Moving energy forward

Making progress together

2022 Sustainability Report

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Abbreviations

The following table contains many of the abbreviations used in this report. You can consult this table at any moment by clicking on the abbreviation in the text and then going back to the same page with the button in the top corner of this page.

B	BCP	Business Continuity Plan
C	CCUS	Carbon Capture, Utilization, and Storage
	CFO	Chief Financial Officer
	CHRO	Chief Human Rights Officer
	CHP	Combined Heat and Power
	CISO	Chief Information Security Officer
	CMRT	Conflict Minerals Reporting Template
	CMS	Compliance Management System
	CoC	Code of Conduct
	CSRD	Corporate Sustainability Reporting Directive
	CTO	Chief Technology Officer
D	DEI	Diversity, Equity, and Inclusion
E	EHS	Environment, Health, and Safety
	ESG	Environmental, Social, and Governance
	EMS	Environmental Management System
	EnMS	Energy Management System
G	GHG	Greenhouse Gas
	GRI	Global Reporting Initiative
I	IEA	International Energy Agency
	IMS	International Energy Agency
	IRA	Inflation Reduction Act
L	LCA	Life-Cycle Assessment
N	NPI	New Product Introduction
O	OEM	Original Equipment Manufacturer
R	R&D	Research and Development
S	SASB	Sustainability Accounting Standards Board
	SBTi	Science Based Targets initiative
	SMART	Specific, Measurable, Achievable, Realistic, and Time-bound
	SRB	Sustainability Review Board
	STEM	Science, Technology, Engineering, and Math
T	TCFD	Task Force on Climate-Related Financial Disclosures
U	UNFCCC	United Nations Framework Convention on Climate Change
	UN SDGs	United Nations Sustainable Development Goals
W	WRI	World Resources Institute

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Executive summary

This non-financial disclosure is a comprehensive overview of INNIO Group Holding GmbH's Environmental, Social, and Governance (ESG) strategy. We have followed the well-recognized Global Reporting Initiative (GRI) structure to outline and communicate on our progress. In doing so, we aim to provide our stakeholders with information in a structured, standardized, and transparent format.

"Making progress together" demonstrates how INNIO's journey has progressed since setting our baseline goals in 2020. We identify our sustainability targets across three strategic pillars: Low-Carbon and Circular Products, Resilient Supply Chain and Manufacturing, and Responsible Operations and Social Responsibility. All pillars are underpinned by good governance, business ethics, and transparency. This report showcases the tangible improvements and progress we have made across these pillars in the reporting year 2022.

Climate change requires collaborative action. Together, we are actively driving and enabling the energy transition, and this report presents case studies detailing how INNIO's energy solutions are decarbonizing industries and supporting communities with reliable combined heat and power (CHP) generation.

We recognize procurement as a key area of opportunity for driving sustainability and circularity forward in our operational value chain. Therefore, we have dedicated the central chapter of this report to comprehensively outline the steps INNIO is taking as an industry leader in the area of sustainable procurement.

This report also details our progress around sustainability. 2022 was a strong year in terms of financial performance, increased factory output, and the expansion of our workforce. As we grow our business, we continue to make tangible improvements across our three sustainability strategy pillars.

Notable progress includes a 37% increase in the share of renewables in our own energy mix. The installation of approximately 1,500 square meters of photovoltaics at our headquarters in Austria also supports the decarbonization of our own operations. Overall, our Scope 1 and 2 GHG emissions intensity decreased by 16%. We also reduced our Scope 3 emissions by approximately 769,000 tCO_2-e since 2021, which could translate to approximately 5 million tCO_2-e when taking into account the typical eight-year life cycle of our engines.

Additionally, we have increased the percentage of recycled material inputs sourced for our products to 56%. INNIO's direct material procurement dedicates 75% of our spend to suppliers with an ESG rating, with 19% of our spend awarded to suppliers with a Gold or Platinum EcoVadis medal.

Creating a diverse work environment is central to our growth and innovation. In 2022, we increased gender diversity by 4% to reach 17.4%, maintaining 45% diversity in corporate functions. With 57% of promotions filled internally, INNIO's prioritization of talent development demonstrates our dedication to building long-term careers. The number of eTrainings completed by internal employees also increased significantly to 44,098 last year.

Maintaining a safe work environment is of key importance to us, and our rate of recordable work-related injuries decreased by 5% in 2022. We continue to maintain a strong track record of zero fatalities in our operations. INNIO's high standards were recognized by Canada's Safest Employers Awards, which presented our Welland site with an Excellence Award in the Safest New Employer category in 2022.

INNIO continues to be top-rated by both EcoVadis (Platinum medal) and Sustainalytics (rated number 1 in our industry).

This Sustainability Report has been externally assured. KPMG Austria GmbH Wirtschaftsprüfungs und Steuerberatungsgesellschaft has performed an independent limited assurance engagement on the combined consolidated non-financial report ("NFI report") for the financial year 2022. For the assurance report, please see pages 200-202.

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Introduction

Dear Stakeholders,

I am happy and proud to see INNIO systematically making progress and enacting positive changes for the environment, people, society, and the future of energy.

We at INNIO, like society as a whole, are facing a multitude of challenges on economic, social, political and environmental grounds. 2022 was certainly a year in which we experienced all of them.

The COVID-19 pandemic, the war on Ukraine, and the energy crisis, together with cost pressures and inflation, were all determining factors of our business management efforts this past year.

In support of those affected by global humanitarian crises, our management team, employees, INNIO Volunteers, and Works Council joined forces to provide assistance and support in various ways.

Despite all the challenges 2022 brought, we are navigating INNIO with great success, increasing our sales, growing our talented teams, and serving our customers with innovative products.

At the same time, sustainability remains well-established at the center of our operations, and our focus has never been higher. The hard work of our teams brings us systematically closer to our long-term decarbonization and sustainability goals, and the results we saw in 2022 demonstrate this past year was no exception.

It is very motivating to see that our economic growth could be achieved with less energy use and smaller emissions than in the past. In addition, our H_2-ready fleet continues to gain new customers and experience increased demand worldwide.

Our sustainability goals and ambitions are clearly defined around the material issues. They encompass:

- **'Low-Carbon and Circular Products'** - enabling our customers in the process of decarbonizing energy.
- **'Resilient Supply Chain and Manufacturing'** - decarbonizing our own operations and value chains while enhancing opportunities in the responsible use of resources through reclaiming, remanufacturing, and reuse of products.
- **'Responsible Operations and Social Responsibility'** - maintaining our compass as we strengthen our collaboration with societies and build value with our employees and stakeholders under the umbrella of good governance, business ethics, and transparency.

I am proud of the teams for the achievements we made in 2022 around increased gender diversity, reduced energy use, and increased share of renewables in our operations, product development, and robust ESG practices in our supply chains, just to name a few.

As a sponsor of our Sustainability Review Board, I am convinced that we have taken the right steps to drive our journey – together. We have well-structured accountability within our organization to make measurable and meaningful progress.

I enjoyed spending time and engaging with our customers, suppliers, and employees throughout 2022, and I am truly inspired by how much we can achieve when we mobilize our forces and act together to build a sustainable future.

Results from the hard work and commitment of our employees world-wide is evident in our progress, and INNIO can be proud of our excellent sustainability ratings in 2022 going into 2023.

I am optimistic about the opportunities ahead of us and believe in the role INNIO plays to enable and create a sustainable future with better energy.

– Dr Olaf Berlien, President and CEO INNIO

01

About INNIO

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INNIO is a global business

INNIO is a leading energy solution and service provider that empowers industries and communities to make sustainable energy work today. With our product brands Jenbacher and Waukesha and our digital platform myPlant, we offer innovative solutions for the power generation and compression segments that help industries and communities generate and manage energy sustainably while navigating the fast-changing landscape of traditional and green energy sources. INNIO is individual in scope, but global in scale. With our flexible, scalable, and resilient energy solutions and services, we enable our customers to manage the energy transition along the energy value chain wherever they are in their transition journey.

INNIO is headquartered in Jenbach (Austria), with other primary operations in Waukesha (Wisconsin, U.S.) and Welland (Ontario, Canada). A team of more than 4,000 experts provides life-cycle support to the more than 55,000 delivered engines globally through a service network in more than 100 countries.

INNIO's improved ESG Risk Rating again secures the number one position across more than 500 companies globally in the machinery industry assessed by Sustainalytics.

