered as related parties.

Sales to and purchases from related parties are on terms of business normally prevailing with third parties. Receivables and liabilities are not covered by collateral and are paid by bank transactions. The receivables from joint ventures shown below include a loan and interest

3 The Energy Company comprises: Eneco Groep N.V. (the new ultimate holding company of the Energy Company since 31 January 2017) and all its subsidiaries and other associates.

receivable of €52 million (2018: €48 million). The interest rate is some 10% per year. Eneco has also committed to grant a supplementary loan of some €20 million if necessary. Furthermore, Eneco has issued bank and group guarantees of some €20 million, €10 million of which expire in 2020.

The table below shows the trading transactions with the principal related parties:

	Sales		Purchases	
	2019	2018	2019	2018
Associates	9	13	1	-
Joint ventures	2	-	17	5

	Receivables		Liabilities	
	At 31 December 2019	At 31 December 2018	At 31 December 2019	At 31 December 2018
Associates	4	2	1	-
Joint ventures	55	48	1	1

See note 6 'Remuneration of the Management Board ' for the remuneration of Management Board and Supervisory Board.

If board members are energy customers of the Group, there is no other relationship than that of customer and supplier on normal arm’s length terms and conditions. The Group applies the exemption from disclosures on related party transactions with government-related entities. The Municipality of Rotterdam has indirect significant influence. There is no relationship other than the shareholder relationship, except that of customer and supplier on normal arm’s length terms and conditions.

31. Financial risk management

Normal business activities involve exposure to credit, commodity market, foreign currency, interest rate and liquidity risk. The Group’s policy is designed to minimise the adverse consequences of unforeseen circumstances on its financial results.

The Management Board is responsible for risk management and procedures and guidelines have been drawn up that are evaluated at least once a year and, if required, adjusted. In this context, it sets out procedures and guidelines and ensures they are complied with. Authority to commit the Group is specified in the Corporate Authority Manual. Mandates have also been drawn up for all business units and management, including the Group’s purchasing and trading department, the business units with energy and heating production and the sales channels, to manage the above risks such as commodity (electricity, gas, heating, emission rights and fuels) risks. All Eneco’s business units are also subject to the Group’s credit mandate, which states the terms and conditions under which transactions may be entered into with external parties in order to manage credit risk.

The Management Board and senior business unit management regularly review the results, key figures such as changes in KPIs and the trading position, the principal risks (or concentration of certain risks) and the measures to manage them. Stress tests are developed for the principal identified risks and incorporated in the long-term financial plan. This clarifies the impact of risk on operations. Senior business unit management reports to the Management Board by means of an In Control Statement every year.

The internal Audit & Risk Committee, a Commodity Risk Team and an Investment Risk Team are in charge of the formulation and application of the company's risk policy and advise the Management Board accordingly.

31.1 Credit risk

Credit risk is the risk of a loss if a counterparty or its guarantor cannot or will not meet its obligations. For the purposes of managing this risk, a distinction is drawn between debtor risk (on trade and other receivables) and counterparty risk. The maximum credit risk is the carrying amount of the financial assets including the derivative financial instruments.

Debtor Risk

Debtor risk is the risk that a debtor fails to pay a receivable. Most receivables are of limited size and there are a great number of debtors. There is, therefore, no concentration of risk.

Policy is designed not to provide customers with any credit going beyond normal supplier credit as set out in the applicable conditions of supply. Policy is also formulated at a decentralised level within the organisation. The effectiveness of that policy is monitored at the corporate level and adjustments are made as required.

Measures in place to limit debtor risk are:

- an active debt collection policy;
- credit limits, bank guarantees and/or margining (cash collateral) for business customers; and
- recourse to debt collection agencies and different collection methods for current and former customers.

Trade receivables
The Group applies the IFRS 9 simplified approach for determining expected credit losses on trade receivables using the lifetime expected credit losses method. This method is based on the inherent risk that a debtor will not pay or fully pay the receivable over its life. Consequently, this risk has to be recognised from the initial recognition of the receivable and a provision is formed for part of the amount of trade receivables that have not reached their due date and amounts to be billed as a result of the application of IFRS 9 from 1 January 2018. A provision matrix is used to ascertain the expected credit losses on receivables from retail and SME customers. This groups trade receivables by shared credit risk characteristics and the number of days that the receivables are outstanding.

The provision matrix incorporates different percentages for the various phases of collection of receivables, such as first reminder, dispute, debt collector or bankruptcy, related to the risk profile for ascertaining the expected losses. The percentages have been established from historical figures adjusted for non-recurring past effects. The percentages have been set taking account of current and forward-looking information on macro-economic factors for each country that could affect customers' ability to pay the receivables. The provision matrix is also segmented into the different customer classifications, such as different customer propositions, and countries.

This procedure also applies to large business customers but is in that case supplemented by an individual assessment involving credit ratings (if available), financial statements, press releases and specific contractual agreements with those customers.

The expected credit losses on trade receivables at 31 December 2019 were ascertained in this way. See note 21 'Trade receivables' for the figures.

Other receivables
The expected credit losses on other current and non-current receivables measured at amortised cost are calculated using the 12-month expected credit losses method unless a significant/ considerable increase in credit risk has arisen for these receivables since initial recognition. In that case, any impairment is established using the lifetime expected credit losses method according to IFRS 9. To this end, there is an individual assessment of each receivable, incorporating credit ratings (if available), financial statements, press releases and specific contractual agreements with those customers and other parties.

See note 21 'Trade receivables' for the figures on the provision for doubtful debts.

Counterparty risk

Counterparty risk is the risk that a trading partner cannot or will not meet its delivery or payment obligations. This risk is primarily encountered in trading in energy commodities (including emission rights, green certificates and fuel (or 'feedstock') for our biomass power stations) and interest rate and foreign currency hedge transactions. The basis for the management of this risk is set out in the Counterparty Mandate and the Treasury Charter drawn up by the Management Board.

The size of the counterparty risk is primarily determined by the replacement value of the future deliveries and the commodity delivered which has not yet been paid for. The replacement value is calculated each day for each counterparty based on current market prices for future deliveries. The risk position is measured against the risk tolerance. That tolerance is drawn up for each contract party on the basis of an assessment of the creditworthiness of that counterparty derived from a public or internal rating and/or alternative assessment methods.

Counterparty risk is limited by:

- setting financial limits based on the financial strength of the trading partner;
- setting trading restrictions for each counterparty (position management);
- use of standard agreements, in particular based on EFET and ISDA terms;
- use of third-party margining and clearing;
- use of bilateral margining agreements with counterparties;
- executing risk-reducing transactions with counterparties leading to partly-offsetting positions;
- requiring additional guarantees from counterparties, e.g. bank guarantees; and
- credit insurance taken if necessary to cover exposures exceeding the limits.

Third-party margining and clearing is in place for futures. This transfers the counterparty risk of a futures contract to a clearing bank. This bank is linked to a clearing house that facilitates settlement of futures transactions through exchanges such as ICE ENDEX (InterContinental Exchange European Energy Derivatives Exchange N.V.), EEX (European Energy Exchange A.G.) and the ECX (European Climate Exchange). Every day, the clearing house settles interim changes in market value with its clearing banks which in turn settle with the market parties concerned (margin calls). This neutralises counterparty risk for each party to the contract. Bilateral margining also implies periodic (daily, weekly etc.) settlement, but directly with the counterparty to the transaction. The contract with the counterparty sets individual minimum limits (thresholds) based on the creditworthiness of both parties. Bilateral margining is only applied if the thresholds are exceeded.

The margining system creates liquidity risk and so risk policy is designed to monitor and match counterparty risk by forward trading and liquidity risk by margining. There is a system for monitoring internal limits using regular reports, to manage both risks.

Financing instruments and counterparty risk when lending money

Management of financing instruments is set out the Treasury Charter drawn up by the Management Board. Counterparty risk on borrowing money is very limited. The risk tolerance formulated in the Treasury Charter is taken into account when lending money. The risk position of a counterparty is measured against the risk tolerance. Risk tolerance is set for each contracting party using an assessment of the counterparty's creditworthiness according to a public credit rating. Counterparty risk is further reduced by dispersion across a number of parties, predetermined limits for each counterparty and maximum lending terms.

The counterparty risk for financial instruments (swap contracts) is limited by:

- the use of framework agreements on ISDA terms; and
- procedures for regular assessment of counterparty risk.

The margining system based on credit support agreements creates liquidity risk. The risk policy is designed to monitor this through regular reporting.

31.2 Market risk

Market risk is the exposure to changes in value in current or future cash flows and financial instruments arising from changes in market prices, market interest rates and exchange rates.