INNIO Group at-a-glance:

4,173
Employees

55,000+
Engines delivered

78
Nationalities

12,000+
Assets connected to myPlant

36
Locations

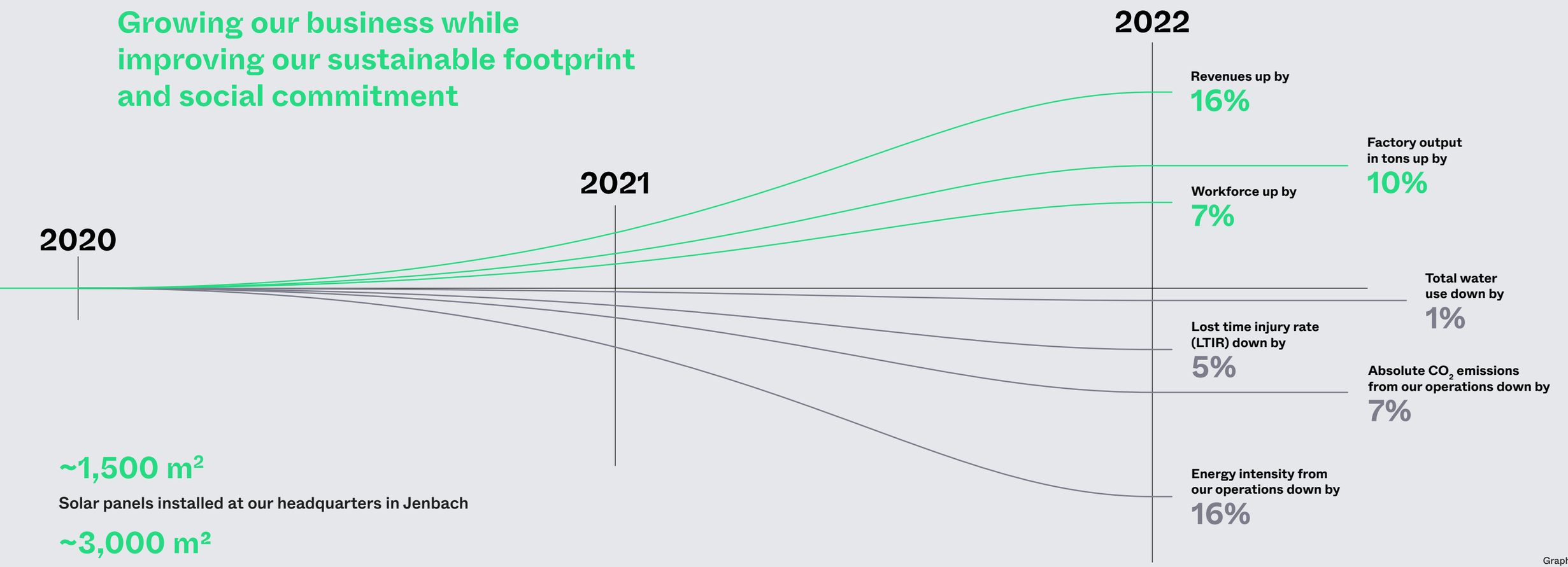
5
Global engineering centers

100+
Countries in our service network

~500
R&D engineers

ESG progress in 2022

Growing our business while improving our sustainable footprint and social commitment



Graph 1

~1,500 m²
Solar panels installed at our headquarters in Jenbach

~3,000 m²
Green roof installed at our headquarters in Jenbach

13%
Share of renewables in total energy consumption for 2022

+42%
Renewable energy mix in our operations

19%
Of direct material supplies procured from Gold- & Platinum-rated suppliers (EcoVadis)

80%
Among top 200 direct suppliers with EcoVadis rating

56%
Share of recycled items in material input

+5%
Share of recycled items in material input

+8%
Hours of training

+4%
Gender diversity

Values, purpose, vision, & mission

Our vision:

Leading and empowering the transition to green energy.

To achieve the transition to green energy, we are encouraging discussions and collaborations that inspire, with the aim of including and elevating more voices. Our powerful purpose and vision are designed to unite employees, customers, and cultures around the globe. Now, more than ever, we are focused on collaboration as we work together toward net zero and make our employees proud to come to work every day.

Our purpose:

Changing the world with better energy.

As a green technology pioneer, INNIO is empowering customers to move confidently toward a net zero future. Our decentralized and flexible energy solutions range from renewable to 100% green hydrogen, building resilience for businesses and industries while reducing carbon intensity.

We share our expertise as we embrace the transition to net zero. INNIO is taking advantage of emerging energy solutions and accelerating the use of renewable energy sources to empower a secure, affordable, and sustainable energy supply.

Sustainability and the Environmental, Social, and Governance (ESG) framework are deeply integrated into INNIO's purpose, vision, and mission. Our corporate purpose is simple and clear: **Moving energy forward.**

We align our efforts with INNIO's stakeholders to ensure meaningful impact. We make joint and valuable progress in areas of collaboration, including the value chain, transparent procurement activities, responsible manufacturing operations, product innovations, and the development of energy solutions that enable the energy transition. Our diverse employees are at the center of all we do. We highly appreciate their personal engagement and passion for innovation, and we actively support their professional development. In doing so, we responsibly create a better future for INNIO and our customers, suppliers, and society.

Focusing on ESG at INNIO: Making progress together

I would like to welcome you to INNIO Group's annual Sustainability Report, "Making progress together," which highlights the Group's 2022 activities and achievements and examines INNIO's goals, ambitions, opportunities, and initiatives in the fields of ESG.

"Making progress together" is the third annual, non-financial report. The issuance of this report is not aligned with the financial report, but covers the same reporting period. This annual non-financial reporting cycle started in 2020 with the publication of our first sustainability report, "Together for a sustainable future." That was followed by "Together towards zero" for the year 2021. The word "together" plays a central role in our sustainability journey. It highlights INNIO's collaborative approach in engaging various stakeholders, making a joint effort for a better future and, most importantly, creating impact in the most relevant areas, such as enabling the energy transition and decarbonization. All employees at INNIO are part of the sustainability team, and we portray their stories and perspectives on sustainability throughout this report. Because collaboration with our suppliers and customers plays a central role in our progress, we also highlight selected examples of joint efforts.

The purpose of our ESG disclosure goes far beyond simply meeting reporting standards. It is an instrumental communication platform and tool to building stakeholder engagement in a transparent and structured way; describing the status of our ESG journey, our goals and ambitions; and, most importantly, demonstrating the progress we jointly make and the challenges we resolve toward our sustainability goals.

To make our reporting comparable and structured in its form, we follow well-recognized reporting standards such as the Global Reporting Initiative (GRI) and Sustainability Accounting Standard Board (SASB). We continuously and gradually are expanding our coverage with emerging standards such as Task Force on Climate-Related Financial Disclosures (TCFD) and EU Taxonomy. INNIO also aims for harmonization with the Corporate Sustainability Reporting Directive (CSRD). We recognize and welcome the fact that the ESG space is becoming more regulated, standardized, and comparable across companies, industries, and regions. Additionally, we think that consolidation across standards, frameworks, and rating methodologies will help companies streamline resources and allocate efforts to areas with the greatest impact.

Reflecting on 2022, together with the Sustainability Review Board (SRB) and INNIO employees, we were able to successfully establish working groups dedicated to specific priority impact topics such as the circular economy, where we focus on the reuse of products; carbon management, regarding the reduction of Scope 1, 2 and 3; diversity, equity, and inclusion (DEI), focusing on diverse talent attraction and engagement; and digitalization of ESG management, which oversees the implementation of systematic and software-based KPI reporting. Each of these groups has a clear target to contribute to INNIO's overall sustainability path.

This report is dedicated to showcasing the progress INNIO was able to make in the last year around sustainable initiatives, projects, and corresponding metrics. We specifically discuss those in the "Progress and Performance" section as well as in the KPI tables of this report. We are dedicating a section of this year's report to procurement activities, initiatives, policies, and programs as well as collaboration with suppliers. Our goal is to further build a transparent, resilient, and near-zero emissions value chain.

Join us on our journey!

- Marcin Kawa, Vice President Group Sustainability

“ Our teams are proud to be part of the transition journey to net zero. This is inspiring and meaningful for all of us. I would say INNIO provides more than a job—it provides a purpose. In Human Resources, we look at sustainability from a career growth and personal development perspective.”

Gaby Meister
HR Director Global Engineering,
Corporate Functions & Talent Attraction

Sustainability strategy & goals

Our journey

In recent years, the term “sustainability” has evolved to represent and encompass a variety of meanings. It sometimes is a marketing term or buzzword that is used as a means of greenwashing. However, for many years, sustainability has been embedded in INNIO’s activities, processes, and products. Here, it is a tool that encapsulates a serious and structured approach to tackling both the challenges and the opportunities related specifically to our climate, the environment, ecosystem support, resilience, and transparent business governance.

At INNIO, we believe the time is now to set ambitious and tangible goals that will make a positive impact going forward.

We recognize that the nature of sustainability makes it a long-term journey. Indeed, we place sustainability at the center of our vision, mission, and business strategy, and we execute it in our daily operations through specific objectives.

UN SDGS

Setting our strategy

Our Purpose,
Vison, & Mission

Leading the energy transition to make a decarbonized world come true.

Our Values,
Corporate Identity, & Commitment

- We act as owners of our business
- People and teamwork are our core
- We challenge the status quo
- Technology drives us
- We are passionate about customer success
- We make things happen

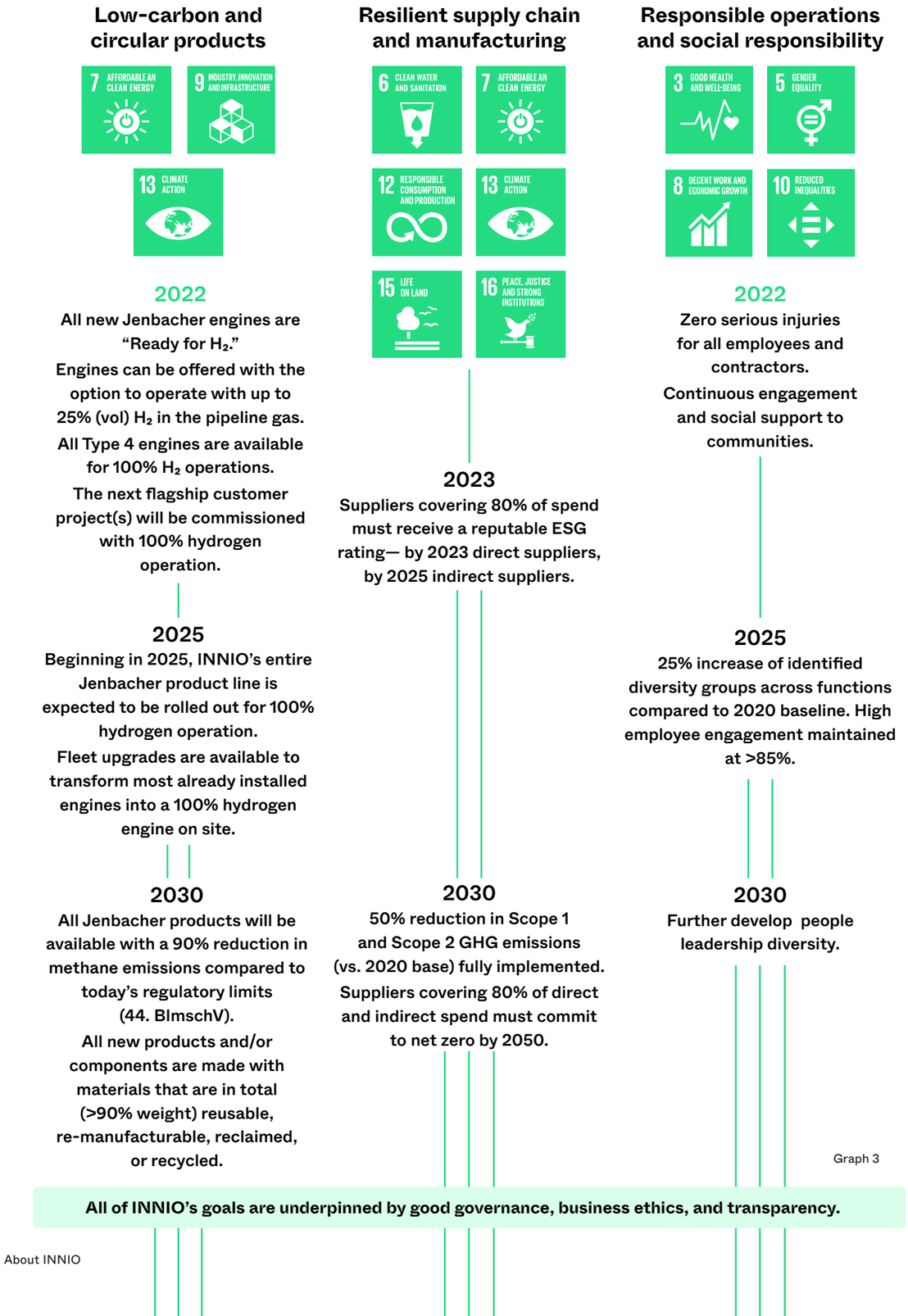
Our Goals,
Material Topics, & Impact Areas

- Low-carbon & circular products
- Resilient supply chain & manufacturing
- Responsible operations & social responsibility

Our Foundation,
Program Implementation, Progress, & KPIs

- Governance
- Board of Directors
- Sustainability Review Board
- Stakeholder engagement

Graph 2



Graph 3

Strategy

The main pillars of our strategy are built around the commitment to the goals of the Paris Agreement: to address the threat of climate change and limit the temperature increase by mid-century to no more than 1.5 degrees Celsius.

Through discussion and collaborative engagement with our internal and external stakeholders, we have defined material topics along our value chain and in our operations. Key material themes include a selection of topics such as technology and products, customer resilience, digital solutions, energy management and emissions, circular economy and resource management, procurement operations, ethical standards and compliance, diversity, employee experience and collaboration, and engagement with communities. Defining these material topics helped us create a roadmap of ambitions. We focused on how INNIO can play a material role in supporting the overarching climate and corporate responsibility goals. Being an original equipment manufacturer (OEM), part of the machinery industry, and an engineering company developing energy solutions, we recognize the potential of our role in enabling and accelerating the energy transition.

We grouped our sustainability goals into three main categories, distributed across a timeline from our base year (2020) until 2030, with the overarching goal of reaching climate neutrality by 2050. As a profound ambition, we have accelerated this goal to 2040. We review our goals periodically to ensure we consider new factors and to intensify our efforts and their timelines wherever feasible.

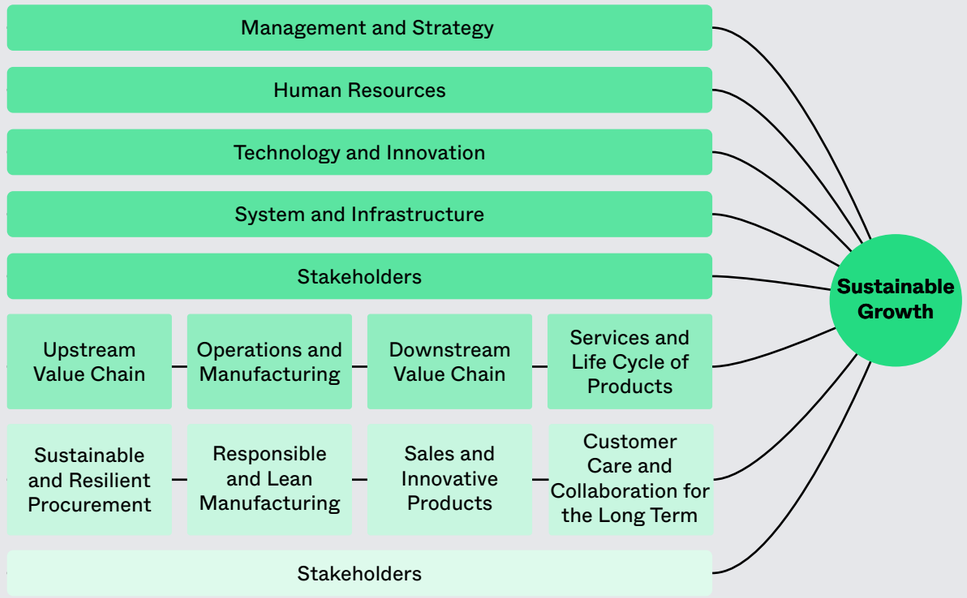
Execution and progress

To make active and structured progress, we established a set of KPIs and a review mechanism to drive initiatives. In addition, we can address any risks or new challenges while also identifying opportunities to accelerate our progress and, at the same time, supporting the United Nations Sustainability Development Goals (UN SDGs) with a focus on areas where we can make meaningful impact.

In general, we use GRI standards to monitor our performance around ESG factors and help us engage fully with defined initiatives. Furthermore, we measure our progress toward achieving the sustainable goals we defined for the short and medium term. The review and monitoring process is governed by INNIO's SRB, which meets once a quarter. Progress, initiatives, and other measures are presented regularly to INNIO's Executive Board.

We take both a top-down and bottom-up approach for joint engagement with our stakeholders and to maintain well-informed focus around identified material topics.

Our sustainability strategy, initiatives, and progress reports are governed by our SRB, part of INNIO's overall governance mechanism.