Price risk

Price risks inherent in the energy generation, purchasing and supply portfolios are managed using a structure of mandates and limits adopted by the Management Board using position limits, MtM limits and Value at Risk (VaR)[3] measures. The limits that can best be applied to manage risks are determined for each business activity. The risk managers and energy traders are notified each day of the VaR, the MtM and positions in relation to the limit. Limit infringements are reported in line with escalation procedures.

The market price risk inherent in the commodity portfolios for purchasing and delivering to customers is initially limited by back-to-back transactions for purchase and sales obligations, for which derivative financial instruments are also used. Structured hedging strategies are used where back-to-back hedging is not possible, or only with excessively high transaction charges. In these cases, positions are hedged temporarily in other commodities, delivery periods and/or countries which have an historically strong correlation with the price risks to be hedged. Gas storage and other facilities under the company's own and contracted positions are also used to respond to short-term fluctuations in demand and supply, for example, as a result of changes in the weather.

The market price risk inherent in the company's own 'must run' generation and long-term structured commodity purchase contracts is also limited through back-to-back transactions and structured hedging strategies as described above. The expected proceeds are weighed up against the costs and downward risk for controllable generation in the portfolio. It should be noted that there is no liquid energy trading market for exposures that lie further in the future and they are difficult or impossible to hedge.

3 VaR represents the potential loss on a portfolio in the event of an adverse scenario over a given period, with a 95% confidence interval. VaR calculations are based on price history and include data such as correlations between products, markets and time periods. Retrospective testing is conducted to check the calculated VaR values and the model used is checked.

The positions from the above activities that can be hedged in the markets are combined so that the Group's current net exposure is clear. Management and strategic decisions on these positions take account of prevailing market conditions, along with the expected short and medium-term demand for and supply of energy by the Group. These are created exclusively by the trading department for the entire Group and the other business units must at all times immediately hedge their exposure with the trading department. There is a residual risk in the above activities given the inherent existing imperfections between the positions to be hedged and available hedging instruments, limited market liquidity and movements between commodity prices (for example, between different commodities, delivery periods and/or countries).

The VaR (annual) in the price risk on total commodity positions (purchases, customer deliveries and generation portfolio positions) for the delivery year 2020 was €26.5 million at 31 December 2019 (31 December 2018 - for the delivery year 2019 - €21 million). This VaR was on average €19.4 million in 2019 (2018: €26 million). The lower VaR in 2019 was mainly a result of the fall in gas commodity prices during the year. The VaR (10 day) for portfolio positions that can be hedged in the short term via the market was €2.4 million at 31 December 2019 (31 December 2018: €1.8 million). This VaR was on average €2.3 million in 2019 (2018: €2.3 million).

The Group applies cash flow hedge accounting to its energy generation, purchasing and delivery portfolios and recognises temporary movements through equity for the effective portion of the hedging relationship. The Group aims for a one-on-one hedge accounting relationship between the volumes of the hedged risks and futures contracts (hedging instruments). The sizes and rates of the hedged risks in the cash flow hedge accounting relationships at 31 December 2019 and 2018 were:

Cash flow hedges (GWh)	12 months or less	More than 12 months	Total	Average rate per MWh (€)
Nominal size of contracts				
2019	-450	-701	-1,151	53.68
2018	-3,627	-450	-4,077	35.29

Derivative financial instruments are recognised as 'Derivative financial instruments' in non-current and current assets and non-current and current liabilities in the consolidated balance sheet.

The hedging instruments for hedged commodity risks in cash flow hedges at 31 December 2019 and 2018 were:

Cash flow hedges for price risks in energy generation, purchasing and delivery portfolios	2019	2018
At 31 December		
Gross contract value of the derivative financial instruments (often settled net compared with market price)	-62	-144
Carrying amount of derivative financial instruments[1]	23	12
Movements in elements for assessing hedging relationships		
Movement in fair value of hedged risks to determine possible ineffectiveness	6	-9
Movement in fair value of derivative financial instruments to determine possible ineffectiveness	-11	11
Changes in fair value of the derivative financial instruments in unrealised gains and losses	10	-8
Hedge ineffectiveness included in income statement	-2	-2
Amount recycled from the cash flow hedge reserve to the income statement	9	-1

1 Individual debit and credit amounts for these derivative financial instruments are presented in note 18.3 'Financial instruments recognised in equity'.

Changes in electricity and gas consumption and generation of electricity may lead to ineffectiveness in the hedging relationship. The reclassified amounts and ineffectiveness from cash flow hedges for commodity risks are recognised as ‘Purchases of energy and energy-related activities’ in the consolidated income statement.

Foreign currency risk

Foreign currency risk is the exposure to changes in value of financial instruments arising from changes in exchange rates. The Treasury department is responsible for managing the Group’s other foreign currency risk. Companies included in the consolidation are not permitted to maintain open positions in foreign currencies (excluding commodity-related financial instruments) in excess of €250,000 without the Treasury department’s approval. Based upon the aggregate foreign currency position and the associated limit set for open positions, the Treasury department determines whether hedging is desirable and the strategy to be followed. Eneco also uses derivatives and foreign currency loans to mitigate foreign exchange risk. The derivatives and loans used have counteracting risk profiles and the same underlying currency, principal and timing as the risk arising from commercial operations, leading to an effective hedge on which hedge accounting is applied. This approach hardly ever leads to ineffectiveness in currency hedges. Foreign currency risk attaching to commodity-related financial instruments is managed in accordance with the price risk.

The sensitivity of the Translation reserve in equity to a 1% movement in the sterling/euro exchange rate in 2019 was €2.5 million (2018: €1.2 million).

Eneco has entered into hedging instruments for future cash inflows from its foreign operations (cash flow hedging) and the value of the business operations in the UK (hedge of net investment in a foreign operation). The Group applies cash flow hedge accounting and a hedge of net investment in a foreign operation to its foreign currency risks and recognises temporary movements through equity for the effective portion of the hedging relationship. The Group aims for a one-on-one hedge accounting relationship between the volumes of the hedged risks and futures contracts or foreign currency loans.

The sizes and rates of the hedged risks in the cash flow hedges at 31 December 2019 and 2018 were:

x € 1 million	12 months or less	More than 12 months	Total	Average currency rate (€)
Cash flow hedges				
Nominal value of derivative financial instruments				
2019	26	35	61	0.88
2018	42	46	88	0.87

Derivative financial instruments are recognised as ‘Derivative financial instruments’ in non-current and current assets and non-current and current liabilities in the consolidated balance sheet. If interest-bearing debt is used as a hedging instrument, it is recognised in this item in the balance sheet.

The cash flow hedging instruments for currency risk at 31 December 2019 and 2018 were:

Cash flow hedges for currency risk x € 1 million	2019	2018
At 31 December		
Nominal value of derivative financial instruments	61	101
Carrying amount of derivative financial instruments[1]	1	7
Movements in elements for assessing hedging relationships		
Movement in fair value of derivative financial instruments to determine possible ineffectiveness	-6	-1
Movement in fair value of hedged risks to determine possible ineffectiveness	6	3
Changes in fair value of the derivative financial instruments in unrealised gains and losses	-6	-2
Hedge ineffectiveness included in income statement	-	-
Amount recycled from the cash flow hedge reserve to the income statement	-	1

1 Individual debit and credit amounts for these derivative financial instruments are presented in note 18.3 'Financial instruments recognised in equity'

The sizes and rates of the hedged risks for a net investment in a foreign operation were as follows at 31 December 2019 and 2018:

x € 1 million	12 months or less	More than 12 months	Total	Average currency rate (€)
Hedge of net investment in a foreign operation				
Nominal size of (derivative) financial instruments				
2019	116	100	216	0.85
2018	110	100	210	0.91

Derivative financial instruments are recognised as 'Derivative financial instruments' in non-current and current assets and non-current and current liabilities in the consolidated balance sheet. If interest-bearing debt is used as a hedging instrument, it is recognised in this item in the balance sheet.

The hedging instruments for a net investment in a foreign operation with foreign currency risk were as follows at 31 December 2019 and 2018:

Hedge of net investment in a foreign operation x € 1 million	2019	2018
At 31 December		
Nominal value of derivative financial instruments	216	231
Carrying amount of derivative financial instruments[1]	-121	-113
Movements in elements for assessing hedging relationships		
Movement in fair value of derivative financial instruments to determine possible ineffectiveness	-13	-
Movement in fair value of hedged risks to determine possible ineffectiveness	13	1
Changes in fair value of the derivative financial instruments in unrealised gains and losses	-13	-
Hedge ineffectiveness included in income statement	-	-
Amount recycled from the cash flow hedge reserve to the income statement	-	-

1 Individual debit and credit amounts for these derivative financial instruments are presented in note 18.3 'Financial instruments recognised in equity'

Changes in receipts of cash flows in foreign currency may lead to ineffectiveness in the hedging relationship. The reclassified amounts and ineffectiveness from cash flow hedges for commodity risks are recognised as 'Financial income' or 'Financial expenses' in the consolidated income statement. See the 'Unrealised gains and losses on cash flow hedges' line in the Consolidated statement of comprehensive income for the unrealised gains and losses on currency risks.