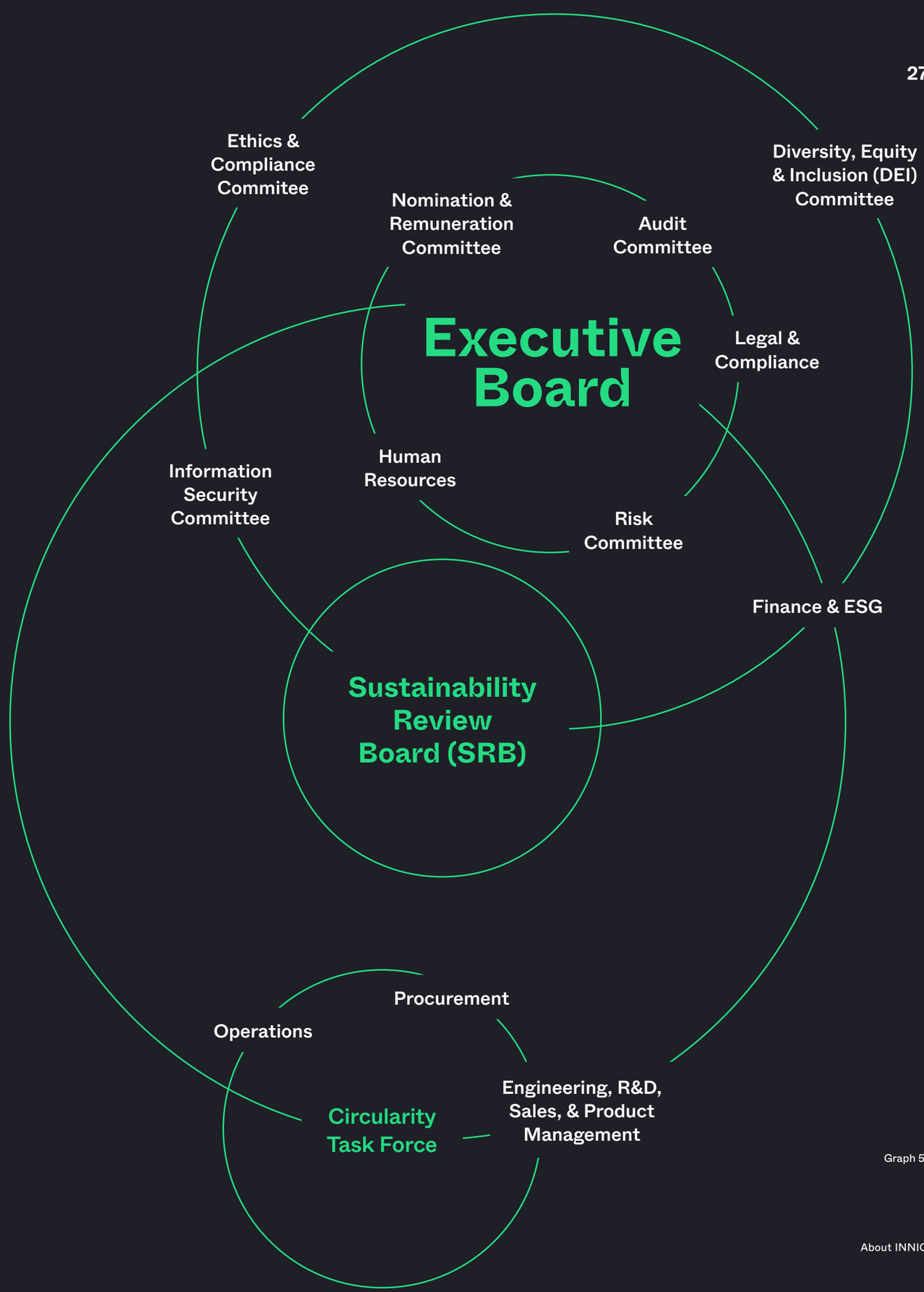


Graph 4

Governance

Governance is the way we make sure INNIO remains true to our purpose, culture, and strategy. It ensures we conduct business in a well-structured and transparent way. Continuous appraisal improvement is an essential element of an effective governance system. For this reason, we implemented management review and control mechanisms to not only monitor the current status but also to identify and implement improvement opportunities (see Table 1 on page 28).

Sustainability governance under the broader umbrella of the ESG framework, including climate change mitigation and adaptation, are integrated into INNIO Group's enterprise governance structure. ESG aspects are accounted for regularly in business considerations and decisions and are part of INNIO's day-to-day operational and management processes.



Graph 5

INNIO's governance structure

Executive Board

Leads INNIO in the creation of strong, sustainable financial performance and long-term shareholder value; reviews and approves the Group's strategic plan; and supervises the conduct of the Group's activities within the structure of foresightful and effective internal controls.
Members: President & Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Chief Human Resources Officer, Executive General Counsel & Chief Compliance Officer, VP Global Service, Head of Transformation

Audit Committee

- Provides oversight of the financial reporting process, the organization's budget, the audit process, the company's system of internal controls, and compliance with laws and regulations

Nomination & Remuneration Committee

- Provides oversight of INNIO's key affairs in areas of corporate governance
- Evaluates performance & the characteristics of the Board
- Make recommendations regarding the compensation and reward policy of the executive officers

Risk Committee

- Reviews and approves INNIO's risk appetite
- Evaluates risk exposure and tolerance
- Identifies, monitors, and manages financial & non financial risks, including ESG risk
- Reviews and evaluates the Group's practices with respect to risk assessment and risk management

Information Security Committee

- Provides oversight of INNIO's information security efforts
- Coordinates and oversees INNIO's information security strategy

Diversity, Equity & Inclusion (DEI) Committee

- Creates and modifies the DEI Policy
- Oversees, revises, and approves the diversity, equity, and inclusion objectives & activities across the organization
- Communicates initiatives to stakeholders
- Evaluates the effectiveness of ongoing efforts

Ethics & Compliance Commitee

- Provides oversight of ethical and compliant business conduct
- Oversees governance of the Compliance Management Systems (CMS)

Table 1

Sustainability Review Board (SRB)

- Develops and implements policies, objectives, and guidelines on ESG matters
- Formulates action plans to reach ESG-related objectives
- Supervises interdepartmental communication and coordination of resource integration
- Engages with industry bodies and other ESG-related initiatives to help bolster industry-wide sustainability best practices
- Reports on achievements and work plans to the Executive Board

Chaired by the VP Sustainability, the SRB meets on a bi-weekly basis and comprises 16 members, two of whom are female. Members hail from eight nationalities and include business leaders from Finance, Operations, Procurement, Engineering, Digital & R&D, Sales, Product Management, HR, and Communications.
The SRB aligns on a monthly basis with the Executive Board.

Circularity Task Force

Identifies circular white spaces and builds INNIO's circular growth strategies

Human Resources	Legal & Compliance	Finance & ESG	Operations	Engineering, R&D, Sales & Product Management	Procurement
Employee attraction, retention, & development; trainings; diversity & inclusion	Compliance with business ethics and anti-corruption policies	Coordination of overall ESG activities & strategic direction of the Group	Environment, Health & Safety-related topics; carbon and energy efficiency of operations; water & waste management; innovation; relationships with local communities	Carbon efficiency of the product portfolio; innovation	Sustainable sourcing; supplier compliance with environmental & social-related requirements; human rights due diligence

Table 2

Sustainability Review Board (SRB)

In fulfilling our responsibility as a sound corporate citizen, INNIO established the SRB at the end of 2020, the highest level ESG decision-making body after the INNIO Executive Board. The VP of Sustainability chairs the SRB and reports directly to the Group's Chief Financial Officer (CFO) and the Executive Board. The Executive Board reviews, discusses, and approves INNIO's ESG goals and strategy as well as corresponding non-financial disclosures. As part of the SRB, cross-functional collaboration takes place between functional and department leaders on ESG topics. As illustrated in Table 2, members of the SRB work to evaluate the Group's core operational capacity, establishing short- and medium-term ESG goals to ultimately achieve near-zero. In addition, the SRB ensures our ESG goals align with international standards, gains insight into international trends, and builds a top-down operational model across the company.

As of today, INNIO's SRB comprises 16 members hailing from eight nationalities and including two females.

The SRB meets quarterly to work on concrete strategic and operational topics around the ESG framework. These topics include, but are not limited to, analyzing ESG frameworks and updates such as the CSRD, the EU Supply Chain Act, the GRI standards, the Non-Financial Reporting Directive (NFRD), SASB, the TCFD, the United Nations (UN) COP agenda, and the UN SDGs.

In addition, specific focus groups around the SRB team meet on at least a monthly basis to discuss initiatives, new ideas, and challenges, and to plan next steps. These groups focus on topics such as carbon management; diversity, equity, and inclusion (DEI); circular economy; and data and measurement. Their work covers some important topics such as:

- Establishing goals focused on the environmental impact of INNIO's own activities and those from the life cycles of our products, developing climate-neutral products, building a diverse and inclusive workforce, fostering a responsible procurement and circular economy, driving constant engagement with society, and other initiatives where INNIO can provide material support and maintain transparent governance and business conduct.
- Collaborating in sustainability networks and working groups such as NGOs, expert networks, thematic conferences, and ESG summits to exchange best practices and experiences, expand our expertise, or increase awareness across businesses and society.
- Reviewing initiatives and progress toward identified goals, including review of KPIs, challenges to resolve, risk, and opportunities resulting from a changing environment.
- Assigning initiatives and working groups for specific projects that enable fulfillment of ESG goals.
- Developing awareness campaigns and stakeholder engagement activities, such as communications and media, with the INNIO workforce, customers, and/or suppliers.
- Collaborating with external experts and specialized advisors on specific projects that enable ESG progress and alignment with potential new frameworks or regulations.

Environment, Health, and Safety (EHS) Governance Structure

EHS governance

INNIO's Executive Board		
EHS Committee	Oversees the overall EHS management	
Corporate EHS Department	→ Establishes policies, targets, and goals according to international standards & regulations	
	→ Ensures environmental compliance	
	→ Undertakes regular internal and external audits for environmental-related topics	
	→ Supports the implementation of environmental and IMS-related trainings to relevant stakeholders	
	→ Proactively communicates INNIO's environmental policy and guidelines to relevant stakeholders	
	→ Ensures the continual improvement of the IMS management system	
	→ Holds environmental-related discussions with external stakeholders	
	→ Regularly reports to local authorities	
All departments	→ Act responsibly and according to INNIO's environmental guidelines and policies	
	→ Submit ideas or suggestions for improving INNIO's products and processes	
	→ Participate in mandatory annual environmental-related trainings	
INNIO's IMS System	**ISO 14001:** 2015 **ISO 45001:** 2018 **ISO 9001:** 2015 **ISO 50001:** 2018 **ISO 55001:** 2014 CERTIFIED	

Table 3

Group functions

The Group's functions implement the action plans from the SRB and continuously steer the processes relevant to the implementation of ESG initiatives and activities. Business function leaders oversee the integration of ESG aspects into their business functional goals and operating plans. Every function leader reports directly to the SRB and remains in continuous communication regarding progress on the planned implementation.

Risk Committee

The Group's Risk Committee is responsible for the identification of financial and non-financial risks, including INNIO's ESG risk, and ensures the proper management of these risks. Additional responsibilities of the Risk Committee, as well as of other committees, are illustrated in Table 1. Our risk management function, the Risk Committee, and business unit management monitor enterprise risks and the effectiveness of the risk mitigation activities, and they report the results of the assessment to the Executive Board and other senior leaders. Its aim is to ensure that risk awareness, quantification, and measures against potential risk exposures are reviewed and communicated in a structured, complete, and well-informed process. Business decisions are informed by risk assessment and quantification of potential risks. The committee validates identified key risks (financial and non-financial) concerning the Group's medium- and long-term objectives and provides feedback to functional risk owners. The overall responsibility for risk management lies with the Executive Board. It is in charge of risk oversight, ensuring that the senior management has put in place a rigorous process for identifying, prioritizing, managing, and monitoring the risks critically affecting the Group in accordance with the Group's risk tolerance. The Executive Board is informed on a bi-annual basis about the overall risk situation, and it is responsible for setting, communicating, and implementing our risk management culture throughout the Group.

Leading the industry through collaborative action

We continue to be dedicated to playing a significant role in creating a resilient, inclusive, near-zero carbon future. INNIO commits to robust international coalitions, working with different organizations and participating in programs that promote sustainability and low-carbon technology. Since 2021, we have been part of both the UN Race to Zero and UN Business Ambition for 1.5°C campaigns. As we intend to become a net-zero company across our value chain, INNIO is committed to collaborative action and integrating pioneering approaches into our business activity. Additionally, INNIO is part of other initiatives. In close collaboration with different organizations, we promote sustainability and innovative technology. In 2022, INNIO continued to be recognized by agencies that rate ESG for our sustainability efforts. Notably, in February Sustainalytics ranked INNIO Group number one in the Machinery Industry, and in August we received the Platinum Medal from EcoVadis, placing us in the top 1% of rated companies.

Initiatives and collaborations

United Nations Global Compact

INNIO proudly aligns our strategy and operations with the 10 universal principles related to human rights, labor, environment, and anti-corruption, and we take actions that advance societal goals and the implementation of the SDGs.

Responsible Minerals Initiative

The Responsible Minerals Initiative provides companies with tools and resources to make sourcing decisions that improve regulatory compliance and support responsible sourcing of minerals from conflict-affected and high-risk areas.

Klimaaktiv

“klimaaktiv” is a program established by the Austrian Ministry of Climate, Environment, Energy, Mobility, Innovation, and Technology for energy-efficient companies. As part of this association, we apply “klimaaktiv” expertise to continuously implement sustainability measures while contributing to the development of the program itself.

Science-Based Targets

As part of our relentless commitment to reduce carbon emissions, INNIO is committed to set science-based emissions reduction targets in line with the Paris Agreement’s 1.5°C emissions scenario. INNIO is a proud supporter of Race to Zero, a global campaign established by the United Nations Framework Convention on Climate Change (UNFCCC) to bring together global leadership for a healthy, resilient, and zero-carbon future.

ESG ratings and certifications

EcoVadis—Platinum Medal

EcoVadis is the world’s largest and most trusted provider of business sustainability ratings. The EcoVadis Sustainability Scorecard illustrates performance across 21 indicators in four themes: environment, labor and human rights, ethics, and sustainable procurement. A Platinum medal is awarded to the top 1% of businesses. EcoVadis’ sustainability recognition levels are based on the percentile rank of companies.

Sustainalytics—1st out of 500+

A Sustainalytics rating offers a clear insight into company-level ESG risk by measuring the size of an organization’s unmanaged ESG risk. Sustainalytics’ rating is comprised of three central building blocks: corporate governance, material ESG issues, and idiosyncratic issues (black swan). The rating of 9.8—“Negligible risk level”—places INNIO Group number one among 500 companies in the Machinery industry.

INNIO’s Waukesha Canada Corporation—EHS Awards

Canada’s Safest Employers Award—New Employer Category:
The most prestigious award in Canadian occupational health and safety, Canada’s Safest Employers Award (CSEA) recognizes outstanding health and safety professionals and companies for leadership, innovation, and achievements. This award recognizes a company in any industry that has been in operation for no more than 10 years and already has established an exemplary safety record in this short tenure.

ISO certificates

INNIO has the following ISO standards across our various sites:

ISO 14001: 2015
ISO 45001: 2018
ISO 9001: 2015
ISO 50001: 2018
ISO 55001: 2014

We received an annual renewal as of December 2022.

“Building on a culture of safety and sustainability, our Welland site has gone more than 1,000 days without a lost-time accident, and we received Canada’s Safest Employer award in 2022.
As good stewards of the planet we have been entrusted to care for, I am particularly proud of the work our team does each day to reduce waste and meet our environmental responsibilities for current and future generations.”

Thomas Light
Vice President Operations
and Supply Chain Waukesha

Stakeholder engagement and materiality assessment

Stakeholder engagement

Collaboration on meaningful issues, an exchange of perspectives, and transparency are crucial to building trust and cultivating lasting relationships. Stakeholder engagement is an integral part of the setting and growth of INNIO's sustainability strategy as it helps define a clear purpose to achieve agreed outcomes. To understand global trends, gain insights to mutual expectations, mitigate risks, and explore opportunities, INNIO regularly engages with a vast range of stakeholders and business associates, thereby integrating different perspectives and strengthening relationships through shared learnings. We have found that this leads to informed business decisions and a tangible positive impact for the environment. INNIO considers as our stakeholders any organization or individual that is either impacted by our company's operations or that, in a variety of ways, has an impact on the achievement of our company's strategy and goals. As illustrated below, our stakeholders include suppliers, existing and potential customers, associates, investors and lenders, current and potential employees, regulators, other organizations, local communities and the society, and sustainability experts and advisors.

Graph 6

How INNIO conducts stakeholder engagement

Stakeholder engagement is conducted in a variety of ways, such as in-person meetings and video conferencing or through subject matter webinars, workshops and training sessions, interviews, one-on-one discussions, surveys, social media platforms, joint product development, commercial roadshows, speeches, and conference presentations. Leaders, employees, and managers from different business functions are all important players in reaching out to individual stakeholders, driving the company's proactive approach toward ongoing stakeholder dialogue. Table 4 outlines the frequency and type of discussions with stakeholders and shows how the Executive Board receives information from and engages with them.