Interest rate risk

Interest rate risk is the exposure to changes in value in financial instruments arising from changes in market interest rates. The Treasury department manages interest rate risk. The interest rate risk policy is aimed at managing the net financing liabilities through fluctuations in market interest rates. A specified range for the proportions of loans at fixed and variable interest rates serves as the base tool. The Group may use derivative financial instruments such as interest rate swap contracts to achieve the desired risk profile. If all other variables remain constant, it is estimated that a general increase of 1 percentage point in Euribor (for a period of twelve months) would lead to a decrease in profit before tax of €0.5 million (2018: €0.5 million).

The Group applies cash flow hedging to its interest rate risks and recognises temporary movements through equity for the effective portion of the hedging relationship. The Group aims for a one-on-one hedge accounting relationship between the volumes of the hedged risks and futures contracts (hedging instruments). The sizes and rates of the hedged risks in the cash flow hedge accounting relationships at 31 December 2019 and 2018 were:

Cash flow hedges in € 1 million	12 months or less	More than 12 months	Total	Average interest rate
Nominal value of derivative financial instruments				
2019	21	220	241	1.11%
2018	20	168	188	1.07%

Derivative financial instruments are recognised as 'Derivative financial instruments' in non-current and current assets and non-current and current liabilities in the consolidated balance sheet.

The cash flow hedging instruments for interest rate risk at 31 December 2019 and 2018 were:

Cash flow hedges for interest rate risk	2019	2018
At 31 December		
Nominal value of derivative financial instruments	34	7
Carrying amount of derivative financial instruments[1]	-30	-4
Movements in elements for assessing hedging relationships		
Movement in fair value of derivative financial instruments to determine possible ineffectiveness	-29	-3
Movement in fair value of hedged risks to determine possible ineffectiveness	29	1
Changes in fair value of the derivative financial instruments in unrealised gains and losses	-26	-4
Hedge ineffectiveness recognised in income statement	-	1
Amount recycled from the cash flow hedge reserve to the income statement	3	1

1 Individual debit and credit amounts for these derivative financial instruments are presented in note 18.3 'Financial instruments recognised in equity'

Changes in the scheduling of construction of wind farms may lead to ineffectiveness in the hedging relationship. The reclassified amounts and ineffectiveness from cash flow hedges for interest rate risks are recognised as ‘Financial income’ or ‘Financial expenses’ in the consolidated income statement.

Cash flow hedge reserve

The movements in the cash flow hedge reserve for 2019 and 2018 were:

	Energy commodities	Interest rate swap contracts	Currency swap contracts	total
At 1 January 2018	**14**	**-3**	**-1**	**10**
Effective portion of cash flow hedges	-8	-3	-2	-13
Reclassification of cash flow hedge reserve to the consolidated income statement	-1	1	1	1
Deferred tax liabilities	2	-	-	2
Ineffective portion of cash flow hedges recognised in income statement	-2	1	-	-1
Unrealised gains and losses on cash flow hedges in Consolidated statement of comprehensive income	**5**	**-4**	**-2**	**-1**
Share of movements in cash flow hedges of associates and joint ventures, after tax	-	-2	-	-2
At 31 December 2018	**5**	**-6**	**-2**	**-3**
Effective portion of cash flow hedges	3	-29	-	-26
Reclassification of cash flow hedge reserve to the consolidated income statement	9	3	-	12
Deferred tax liabilities	-2	7	-	5
Ineffective portion of cash flow hedges recognised in income statement	-2	-	-	-2
Unrealised gains and losses on cash flow hedges in Consolidated statement of comprehensive income	**8**	**-19**	**-**	**-11**
Share of movements in cash flow hedges of associates and joint ventures, after tax	-	-7	-	-7
At 31 December 2019	**13**	**-32**	**-2**	**-21**

Translation reserve

The foreign exchange risk in hedging a net investment in a foreign operation affects the translation reserve. The table below shows the effect of the foreign exchange hedges on this reserve:

	2019	2018
At 1 January	**-7**	**-6**
Translation gains and losses during the reporting period	13	-1
Movement in hedge of net investment in a foreign operation	-13	-
Movement in translation reserve before tax effects	**-7**	**-7**
Tax effects in the movement in translation reserve	3	-
At 31 December	**-4**	**-7**

31.3 Liquidity risk

The Group is a capital-intensive business. Its financing policy is aimed at growing into an optimum financing structure taking into account its current asset base and investment programme while maintaining and further developing them. The criteria are access to the capital market and flexibility with acceptable financing costs and conditions.

Most financing for sustainable assets is drawn locally, to the extent this contributes to achieving the project and local financing can be obtained at acceptable financing costs and conditions.
In addition to its own generation, the Group also buys energy on standardised physical supply contracts and long-term structured purchasing contracts with third parties to source its energy

supplies. Arrangements are made with counterparties on mutual guarantees and collateral. Their level depends in part on the creditworthiness of parties and the Marked-to-Market exposures resulting from price movements in the energy markets. A downgrading in the Group's credit rating may, without further mitigation, lead to a significant increase in the capital requirement for providing collateral

A specific liquidity risk arises from margining energy contracts through clearing houses and contracts with bilateral margin obligations. There are limits in the mandate for the Group's purchasing and trading department ('Commodity Trading Mandate') to cover both the outstanding balance and price change sensitivity. This risk is the subject of regular reports to business unit management and the Commodity Risk Team. The sensitivity of the margin call to a 1% change in prices was at 31 December 2019 was €0.1 million (2018: €1.1 million). At 31 December 2019, the Group had received a net amount of €6 million (2018: €16 million received) for margining.

Great importance is attached to managing all the above risks to avoid the Group finding itself in a position in which it could not meet its financial obligations and the necessary management reports, applications and back-up facilities have been set up for this. In addition, liquidity needs are planned on the basis of cash flow forecasts with a medium-term horizon. The cash flow forecasts incorporate operating and investing cash flows, dividends, interest payable and debt redemption. The Group specifically takes the periodicity of its cash flow into account, also allowing for sensitivity to weather influences. The Treasury department sets this capital requirement against available funds. A report is submitted to the Management Board every month.

Uncommitted credit and guarantee facilities
Uncommitted credit and guarantee facilities totalling €564 million (2018: €660 million) have been agreed with a number of banks and €111 million of this had been drawn at 31 December 2019 (2018: €103 million). Eneco also has a €750 million Euro Commercial Paper programme which had not been drawn at the year end.

Committed credit and bridging facilities
In July 2017, Eneco entered into a committed Revolving Credit Facility ('RCF') of €600 million with a term of 5 years.

Cash outflows on financial instruments
The table below shows forecast nominal cash outflows and any interest arising from financial instruments over the coming years. The cash flows from derivatives are based on the prices and volumes in the contracts.

At 31 December 2019	Within 1 year	From 1 to 5 years	After 5 years	Total
Derivative financial instruments	-176	14	-18	-180
Lease obligations	26	92	158	276
Interest-bearing debt	74	350	136	560
Trade and other payables	1,417	23	-	1,440
Total	**1,341**	**479**	**276**	**2,096**

At 31 December 2018	Within 1 year	From 1 to 5 years	After 5 years	Total
Derivative financial instruments	88	18	-	106
Interest-bearing debt	41	331	133	505
Trade and other payables	1,517	49	93	1,659
Total	**1,646**	**398**	**226**	**2,270**

31.4 Netting financial assets and financial liabilities

Where the Group meets the IFRS criteria for netting, financial assets and financial liabilities are netted and recognised net in the balance sheet. Transactions in derivative financial instruments use standardised terms and conditions and contract types such as the master netting agreements based on ISDA and EFET terms. Most of the Group's contracts for derivative financial instruments meet the netting criteria since there is a legally enforceable right to set off the recognised amounts and also because all amounts relating to netted financial assets and financial liabilities are settled as a single sum.

The table below sets out only the financial assets and financial liabilities in the consolidated balance sheet netted in accordance with the criteria in IAS 32. As the table does not include all the financial assets and liabilities in the balance sheet, it is not possible to reconcile these figures with the net amounts presented in the balance sheet.