	Suppliers	Employees	Customers
Frequency & Types of Engagement	Regular virtual and face-to-face engagement meetings, webinars, bulletins, and newsletters	Annual employee & ethics training, periodic employee engagement survey, weekly employee-related updates, newsletters and bulletins, and quarterly all-employee updates by the leadership team	Regular virtual and face-to-face engagement meetings, conferences, trade shows, bulletins, and newsletters
Discussion Points	INNIO's ethics and regulatory compliance and Supplier Code of Conduct, raw material quality, commitment to ESG standards, assessment results, circular economy	Employee development, training, diversity and inclusion, compliance, health & safety concerns, and updates on priorities and business developments	Product-related discussions, commercial updates, ethics and compliance trainings, sustainability expectations, and product and solution developments
Information Flow to the Board	Briefings from Group VP Procurement, Audit Committee supplier risk review	HR Committee & Diversity, Equity and Inclusion (DEI) Committee report directly to the Board, whistleblowing platform (SPEAK UP!)	Monthly written reports from Executive Directors include material customer matters, Strategic Partnership briefings
Direct Board Engagement	INNIO's VP Procurement directly reports to INNIO's President and Chief Executive Officer who is also the Chairman of the Board.	INNIO's CHRO directly reports to INNIO's President and Chief Executive Officer who is also the Chairman of the Board.	During the year, the Chair and the Executive Directors had regular meetings with the Group's key customers. A Digital Distributor Conference was held in 2021 providing business updates to distributors.

	Local Communities	Government/ Industry Associations	Providers of Capital
Frequency & Types of Engagement	Community meetings, volunteering programs, and local aid initiatives	→ Official correspondences and visits as needed → Interviews to provide industry experience and advice → Conferences (e.g., briefings, public hearings, seminars, meetups)	Regular virtual and face-to-face meetings and teleconferences
Discussion Points	Progress in environmental protection projects, measures taken in response to social issues and major events such as COVID-19, continuous support to local communities	→ Compliance with environmental regulations → Development trends in energy engineering technologies	Updates on macro economical and financial performance from the company's operations, future growth potential, and measures in response to climate change and energy policy
Information Flow to the Board	Operations Committee reports directly to the Chief Executive Officer and Chairman of the Board on a regular basis.	Regular reports as applicable	Reports from Investor Relations treasury reports, investor meetings
Direct Board Engagement	INNIO's VP Operations Jenbach and VP Operations Waukesha together with the CHRO and VP Communications engage directly with local communities. All directly report to INNIO's CEO and the Board.	The Board relies on dedicated functions at a Group or business unit level and does not have direct contact with regulators unless appropriate. The members of the Board participate in speeches, conferences, and discussions with industry associations.	The Board engages directly with our investors through regular digital or in-person meetings discussing all relevant topics. INNIO meets our shareholders at the regular business update meeting, which provides an opportunity for our investors to receive updates and ask questions to the Board.

Table 4

Addressing key topics and stakeholder interests in 2022

Key Topics Raised in 2021	Responses from INNIO
Climate change and CO_2 science-based targets	Making tangible progress requires clear goal definition and standardized measurement methodology. The INNIO Group created a list of sustainability goals and disclosed ESG information and data according to international reporting standards such as the GRI and SASB. In 2021, INNIO, together with external consultants, held a Climate Risk & Opportunities workshop to identify an initial set of climate risks and opportunities according to the TCFD framework. In 2022, we continued our alignment to future reporting standards by initiating an EU Taxonomy study, which was supported by an external advisory firm. Also in 2022 we continued full GHG reporting (Scope 1, 2, and 3) and initiated steps to digitize and automate our data collection process, with intended implementation of ESG software to manage the wing-to-wing process. As a first step toward data automation, our Jenbach facility introduced an Energy Management Board for regular discussion of the myPlant energy management system, digital meters, energy consumption, and optimization steps. The overall work toward strengthening the data flow process also was instrumental in the preparation of analytics and corresponding projects for the Science Based Targets initiative (SBTi) submission, which is planned for the first half of 2023. In that respect, INNIO consulted with external advisors to ensure conformity with expectations and to help with preparations.
Sustainable supply chain and conflict minerals	Procurement is a central part of INNIO's activities as OEM. Building transparency or processes, taking responsibility for the supply chain, and showing transparency toward regulations and standards as well as socio-environmental accountability are critical attributes of a well-functioning procurement value chain. For industries like ours, this includes paying close attention to the procurement of tin, tantalum, tungsten, and gold (3TG), more commonly referred to as "conflict minerals." In January 2021, the EU conflict minerals regulation came into effect as a union-wide attempt to regulate supply chains and increase transparency between conflict mineral actors. INNIO began surveying our suppliers to determine the origin of 3TG in our supply chains in calendar year 2020. In addition to the survey, INNIO requires suppliers of products that contain 3TG to adopt policies and establish systems to procure 3TG from sources that have been verified as conflict free. INNIO also joined the Responsible Minerals Initiative (RMI). Our Procurement team also monitors potential future norms and requirements such as the EU Supply Chain Act, which likely will go into effect in the next few years.

Table 5

Key Topics Raised in 2021	Responses from INNIO
The company's primary energy use that comes from renewable energy sources	Reflecting stakeholders' expectations that INNIO should be an example of innovation for a green future, in 2020 INNIO set an emissions reduction goal of 50% from our own operations by 2030 at the latest. At our headquarters in Jenbach, Austria, we are upgrading our INNIO360 Energy Lab with a photovoltaic (PV) plant and an intelligent energy storage system, optimized with our microgrid control solutions. In the microgrid, all test benches are integrated and controlled with our future-oriented myPlant energy management system for self-supply of electricity and heat as well as electricity feed-in connection to the public grid. In 2022, we began operating the PV system, which covers about 1,500 square meters at our headquarters in Jenbach. Since the completion of the expansion we have been able to generate 488 MWh of energy from this fully renewable source. Our modern Welland, Ontario, production facility mainly uses grid energy from renewable sources, based on Ontario's energy mix.
Geopolitical unrest and energy volatility	In our previous 2021 report, we outlined INNIO's efforts to minimize the impact of COVID-19 and our response in support of our employees, communities, and our own operation's critical infrastructure. In 2022 we continued supporting our employees with vaccinations, tests, and other relevant resources. Our business remained well prepared for various scenarios, including the energy crisis of early 2022. Our management teams followed well-structured business scenario planning in response to potential risks, cost volatility, supply chain bottlenecks, and stability of energy supply, to name a few. We continued to work to identify energy and emissions savings from our operations and development of energy solutions to support the energy transition and decarbonization.

Our materiality assessment

In April 2021 we conducted a materiality assessment to cover the reporting periods of 2020—2021 and 2021—2022. The materiality assessment workshop included the participation of INNIO's C-suite and executive and senior management teams, including customer- and supplier-facing functions, engineering and product development, procurement, the SRB, external ESG experts, and industry-independent executives. We plan to continue sustainability materiality assessments on a cyclical basis to address emerging challenges and continue building sustainability engagement across stakeholders. This assessment highlighted emerging issues and provided us with a tool for checking the focus areas in our strategy.

How we use our materiality assessment:
For the current sustainability report, we used our materiality assessment to expand our commitments to human and labor rights as well as the environment, reform our existing sustainability objectives, and set new goals and targets. We manage our material topics through our policies and Code of Conduct, and we set key performance indicators (KPIs) for each of our material topics that help us track our progress. We address many of these topics and communicate our progress toward our sustainability goals to our audiences through various communication channels such as SRB meetings and workshops, employee communication and events, customer and supplier engagement, the press, and media. Our ultimate disclosure is the INNIO annual sustainability progress report. See Appendix "Detailed Materiality Assessment Process" for a detailed description of our materiality assessment process.

Materiality topics as of 2021

Topic	Value Chain Impact: Up-stream – Procurement Stage	Value Chain Impact: INNIO Operations – Production	Value Chain Impact: INNIO Operations – Testing Packaging	Value Chain Impact: Down-stream – Consumer Use	Business Topics: Profitability	Business Topics: Customer Satisfaction	Business Topics: Employee Cohesion	Business Topics: Sust. Enterprise Risk & Opportunities
Technology and innovation		●	●	●	●	●		●
Collaborating with customers for the long term		●		●	●	●		
Analytics & digital solutions		●			●	●	●	●
Energy & emissions	●	●	●	●	●	●		●
Circular economy & value chain	●	●	●	●	●	●		
Resource management		●	●		●			●
Health & safety		●	●		●		●	●
Sustainable supply chain	●				●	●		●
Business ethics	●	●	●		●	●	●	●
Diversity and inclusion	●	●	●				●	
Employee experience		●	●				●	
Community engagement		●	●				●	●

Table 6

Progressing the energy transition

Why an energy transition?