At 31 December 2019	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets/liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position
Assets			
Derivative financial instruments	1,298	1,035	263
Other financial instruments	659	526	133
	1,957	**1,561**	**396**

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets/liabilities offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position
Liabilities			
Derivative financial instruments	1,286	1,035	251
Other financial instruments	943	526	417
	2,229	**1,561**	**668**

At 31 December 2018	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets/liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position
Assets			
Derivative financial instruments	1,489	1,237	252
Other financial instruments	771	597	174
	2,260	**1,834**	**426**

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets/liabilities offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position
Liabilities			
Derivative financial instruments	1,443	1,237	206
Other financial instruments	1,091	597	494
	2,534	**1,834**	**700**

32. Capital management

The primary aim of the Group's capital management is to maintain good creditworthiness and healthy solvency to support operations and minimise the cost of debt. The Group regards both capital and net debt as relevant elements of its financing and so of its capital management. The Group can influence its capital structure by altering the proportions of equity and debt. Net interest-bearing debt (excluding discontinued operations) is defined as long-term and current interest-bearing debt less cash and cash equivalents.

The Group monitors its capital using the Financial Management Framework. This includes the equity/total assets ratio which is regularly monitored by the Management Board. At year-end 2019 it was 49.2% (31 December 2018: 51.2%).

33. Events after the reporting date

Eneco has won the tender for the Maasvlakte 2 wind farm

Eneco has won the tender for the construction of a wind farm with a capacity of more than 100 MW on the sea wall of Maasvlakte 2 and is now irrevocably committed to developing it. In connection with this, Eneco has entered into commitments of some €0.2 billion which have been secured by a number of bank and group guarantees which do not have a material impact on the total of similar commitments entered into at 31 December 2019 (see 'Guarantees' in note 29 'Contingent assets and liabilities').

Acquisition customer portfolio in Germany

On 3 March 2020, Eneco and its subsidiary LichtBlick signed an agreement for the purchase of a customer portfolio in Germany for the supply of electricity for residential heating and standard use. After approval by the relevant authorities, the transaction is expected to be formally completed during the second quarter of 2020. The purchase involves an amount of some €0.2 billion.

Notes to the consolidated cash flow statement

All amounts in millions of euros unless stated otherwise.

The cash flow statement has been prepared using the indirect method. To reconcile the movement in cash and cash equivalents, the result after tax is adjusted for items in the income statement and movements in balance sheet that did not affect receipts and payments during 2019.

The cash flow statement distinguishes between cash flows from operating, investing and financing activities. The cash flow from operating activities includes interest and income tax payments and interest and dividend receipts.

Development costs, investments in and disposals of non-current assets (including financial interests) are included in cash flow from investing activities. Dividends paid out are recognised as outgoing cash flow from financing activities.

Impact of IFRS 16 'Leases' on the consolidated cash flow statement

Under IAS 17 all lease payments were presented under the heading of operating leases as part of the 'Cash flow from operating activities'. The effect of the application of IFRS 16 is that the net cash flow from operating activities in 2019 rose by €25 million compared with the pro forma figures for 2019 based on IAS 17. In contrast, the net cash flow from financing activities fell by the same amount.

34. Movements in working capital

Working capital consists of inventories and current receivables less short-term non-interest-bearing debt.

The table below shows movements in working capital recognised in the cash flow from operating activities:

x € 1 million	2019	2018
Movements in intangible current assets	14	-111
Movements in inventories	6	-10
Movements in trade debtors	68	26
Movements in other receivables	71	3
Movements in non-interest bearing debt	-104	212
Total	**55**	**120**

List of principal subsidiaries, joint operations, joint ventures and associates

This is a list of the principal subsidiaries, joint operations, joint ventures and associates. See 1.1 'General information' for further details of the Group’s activities and composition.

Subsidiaries

Name	Seat	Share
AgroPower B.V.*	Delft	100%
BioEnergieCentrale Delfzijl B.V.	Rotterdam	100%
CEN B.V.*	Hilversum	100%
Eneco B.V.*	Rotterdam	100%
Eneco België B.V.*	Rotterdam	100%
Eneco Belgium N.V.	Mechelen (B)	100%
Eneco Bio Golden Raand C.V.	Rotterdam	100%
Eneco Consumenten B.V. *	Rotterdam	100%
Eneco Consumenten Nederland B.V. *	Rotterdam	100%
Eneco eMobility B.V.	Rotterdam	100%
Eneco Energy Trade B.V.*	Rotterdam	100%
Eneco Gasspeicher B.V.*	Rotterdam	100%
Eneco Installatiebedrijven B.V. *	Rotterdam	100%
Eneco Installatiebedrijven Groep B.V. *	Rotterdam	100%
Eneco Installatiebedrijven TI B.V. *	Rotterdam	100%
Eneco Leiding over Noord B.V.	Rotterdam	100%
Eneco Mistral B.V.*	Rotterdam	100%
Eneco Services B.V.*	Rotterdam	100%
Eneco Smart Energy B.V.	Rotterdam	100%
Eneco Solar Belgium N.V.	Ghent (B)	100%
Eneco Solar, Bio & Hydro B.V.*	Rotterdam	100%
Eneco UK Limited	Leeds (UK)	100%
Eneco Verda B.V.*	Rotterdam	100%
Eneco Warmte & Koude B.V.*	Rotterdam	100%
Eneco Warmte & Koude Leveringsbedrijf B.V.*	Rotterdam	100%
Eneco Warmtenetten B.V.*	Rotterdam	100%
Eneco Warmteproductie Utrecht B.V.	Rotterdam	100%
Eneco Wind B.V.*	Rotterdam	100%
Eneco Wind Belgium SA	Wavre (B)	100%
Eneco Windpark Delfzijl Noord v.o.f.	Rotterdam	100%
Eneco Windmolens Offshore B.V.*	Rotterdam	100%
Eneco Zakelijk B.V.*	Rotterdam	100%
Eneco Zakelijk Nederland B.V.	Rotterdam	100%
LichtBlick Holding GmbH (previously: LichtBlick Holding AG)	Hamburg (D)	100%
LichtBlick SE	Hamburg (D)	100%
Oxxio Nederland B.V.*	Rotterdam	100%
Quby B.V.	Amsterdam	100%
Windpark de Beemden B.V.	Rotterdam	100%

*A 403 statement was issued by N.V. Eneco Beheer for this subsidiary.

Joint operations

Name	Seat	Share
Blauwwind Management II B.V.	Rotterdam	10%
Enecogen v.o.f.	Rotterdam	50%
Q10 Offshore Wind B.V.	Rotterdam	50%
Seamade N.V.	Oostende (B)	12.5%
Zonnepark Ameland B.V.	Ameland	33.3%

Joint ventures

Name	Seat	Share
EnspireME GmbH	Kiel (D)	50%
Norther SA	Gembloers (B)	25%
PVNED Holding B.V.	Middelburg	33.3%

Associates

Name	Seat	Share
Greenchoice B.V. (previously: Groene Energie Administratie B.V.)	Rotterdam	30%
Next Kraftwerke GmbH	Cologne (D)	35.1%
Thermondo GmbH	Berlin (D)	8.2%
Luminext B.V.	Amsterdam	33.3%

A full list of companies has been filed with the trade registry in Rotterdam pursuant to Section 379 of the Dutch Civil Code.

Company financial statements

Company income statement

x € 1 million	2019	2018
Share of profit of subsidiaries	74	147
Other results after income tax	5	-11
Profit after income tax	**79**	**136**

Company balance sheet

Before profit appropriation

x € 1 million	Note	At 31 December 2019	At 31 December 2018
Non-current assets			
Property, plant and equipment		1	1
Financial assets	3	3,474	3,537
Total non-current assets		**3,475**	**3,538**
Current assets			
Assets held for sale		-	-
Receivables from group companies		216	189
Other receivables		13	4
Cash and cash equivalents		312	174
Total current assets		**541**	**367**
TOTAL ASSETS		**4,016**	**3,905**
Equity			
Share capital		122	122
Translation reserve		-4	-7
Cash flow hedge reserve		-21	-3
Reserve undistributed profit of associates		58	34
Research and development expenses reserve		9	5
Retained earnings		2,689	2,649
Undistributed profit		79	136
Total equity	**4**	**2,932**	**2,936**
Non-current liabilities			
Other provisions		-	-
Interest-bearing debt		167	193
Other liabilities		3	2
Total non-current liabilities		**170**	**195**
Non-current liabilities			
Other provisions		1	-
Interest-bearing debt		68	35
Liabilities to group companies		633	556
Liabilities for tax and social security premiums		176	176
Pension premiums		2	2
Other liabilities		34	5
Total current liabilities		**914**	**774**
TOTAL EQUITY AND LIABILITIES		**4,016**	**3,905**

Notes to the company financial statements

All amounts in millions of euros unless stated otherwise.