Since the middle of the 20th century, scientists have been raising serious concerns about global warming caused by burning fossil fuels. Yet, despite many pledges and efforts by governments to tackle climate change, estimated global carbon dioxide (CO_2) emissions reached a new record high in 2022. The International Energy Agency (IEA) analysis of the latest data from around the world shows global CO_2 emissions from fossil fuel combustion likely grew by just under 1% in 2022, a much smaller increase than in 2021. The outsized gain in CO_2 emissions in 2021 was driven by the rapid global recovery from the economic crisis triggered by the COVID-19 pandemic.

(Source: https://www.iea.org/news/defying-expectations-co2-emissions-from-global-fossil-fuel-combustion-are-set-to-grow-in-2022-by-only-a-fraction-of-last-year-s-big-increase)

2022: year of breakthrough and challenges for the energy transition

The global energy crisis amid the war in Ukraine prompted short-term responses from governments as well as a deeper debate about the ways to reduce the risk of future disruptions and promote energy security. Supply chain issues—coupled with commodity and energy price inflation, currency fluctuations, and geopolitical risk—emerged as a key challenge for the energy transition in 2022.

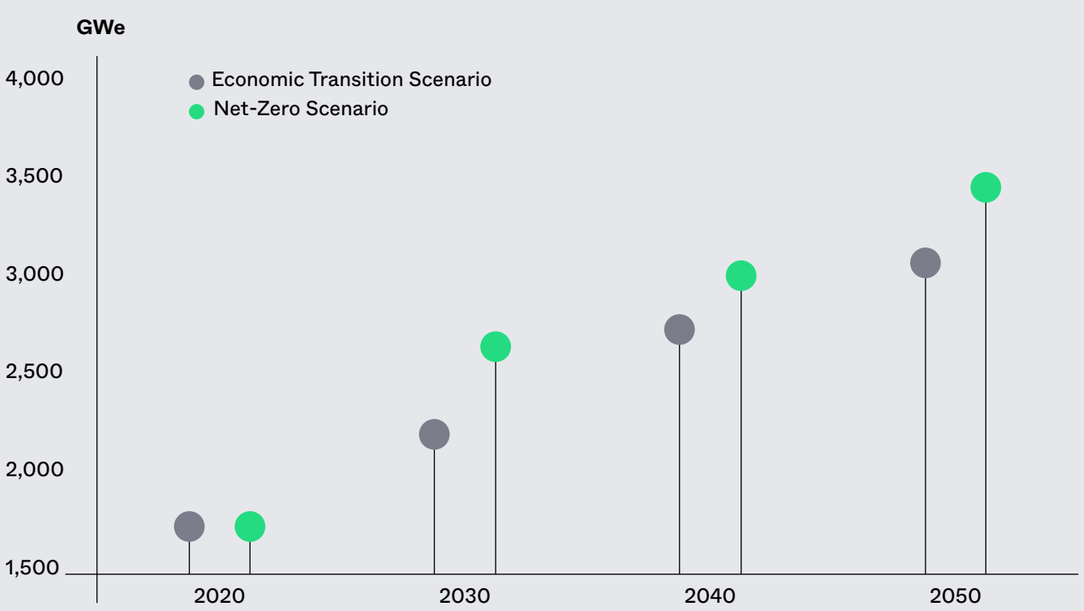
Despite these headwinds, 2022 still saw a remarkable acceleration in the energy transition, in part driven by the energy crisis, with record renewable energy installations worldwide. Cleaner energy became more cost-competitive than ever as natural gas prices reached record highs in 2022 and saw extreme volatility.

Before 2022, fossil fuels were seen as both dependable and affordable, while sustainability and cleaner energy came at a premium. The energy crisis flipped this around, and we now live in a world where cleaner energy gradually becomes the most affordable option, and energy security comes with the higher price tag. The good news is that accelerated cleaner energy deployment also supports energy security, so the pursuit of greater energy security ultimately will lead to a faster energy transition.

INNIO's equipment: well-positioned to supply balancing capacity needs as the energy transition accelerates

The use of renewables, important pillars of decarbonization, is the fastest way for power generation to reach ambitious climate goals. This increasing penetration of renewables is driving a growing trend toward decentralization while requiring more variable and flexible energy supply capacity balancing. The share of renewables in global electricity generation must be at least 88% in the IEA's scenario to reach net-zero emissions by 2050. Compared to the power generation mix today, where just under 30% of electricity generation is powered by renewables, the power system of tomorrow could include renewables, reciprocating engines, batteries, and fuel cells, to name a few, with demand response used to manage distribution and grid stability. Balancing the engine power plants of tomorrow will involve higher demand peaks and longer periods of under- and over-supply due to weather variations. Such dispatchable units run for fewer hours in the year and will be necessary to provide a stable and resilient grid supply. Commercially, those hours are by far the most valuable to the electricity supply. The need for flexible gas peaker balancing capacity should increase from 301 GW in 2022 to 1,071 GW by 2050, according to Bloomberg in its economic transition scenario. The importance of balancing gas peaker technology is even higher in the world's push to net zero as it is expected to reach 1,469 GW by 2050, complementing the effort to counterbalance renewables. The need for flexibility drives growth in total natural gas capacity as shown below.

Natural gas installed capacity forecast, BNEF economic transition, and net-zero scenarios



Graph 7

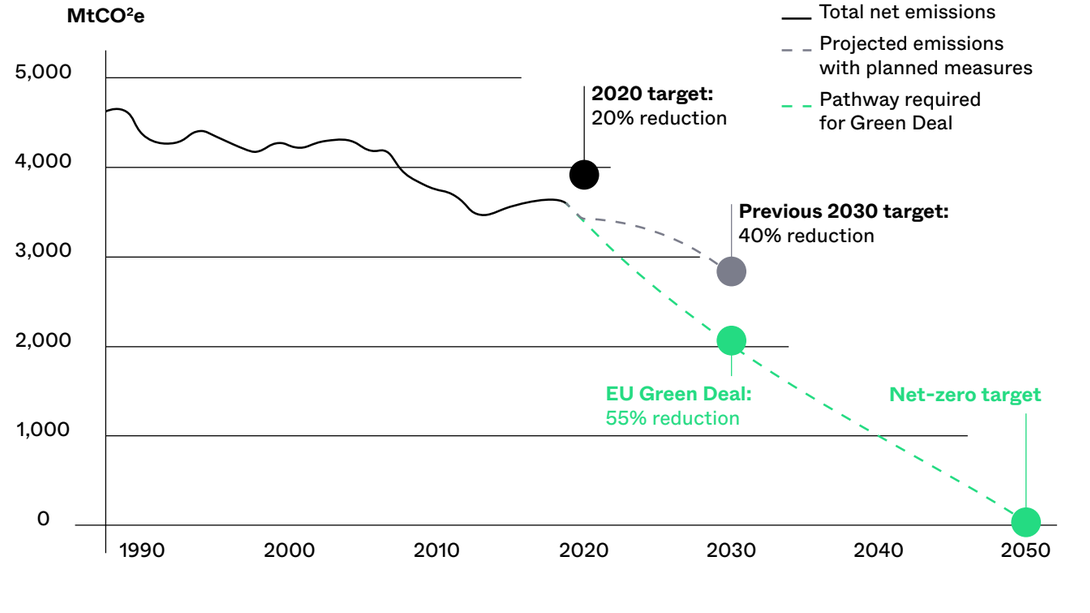
Source: BloombergNEF New Energy Outlook 2022

Clean policymaking also accelerates in 2022

U.S.:
The U.S. Landmark Climate Legislation under the umbrella of the Inflation Reduction Act (IRA) easily could qualify as the single most important development in the global energy transition in 2022. The IRA is set to direct massive investments into clean energy technologies in the many years to come and should help accelerate investment into the essential technologies of tomorrow's energy system, such as hydrogen and carbon capture, utilization, and storage (CCUS). Under the IRA, projects concentrating on energy efficiency provided by combined heat and power (CHP) are rewarded with a 30% investment tax credit in the next three years. The legislation also incentivizes newer technologies like hydrogen and CCUS. This could make the U.S. a highly competitive hydrogen producer thanks to generous tax credits (up to $3 tax credit per kg of H_2 produced) and attract investment away from other regions with less generous support regimes. CCUS projects also can receive a maximum of $\$60/tCO_2$ for utilization and $\$80/tCO_2$ for storage, making the U.S. the world-leading market for this technology.

European Union:
The EU also reached agreement on the Fit for 55, REPowerEU, and carbon border adjustment mechanism in 2022, accelerating the pace of decarbonization across the bloc and creating favorable conditions for hydrogen development (as specified in the EU Hydrogen Strategy from July 2020). These initiatives align with INNIO's strategy to roll out our entire Jenbacher product portfolio with 100% hydrogen as of 2025.