1. Accounting policies

The company financial statements have been prepared in accordance with the provisions of Part 9, Book 2 of the Dutch Civil Code, and the same accounting policies have been applied as in the consolidated financial statements as permitted by Section 362(8), Part 9, Book 2 of the Dutch Civil Code, except that subsidiaries are carried at net asset value determined on the basis of the IFRS accounting policies used in the consolidated financial statements. The descriptions of the activities and structure of the enterprise as stated in the 'Notes to the consolidated financial statements' also apply to the company financial statements.

2. Remuneration of the Management Board

See note 6 'Remuneration of the Management Board ' to the consolidated financial statements for the remuneration of Management Board pursuant to Section 383, Part 9, Book 2 of the Dutch Civil Code.

3. Financial assets

	Subsidiaries	Receivables from subsidiaries	Other receivables	Derivative financial instruments	Deferred income tax assets	Total
At 1 January 2018	**2,608**	**397**	**1**	**10**	**1**	**3,017**
Adjustments opening balance at 1 January 2019	13	-	-	-	-	13
Adjusted opening balance at 1 January 2018	**2,621**	**397**	**1**	**10**	**1**	**3,030**
Share of profit of subsidiaries	147	-	-	-	-	147
Dividend received	-1,000	-	-	-	-	-1,000
Revaluations of financial assets	-	-	-	-	-	-
Movements in loans to subsidiaries	-	1,379		-	-	1,379
Movement in cash flow hedges	-13	-	-	-	-	-13
Movements in fair value of financial instruments in equity	-	-	-	-2	-	-2
Movements in deferred income tax assets	-	-	-	-	1	1
Balancing income tax position (assets)	-	-	-	-	-2	-2
Translation differences	-1	-2	-	-	-	-3
At 31 December 2018	**1,754**	**1,774**	**1**	**8**	**-**	**3,537**
Adjustments opening balance at 1 January 2019	-	-	-	-	-	-
Adjusted opening balance at 1 January 2019	**1,754**	**1,774**	**1**	**8**	**-**	**3,537**
Share of profit of subsidiaries	74	-	-	-	-	74
Movements in loans to subsidiaries	-	-131	-	-	-	-131
Movement in cash flow hedges	-17	-	-	-8	-	-25
Movements in deferred income tax assets	-	-	-	-	4	4
Translation differences	5	10	-	-	-	15
Conversion LT receivables into capital contribution	155	-155	-	-	-	-
At 31 December 2019	**1,971**	**1,498**	**1**	**-**	**4**	**3,474**

4. Equity

See note 24 ‘Equity’ to the consolidated financial statements for details of individual components of equity.

Statutory reserves are recognised pursuant to Part 9, Book 2 of the Dutch Civil Code. N.V. Eneco Beheer's statutory reserves are a translation reserve, cash flow hedge reserve, reserve for undistributed profit of associates and a reserve for development costs.

Distributable results
Eneco Groep N.V. distributed a dividend of €68.0 million in 2019 (2018: €63.5 million).

The non-distributable capital attributable to Eneco Groep N.V.'s shareholders at 31 December 2019 was €112 million (31 December 2018: €47 million). The individual method was used for the cash flow hedge reserve.

5. Contingent assets and liabilities

Liability
N.V. Eneco Beheer, as subsidiary of Eneco Groep N.V., has issued a declaration of joint and several liability pursuant to Section 403(1)(f), Part 9, Book 2 of the Dutch Civil Code for the principal subsidiaries marked with an * in the list of subsidiaries, joint operations, joint ventures and associates.

Fiscal unity
N.V. Eneco Beheer and almost all its subsidiaries are members of a fiscal unity for corporate income tax purposes. N.V. Eneco Beheer is also a member of a fiscal unity for VAT purposes, covering part of the Group. All companies in both of these fiscal unities are jointly and severally liable for the tax obligations of the fiscal unity.

Cash pool
As a result of its participation in the Group cash pool, N.V. Eneco Beheer is jointly and severally liable, with the other participants, for deficits in the pool as a whole.

Contingent assets and liabilities
Guarantees
See note 29 'Contingent assets and liabilities' to the consolidated financial statements for group guarantees issued by N.V. Eneco Beheer.

6. Auditor's fees

The information the auditor's fees pursuant to Section 1.1 of the Audit Firms Supervision Act (Wet toezicht accountantsorganisaties - Wta) is disclosed in the consolidated financial statements of Eneco Groep N.V.

7. Proposed appropriation of the 2019 profit

A proposal will be put to the General Meeting of Shareholders on 20 March 2020 to declare a dividend to the shareholders of €68 million from the consolidated profit after tax attributable to the shareholders. This represents a distribution of €254.25 per share for 2019. The dividend will be paid in March 2020. A proposal will also be made to add the remaining €11 million of the consolidated profit to Retained earnings.

Rotterdam, 03 March 2020

N.V. Eneco Beheer

Management Board

L.M. (Ruud) Sondag, chairman
C.J. (Kees-Jan) Rameau
G.A.J. (Guido) Dubbeld
F.C.W. (Frans) van de Noort

Other information

Profit appropriation pursuant to the articles of association

Pursuant to the company's articles of association, the profit is at the disposal of the general meeting of shareholders. Distributions from the profit may only be made if the financial statements show that this is permitted. The articles of association also state that the general meeting of shareholders may resolve to make interim distributions. The provisions of the articles of association and the law apply to the amount and formalities for this.

Independent auditor's report

Independent auditor's report

To the shareholder of N.V. Eneco Beheer

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2019 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the accompanying financial statements 2019 of N.V. Eneco Beheer ("**Eneco**" or the "**Company**"), based in Rotterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of N.V. Eneco Beheer as at 31 December 2019, and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union ("**EU-IFRS**") and with Part 9 of Book 2 of the Dutch Civil Code; and

- the accompanying company financial statements give a true and fair view of the financial position of N.V. Eneco Beheer as at 31 December 2019, and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated balance sheet as at 31 December 2019.

2. The following statements for 2019: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at 31 December 2019.

2. The company income statement for 2019.

3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of N.V. Eneco Beheer in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgement we determined the materiality for
the financial statements as a whole at € 22.5 million. The materiality is based on a weighing of factors of which the most important are:

- 2% of gross margin;
- 5% of operating profit before deprecation, amortisation and impairments;
- 0,5% of revenues from energy sales and energy related activities; and
- 10% of profit before income tax.

Scope of the group audit

N.V. Eneco Beheer is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of N.V. Eneco Beheer

Our group audit mainly focused on significant group entities. We have:

- performed an audit of the financial information at the group entities Retail, Business to Business, Heat & Industrials, Energy Trade, Solar & Wind, Eneco Belgium, LichtBlick and the joint venture Norther;
- performed audit procedures on specific account balances, classes of transactions or disclosures at other group entities including Eneco Smart Energy, Eneco Wind Belgium and the joint operations Blauwwind and Seamade.

For the audit of Retail Belgium, LichtBlick and Seamade we used the work of other auditors from within the Deloitte network. For the audit of Norther and Blauwwind we used the work of auditors from outside the Deloitte network.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Management. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimation uncertainty when determining the Energy Reconciliation

Description of the key audit matter	*How we have audited this key audit matter*
The energy reconciliation for electricity and gas is where purchases and sales are reconciled (the "**Energy Reconciliation**"). The following processes play a key part in preparing the Energy Reconciliation: allocation, reconciliation, gross margin modelling, reconciliation records, and grid loss estimation. The Energy Reconciliation forms the basis for (the completeness of) the revenues from energy sales and the related balance sheet items. The estimation of revenues within the Energy Reconciliation was one of our key audit matters, because, to an extent, the estimation process is complex and subjective and based on assumptions, among which the customers' consumption of electricity and gas. In the context of the application of IFRS 15 Revenue from Contracts with Customers reporting standard, Eneco concluded that, at the moment of delivery of the energy to customers, the revenues and associated costs should be recognized in the income statement. In this respect we also refer to note 2.2 'Revenues' and note 3 'Revenues from energy sales and energy-related activities' in the consolidated profit and loss account, where the estimation of the revenues is explained in more detail.	We have tested the design and the implementation of internal control measures of the Company in respect of the process for preparing the Energy Reconciliation. In addition, we have verified the reliability of the information on which the estimation of revenues has been based and we have assessed the reasonableness, relevance and consistency of the assumptions applied. We have verified the arithmetic integrity of the Energy Reconciliation model. In this respect we have specifically focused on the standard annual consumption and the estimation of the influence of weather conditions on this consumption. In addition, we have performed audit procedures on the revenues still to be invoiced after year-end, including subsequent review testing in 2020.

Reliability and continuity of the automated data processing

Description of the key audit matter	*How we have audited this key audit matter*
For the reliability and continuity of its business operations and for the reliability of its financial reporting, Eneco relies heavily on (the connectivity between) systems, applications and interfaces (the "**IT-infrastructure**"). The design, existence and operating effectiveness of the IT controls with which the IT-infrastructure is managed, are critical for the reliability and continuity of Eneco's processes and, thus, for the preparation of the financial statements. The IT-infrastructure supporting the customer processes for example processes large volumes of transactions. Impairment of the integrity of (customer) data or downtime may lead to the invoicing and the estimation of revenues not being performed accurately, completely and timely whereas recovery is complex. The IT infrastructure supporting Eneco's trade activities is also critical because of the large volume, the significance for the financial results, and the complexity. This is why change management and data protection were among the major focus areas when performing our procedures.	We have tested the reliability and continuity of the IT-infrastructure, to the extent necessary within the scope of our financial statements audit. To this end, we have included specialized IT auditors in our audit team. Our procedures comprised the assessment of the IT-infrastructure developments relevant to the financial statements audit, and subsequently testing the design, the existence and the operating effectiveness of IT control measures. Our management letter to the Board of Management reports the deficiencies that we have identified and our recommendations for further improvements. Following additional (substantive) audit procedures, we have established with reasonable assurance that the deficiencies identified have not resulted in material misstatements in the financial statements. We refer to the paragraph 'Operational risks' in the Report of the Board of Management.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contain other information that consists of:

- Report of the Board of Management including Annexes ("The Report of the Board of Management"); and
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Board of Management is responsible for the preparation of the other information, including the Report of the Board of Management in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the General Meeting as auditor of N.V. Eneco Beheer on as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of the Board of Management for the financial statements

The Board of Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Board of Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

We provide the Board of Management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Management, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, 3 March 2020

Deloitte Accountants B.V.

Was signed,

J.A. de Bruin

Annexes

Personnel

	Annual Report 2019	
	2019	**2018**
Number of own employees		
Total average workforce in FTE	2,775	2,990
Total workforce in FTE at year end	2,802	2,873
Men - women ratio		
Percentage of men and women of the total number of employees in FTE at year end		
Men	67%	64%
Women	33%	36%
Age distribution		
percentage per age group of the total number of employees in FTE at year end		
age 15 - 24	2%	2%
age 25 - 34	28%	29%
age 35 - 44	33%	33%
age 45 - 54	21%	21%
age 55 and over	16%	15%
Diversity		
in percentages at year end		
Women in managerial positions	24%	27%
Employment contract		
in percentages at year end		
Employees with a Collective Labour Agreement (CLA) contract	70%	80%
Employment contract for an indefinite period	2,403	2,607
Men	67%	65%
Women	33%	35%
NL	71%	71%
BE	9%	10%
GE	16%	15%
Other	4%	4%
Employment contract with a fixed term	399	266
Men	69%	62%
Women	31%	38%
NL	57%	72%
BE	0%	0%
GE	27%	19%
0	16%	9%
Employees with an full-time contract	2,217	2,282
Men	92%	83%
Women	48%	39%
Employees with an part-time contract	585	591

	Annual Report 2019	
Men	8%	17%
Women	52%	61%
Absenteeism		
in percentages	4.8%	5.4%

Eneco records most of the workforce data in SAP. Other management systems are used for a number of business units both in the Netherlands and abroad.

Safety performance

Occupational health and safety

For all employees	Eneco Group[1]	Support Functions	Innovation & Ventures	Solar & Wind	Heat & Industrials	Energy Trade	Field Services	CCO	Belgium	Germany
Type of injury										
Accident requiring First-Aid treatment	x	x	-	x	x	-	x	-	-	-
Accident without absenteeism with medical treatment	x	-	-	-	x	-	x	-	-	-
Accident with absenteeism > 1 day	x	x	-	x	x	-	x	-	-	x
Accident with replacement job	x	x	-	-	x	-	-	-	-	-
Injury rate (IR)[2]	0.89	0.40		0.83	1.90		4.66			4.21
Occupational disease rate (ODR)[3]										
Lost day rate (LDR)[4]	91	7		13	41		30			89
Absentee rate (AR)	4.8%	4,7%	1,3%	3,4%	3,3%	1,9%	9,2%	5,6%	4.1%	5.5%
Work-related fatalities	-	-	-	-	-	-	-	-	-	-

1 LichtBlick is not included in the consolidated figures (Eneco Group), but is included corresponding used definitions. We aim to resport consolidated figures including LichtBlick for 2020.
2 Small incidents (First Aid incidents) are not included in the calculation of RIF
3 Only the Netherlands.
4 When calculating 'lost days', planned working days are adhered to. And the day after an incident the counting of the number of days is started.

For all workers (excl. employees)	Eneco Group	Support Functions	Innovation & Ventures	Solar & Wind	Heat & Industrials	Energy Trade	Field Services	CCO	Belgium	Germany
Types of injury										
Accident requiring First-Aid treatment	x	-	-	x	x	x	-	-	-	-
Accident without absenteeism with medical treatment	x	-	-	x	-	-	x	-	-	-
Accident with absenteeism > 1 day	x	-	-	x	x	-	x	-	-	-
Accident with replacement job	x	-	-	-	x	-	-	-	-	-
Injury rate (IR)	-	-	-	-	-	-	-	-	-	-
Work-related fatalities	-	-	-	-	-	-	-	-	-	-

Reporting policy

In this integrated annual report over the financial year 2019, Eneco Group reports on the realisation of its strategy, the policy that is has pursued and the financial and non- financial performance related thereto. This report has been prepared in accordance with the GRI Standards: Core option.

Integrated reporting

Eneco Group's annual report has been prepared as an integrated report on its financial and non-financial performance. With the <IR> Framework of the International Integrated Reporting Council (IIRC), we are able to better clarify the interrelationship between the core elements of our policy in our report. This is also reflected in the value creation model. The content elements required by the <IR> Framework are present in this report. (Profile of the organisation, Governance, Business Model, Risks and Opportunities, Strategy, Performance and Outlook.) The <IR> Framework is based on principles that have a considerable overlap with the sustainable reporting guidelines of the Global Reporting Initiative, the GRI Standards. We link the narrative quality of IIRC to the quantitative method of the GRI Standards.

Eneco's financial year runs from 1 January up to and including 31 December 2019. The previous annual report was published on 21 February 2019.

Reporting in accordance with GRI

In this report, we apply the Global Reporting Initiative Standards (GRI) for the reporting of non-financial information. Below, we will further elaborate two of the most important principles: stakeholder engagement and materiality. We refer to the paragraph Strategy and in particular Market Trends to assess our performance within the broader perspective of sustainable development. With this, we satisfy the GRI principle Sustainability Context. With these three principles together, we also satisfy the principle Comprehensiveness

We have consciously opted for the Core option. This option is in line with our wish and that of our stakeholders to report concisely on our financial and non-financial performance. The Core option means that for each relevant aspect (topic), identified in the materiality analysis, we report on at least one GRI Standard and indicator that corresponds best with our control framework The control framework with the set of strategic KPIs is leading in the choice of topics (see *Topic-specific disclosures and management approach* in the annex GRI content index). In addition, topics are included that our stakeholders have designated as important (see Materiality below). In areas where we conclude that GRI Standards do not correspond sufficiently, we have used the definitions of the relevant strategic KPI.

Stakeholder engagement

Persons and/or groups of persons, organisations and/or companies who have a direct or indirect interest in Eneco and vice versa are regarded as belonging to our circle of direct stakeholders. These stakeholders are necessary in one way or another for the realisation of our objectives: from the perspective of the sector, as a whole, as division or as project. In order to arrive at a clearly defined selection of stakeholders, we have made an analysis based on a model (Mendelow). With this model, we have made a classification based on the influence and importance of stakeholders with regard to the functioning of Eneco Group. In this manner, the concept materiality can be applied better in the context of stakeholders. The group of stakeholders of which the opinion about Eneco and the material themes must be taken into account includes:

Customers (Including consumers, SME, and large-volume business customers): necessary for the continuity of Eneco Group.

Employees: in all countries, necessary for the implementation of the business plan and other activities.

Shareholders: the owners of the company. These are the municipal councils of the 44 shareholding municipalities. In practice, these are represented by the aldermen with participations in their portfolio, who in turn are organisationally represented by the Shareholders' Committee.

Non-governmental organisations: Our One Planet strategy is an important part of our business strategy, in which sustainability is an important driver. This also has a large impact on high-volume business customers (client to asset deals, green electricity). NGOs with an environmental focus such as WWF, Greenpeace, Natuur & Milieu and Urgenda are the most important external assessors of Eneco Group in the One Planet field, with political and media influence.

Regulators: The regulatory framework is of crucial importance for Eneco with regard to both the playing field and revenues (subsidy, heating tariffs) as permit granters for the construction of assets onshore and offshore. Therefore, the opinions of government policymakers are also of material importance.

In connection with the privatisation process, we also added banks, capital providers and credit rating agencies to the category stakeholders who have to be very well informed.

Materiality

We carried out a limited update of the 2018 materiality analysis in this financial year. The point of departure was to determine whether the topics that we had chosen were still topical and relevant. Based on desk research, the list of topics of the previous financial year were compared to the current strategic KPIs, the standard topics in the sector and the topics that came to the fore in the media analysis. This led to a re-categorisation and reclassification of topics (see Materiality matrix).

The top 11 topics were confirmed by the Management Board as most material. In our reporting policy, we have laid down that the materiality analysis is a structural part of our policy. That is to say that the topic of materiality will be a regular agenda item in customer panels, meetings with commercial customers, consultations with shareholders and the Works Council and in regular meetings with credit rating agencies and NGOs. See for further details about what stakeholders regard as important and how we communicate with them the annex Stakeholders and materiality.

In the chapters Result: growth in the delivery of energy, Result: growth in innovative services, Result: growth in sustainable energy and Result: One Planet, we discuss in detail the concrete objectives that we have formulated for the relevant topics via targets for the specified KPIs. We also discuss what we have already done and what we plan to do to realise our objectives. In addition, in the GRI content index, we have included an overview of the GRI indicators that are linked to the most material themes.

Reporting process

Point of departure in the preparation of the annual report was the strategy including strategic themes and key performance indicators (KPIs) as determined by the Management Board. The contents of the annual report is also determined based on the materiality analysis described above. We have made agreements with regard to the reporting process. The responsibility, definition, scope, calculations, necessary resources and systems, quality assurance and the process are determined for each strategic KPI that is linked to a strategic theme. The development of each strategic KPI is reported periodically and discussed with the boards of the Eneco entities involved. The Internal Audit Department ensures the correctness and completeness. Where necessary remedial action is taken.

Information gathering and accountability
We have a process description for the preparation of the annual report. The general rule is that the Management Board is responsible for the integrated annual report. The Management Board has delegated the preparation of the annual report to a process manager who leads a multidisciplinary team. The responsibility for the contents of the report is divided between the departments Strategy, Communication and Finance. The financial and non-financial strategic KPIs are an integral part of the planning and control cycle. The results are discussed in the regular business reviews. A responsible officer is appointed for each topic based on an accountability index. The Management Board reviews the final version before it is submitted to the Supervisory Board.

Definitions

Determining the CO_2 emissions of our chain (suppliers, customers, and our own operations) in accordance with the Greenhouse Gas (GHG) Corporate Value Chain Standard and ISO 14064-1 standard. We report on CO_2 equivalents, i.e. CO_2, CH_4, NO_x.

SDGs

We report on the Sustainable Development Goals (SDGs) of the United Nations that are relevant for us. These goals were drawn up in order to make the world 'a better place' by 2030. Eneco Group contributes to the realisation of these goals to the best of its abilities. In the chapter Result: One Planet, we provide insight into the chosen SDGs, the targets and the alignment with our control framework.

Assurance non-financial information

In order to assess the reliability of our reporting, we asked Deloitte Accountants to assess the strategic KPIs and the application of the Core option of the GRI Standards (limited assurance) in addition to the financial statements. The assurance report can be found on page (see page 76).

Postbus 8208, 3009 AE Rotterdam

Dhr. H.E. António Guterres
Secretaris-Generaal
Verenigde Naties
New York, NY 10017
USA

Rotterdam, 21 februari 2020

Verklaring Eneco aangaande voortzetting ondersteuning van de principes van de UN Global Compact

Geachte secretaris-generaal,

Het doet ons deugd te bevestigen dat Eneco Groep N.V. de Tien Principes van de United Nations Global Compact betreffende mensenrechten, arbeid, milieu en corruptiebestrijding blijft ondersteunen. Met dit schrijven geven wij uitdrukking aan ons streven om deze principes toe te passen. Wij zetten ons in om de UN Global Compact en de principes daarvan deel uit te laten maken van onze bedrijfsstrategie, cultuur en dagelijkse werkzaamheden en om betrokken te zijn bij samenwerkingsprojecten ter bevordering van de bredere ontwikkelingsdoelstellingen van de Verenigde Naties, in het bijzonder de Sustainable Development Goals (SDG's). Eneco zal deze inzet in een duidelijke verklaring kenbaar maken aan haar belanghebbenden en het brede publiek.

Wij zijn ons bewust dat het indienen van een jaarlijkse toelichting over de voorgang van de wijze waarop onze organisatie zich inzet om de Tien Principes toe te passen, een belangrijke eis is voor deelname aan de UN Global Compact. Het doet ons deugd u hierbij ons geïntegreerde jaarverslag te doen toekomen waarin wij verslag doen over onze voortgang ten aanzien van de meest relevant SDG's en de Tien Principes. Ten behoeve van de leesbaarheid is ook een UNGC-index opgenomen in ons jaarverslag.

Hoogachtend,

L.M. Sondag
CEO

Eneco B.V. - P.O. Box 8208, 3009 AE Rotterdam - T 0031 88 895 11 11 - I www.eneco.nl
Chamber of Commerce Rotterdam 24433142 - NL65ABNA0640001025 - NL.8192.41.222.B01

UN Global Compact

As a member of the UN Global Compact, we report on our progress with regard to the ten principles in each of the four focus areas (human rights, labour conditions, the environment and anti-corruption). This progress report, the 'Communication on Progress' (CoP), is included in the annex Communication on Progress.

GRI content index

General Disclosures

GRI Standards 2016	Description	Reference
Profile		
102-1	Name of the organisation	Profile(see page 4)
102-2	Main activities, brands and products and services	Profile(see page 4)
102-3	Location of the head office	Financial Statements Note 1.1 (see page 85)
102-4	Location of operations	Profile(see page 4)
102-5	Ownership and legal form	Governance(see page 62)
102-6	Important markets (geographical division, sectors and type of customers)	Profile(see page 4)
102-7	Scale of the organisation	Overview of the main results (see page 5), Energy trading and procurement(see page 28)Financial Statements(see page 79), Reporting policy(see page 170), Personnel(see page 167)
102-8	Information about the total workforce	Personnel(see page 167)
102-9	The organisation's value chain and supply chain	One Planet(see page 49): Circularity
102-10	Significant changes during the reporting period	Financial Statements note 15, One Planet(see page 49): Circularity
102-11	Note about the application of the precautionary principle	Risk management(see page 64)
102-12	External economic, environment-related and social charters or principles to which the organisation subscribes	One Planet(see page 50): Sustainability scoresReporting policy(see page 170)
102-13	Membership of associations	Document View our memberships
Strategy		
102-14	Statement of the senior decision-maker of the organisation on the relevance of sustainable development for Eneco Group and its strategy to aim for sustainable development	Foreword Management Board(see page 2)
Ethics & Integrity		
102-16	Values, principles, standards, and norms of behaviour of the organisation	Integrity and compliance(see page 72)
Governance		
102-18	Governance structure	Governance(see page 62)
Stakeholder engagement		
102-40	List of stakeholder groups	Reporting policy(see page 170)
102-41	Percentage of employees falling under a collective labour agreement	Personnel(see page 170)
102-42	Basis for identifying and selecting stakeholders	Reporting policy(see page 170)
102-43	Approach to stakeholder engagement	Stakeholders and materiality(see page 178)
102-44	Result stakeholder management	Stakeholders and materiality(see page 178)

GRI Standards 2016	Description	Reference
Reporting		
102-45	Operational structure of associates	Associates in Financial Statements
102-46	Process for the determination of the content of the report and application of GRI principles	Reporting policy(see page 170)
102-47	List of material themes	Stakeholders and materiality(see page 178)
102-48	The effect of any restatements of information given in previous reports	Customer satisfaction after customer contact, footnote page 13
102-49	Changes in reporting compared to previous reporting periods	What is material?(see page 24)
102-50	Reporting period	Reporting policy(see page 170)
102-51	Date of most recent report	Reporting policy(see page 170)
102-52	Reporting cycle	Reporting policy(see page 170)
102-53	Point of contact for questions about the report or the contents of the report	Box: Publication, inside of cover
102-54	In accordance option that the organisation has chosen	Reporting policy(see page 170)
102-55	GRI content index	GRI content index(see page 174)
102-56	External assurance policy	Reporting policy(see page 170), Assurance report(see page 76) and Report of the Supervisory Board(see page)

Topic-specific disclosures and management approach

Material themes linked to GRI	Definition	GRI standard 2016	Strategic KPI	Scope	Strategy and policy	Objectives / control framework
1 Contributing to the energy transition	Eneco contributes to the energy transition by focusing on reducing the share of electricity that is generated with fossil fuels and increasing the share of sustainably produced energy. This concerns the percentage of produced sustainable electricity (owned by Eneco and/or with PPAs) compared to Eneco's total delivery portfolio.	302-1	Share of sustainable energy in relation to delivery portfolio	NL, DE, B	Strategy(see page 20)	Trade and purchase of energy (see page 28) Sustainable energy,(see page 36) innovative services, (see page 30) In and around the home (see page 30)
2 Safety, health and well-being	We consider the safety, health and well-being of our employees to be very important. Safety, also at sub-contractors, is given top priority. We aim for zero incidents and attention for vitality, with as result low absenteeism.	403-2	RIF	NL, DE, B	Safety(see page 56)	Value creation, page 19 Safety(see page 56), Safety performance(see page 169)
3 Privatisation of the organisation		N.A.	N.A.	NL, DE, B	Foreword(see page 2)	Sale(see page 6)
4 Expanding innovative services	Innovation is essential in the energy transition. We develop innovative services in and around the home and for electric transport and energy management of businesses. We aim for a leading position in these three segments and participate in start-ups.	N.A.	# contracts	NL, DE, B	Strategy(see page 20)	Innovative services(see page 30)
5 Growth in heating solutions (gas transition)	Facilitating the heating transition and maintaining the value of heating customers is our objective. Eneco aims to develop and offer attractive propositions for the relevant market segments in order to maintain its market position and retain the value of its customers. On the one hand, through densification and expansion of the existing network and, on the other hand, through a strong position in individual heat pumps (hardware, operation and field services) in the Netherlands and Belgium.	302-1	Value heating customers	NL	Strategy(see page 20)	Steam and heat, page 38
6 Relevant for the customer	Eneco wishes to remain relevant for its customers by offering a sustainable product range with which customers can live more sustainably and by providing high quality services. Our service levels are in order where proactive advice, switching and information are concerned. We offer customers convenience and insight into their data via further digitalisation. With data insights and a smooth digital customer journey, we realise a good personal experience for the customer. Our complaints management is at a high level.	N.A.	Customer satisfaction	NL, DE, B	Strategy(see page 20)	Value creation, page 13 Digitalisation of services(see page 28)
7	To double our available sustainable capacity from 1,100 MW to 2,200 MW in five years' time. This concerns all our	201-1	Share of sustainable energy in	NL, B	Strategy(see page 20)	Sustainable energy(see page 36)

Material themes linked to GRI	Definition	GRI standard 2016	Strategic KPI	Scope	Strategy and policy	Objectives / control framework
Investing in renewable sources - Origin E+G+H	own sustainable electricity production capacity (MW) and sustainable production capacity for heating (MWth) (Wind, Solar, Biomass proportional based on ownership). We also report the origin of our energy under this definition. Besides our own development of sustainable energy, we also purchase green electricity based on long-term contracts. This offers a good guarantee for investors in sustainable production, who only invest if they can purchase electricity for a longer term. At the same time, we give even more customers access to sustainable energy. We will thus increase the percentage of sustainably produced electricity in relation to our total delivery portfolio from 21.6% at present to 50% in 2022.		relation to delivery portfolio			
8 Local community management - base of support for renewable energy projects	We can only realise sustainable energy projects in good harmony with the local community. We seek to create and maintain support for new projects. For instance, by respecting the biodiversity on land and at sea. Together with partners, we take measures to protect nature on land and at sea.	N.A.	One Planet	NL, B	Local community management (see page 40)	Local community management (see page 40)
9 Competitive pricing - (retaining customers)	Studies show that customers still consider the price of energy to be very important, in addition to the origin of energy. In order to retain customers, we offer them sustainable energy at a competitive price.	201-1	#contracts	NL DE, B	Strategy(see page 20)	Fluctuations in tariffs(see page 29)
10 Contributions to Paris climate agreements	We aim to contribute to the goals of the Paris climate agreement of 2015. This means that our chain emissions (the related emissions of our suppliers, our own operations and our customers) must remain limited to the carbon budget to keep global warming below 2ºC. This budget was calculated for Eneco using the method of the Science Based Target initiative (SBTi), that was initiated by the World Wide Fund for Nature, the UN Global Compact and the World Resources Institute. Eneco's main contribution lies in increasing the sustainability of the energy supply, stimulating e-mobility and increasing the sustainability of its own mobility, with which Eneco also contributes to clean air.	305-5	One Planet	NL DE, B	One Planet(see page 42)	Value creation, page 17 One Planet,(see page 42) Innovative services(see page 30)
11 Returns from a financially healthy company - growth in NL, DE and B	Eneco Group is a financially healthy company with a clear growth ambition in the Netherlands, Belgium and Germany. We aim to generate a healthy return for our (future) shareholders. We express this in ROCE that shows the return that we can achieve with our current investments (invested capital).	201-1	ROCE	NL, DE, B	Strategy(see page 20)	Financial result(see page 60) Financial Statements(see page 79)

Stakeholders and materiality

Stakeholder	contact moments	topics	page
Customers	customer surveys	service level	
	website	complaints handling	
	customer magazine	proactive advice	
	social media	easy to switch	
	customer service	digital and self-service	
	account management	data privacy	
		sufficient sustainable energy	
		supporting contribution to the energy transition	
		learning from innovative company such as Eneco	
		linking energy requirement to Eneco wind farms and solar parks	
		competitive price	
		heat solutions	
Shareholders	AGMs, regular contacts	sale of organisation	
	Shareholders' Committee	returns from a financially healthy company	
	Annual Report	return on investments in renewable sources	
		risks and opportunities international activities	
		local sustainable energy projects	
		governance organisation	
Employees	Central Works Council	safety	
	town hall meetings	fair remuneration	
	annual report	health and well-being	
	alignment survey	employment	
	internal media	composition of the top of the company	
	work consultations	privatisation	
Nature and the environment	regular consultations	how sustainable is Eneco	
	annual report	contributing to climate change	
	benchmarks	contributing to the energy transition	
		care for biodiversity	
		origin E+G+H	
Financial stakeholders	regular consultations	sustainability of business model	
	annual report	strategy and risk management	
	annual audits	investing in renewable sources abroad	
		compliance	
		anti-corruption	
Local residents - housing corporations	various contact moments	safety	
		air quality	
		biodiversity	
		heat solutions	

Declaration of compliance with Suppliers Code of Conduct

regarding data from low-volume meters that can be read remotely.

Name of legal entities: Eneco Consumenten B.V. and Eneco Zakelijk B.V., hereafter jointly referred to as Eneco, and Oxxio Nederland B.V. and CEN B.V., hereafter jointly referred to as Oxxio.

Registered offices: Rotterdam (Eneco) and Hilversum (Oxxio).

Period: 01 January 2019 up to and including 31 December 2019

Eneco and Oxxio make use of meter data obtained from low-volume meters that can be read remotely in order to carry out their services properly. As a supplement to the Personal Data Protection Act (now the General Data Protection Regulation), suppliers and meter reading companies acting under their responsibility in the Dutch energy sector have drafted a code of conduct regarding the use, recording, exchange and storing of data obtained from low-volume meters that can be read remotely.

Eneco B.V. hereby states, duly represented in this matter by its director F.C.W. (Frans) van de Noort, in its capacity as director of Eneco Consumenten Nederland B.V., who in turn is the director of Eneco Consumenten B.V., Oxxio Nederland B.V. and CEN B.V., as well as in its capacity as director of Eneco Zakelijk Nederland B.V., who in turn is the director of Eneco Zakelijk B.V., that Eneco and Oxxio have complied with the rules and obligations laid down in the Suppliers of Smart Meters Code of Conduct 2012 during the above-mentioned period.

Article 3.1.2 of the code of conduct states that personal meter data must be processed in accordance with the law. With regard to this specific issue, it should be noted that the General Data Protection Regulation (GDPR) came into effect on 25 May 2018. Eneco carried out a large number of activities in order to comply with this legislation in the correct manner. In addition, Eneco drew up a proposal for a new code of conduct, together with Energie Nederland, containing the obligations that follow from the GDPR. This proposal was discussed with the Personal Data Protection Authority and is expected to come into force in 2020 after formal approval by the Personal Data Protection Authority.

Rotterdam, January 2020

F.C.W. (Frans) van de Noort,
Member of the Management Board

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N.V. Eneco Beheer
Communications & Public Affairs
P.O. Box 1003
3000 BA Rotterdam
The Netherlands
Telephone: Int. + 31 (0)88 806 0600
corporatecommunicatie@eneco.com
www.eneco.com

Design
C&F Report

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Factors that can lead to this include, but are not limited to, the general economic situation, the situation in the markets in which Eneco operates, the behaviour of customers, suppliers and competitors, technological developments and legal judgements and stipulations of regulatory bodies that affect the activities of Eneco.

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N.V. Eneco Beheer
P.O. Box 1003
3000 BA Rotterdam
The Netherlands
www.eneco.com