Asia Pacific Region:
Indonesia and Vietnam, two important growth markets for INNIO, are accelerating the transition away from coal and bringing forward renewable energy and emissions reduction targets. Two partnerships signed in cooperation with developed nations in 2022 (called Just Energy Transition Partnerships) will provide loans and grants to Indonesia ($20 billion) and Vietnam ($15.5 billion) to accelerate their decarbonization plans.

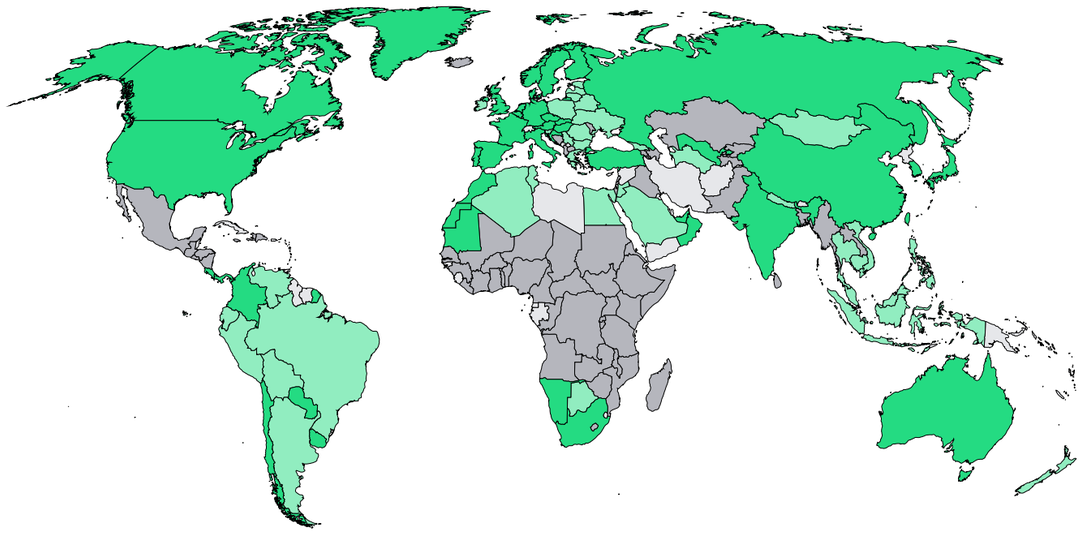


Graph 8

Source: The European Commission, BloombergNEF

Hydrogen gains momentum as policy finally arrives

Some 42 countries had a hydrogen strategy and 36 markets were preparing one as of February 2023. Of the 42 countries with a hydrogen strategy, 20 have an electrolyzer target for a total of 90 GW by 2030.



Graph 9

Source: Countries' websites, BloombergNEF

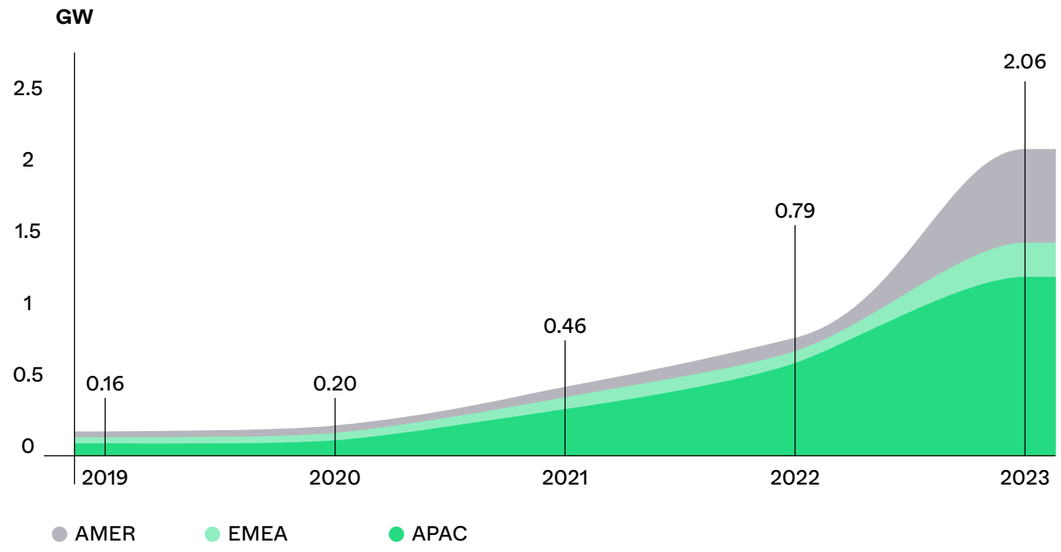
Global hydrogen strategies overview

The Inflation Reduction Act in the U.S. untapped at least $13 billion (in theory, U.S. tax credit is uncapped) in clean hydrogen funding, according to BloombergNEF estimates. Canada announced plans in December for a tax credit of up to 40% for hydrogen production to bring incentives in line with the IRA by spring 2023. Moreover, the EU increased hydrogen funding as part of the RePowerEU package, which will include a Carbon Contract for Difference System to bridge the gap between fossil fuels and clean H_2, making clean H_2 more competitive.

Production of clean H_2 could reach 44.3 million metric tons/year by 2040 based on announced projects tracked by BloombergNEF, but that number is still short of the volume needed to reach net-zero targets. To compare, in 2021, 1 million metric tons of clean H_2 (blue and green) was produced. Blue hydrogen plays a strong role in the U.S., Canada, and the UK thanks to support for carbon capture and storage. The EU also is evaluating additional policies to hit its domestic H_2 production target of 10 million tons per year by 2030.

Electrolyzer installations to produce clean hydrogen have doubled every year since 2020 (200 MW installed in 2020) to reach 1 GW in 2022. The range of installations in 2023 is expected to be between 2.4 GW and 3.8 GW and rise to 247 GW by 2030, according to BloombergNEF.

Estimate and forecast of annual electrolyzer shipments, 2019—2023



Graph 10

Source: BloombergNEF

Demand for clean hydrogen keeps growing. Europe has the largest number of announced demand-side projects due to its strong decarbonization policies. However, the focus on hydrogen power generation projects is the strongest in the U.S. The existing H_2 demand in the EU is estimated at 7.9 million metric tons (vs. the 20 million metric ton RePower EU target).

From left: Maria Lechner, Manuel Messner, Doris Wurz-Sternath, Markus Strömich-Jenewein

“The energy transition is more urgent than ever, and I am very proud to contribute by managing a flagship project in the field of hydrogen supply for our headquarters in Jenbach. INNIO, together with a local energy partner, TINEXT, is building an electrolysis plant that will convert electricity from hydropower into green hydrogen.”

Maria Lechner
Project Lead—Energy

“To reach net-zero GHG emissions requires a change in power generation products. Using fuels with high H_2 content lead to lower CO_2 emissions. We support those goals with our ‘Ready for H_2’ products and 100% H_2 portfolio.”

Markus Strömich-Jenewein
Director Commercial Strategy

Increasing focus on decarbonized heating sector

In addition to the worldwide focus on hydrogen, we have observed a strong trend toward more renewable fuels and increased need for flexibility and increased efficiencies for full energy utilization. CHP, which was used for many years to provide baseload for heat demand either in public or industrial sectors, is re-inventing itself to support those trends.

The heating sector itself is increasingly being decarbonized with the use of renewable energy (e.g., solar, heat pumps, and geothermal energy), but a strong focus on resiliency also is required. In the future, not only will CHP systems be fed with renewable gases like biogas, biomethane, or green hydrogen, but they also will be decoupled from the traditional continuous demand system for heat and power. Fully flexible and more efficient modern plants will have gas and heat storage systems, allowing them to run only when needed while capturing all produced energy so as not to waste any resources. Not only do these highly resilient and flexible decentralized CHP systems fulfill heat demand, but they also produce energy when other renewable systems cannot.

Unlocking efficiency with cleaner energy for essential decarbonization

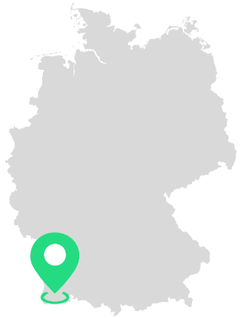
	INNIO Action	
Our solutions immediately unlock Scope 1 and 2 emissions reductions and further reduce the carbon intensity of customer products by blending natural gas with cleaner alternatives, such as biogas and green hydrogen, for power and heat generation and gas compression on a global scale.	We recently supported coal-to-gas switching in five large German cities—decarbonizing ~400 MW of energy.	**~400 MW** Reference Coal Exit Projects
We offer the highest in class efficiency in our natural gas solutions. Developed over the last 90 years, our portfolio enables customers to capture flare gas and reduce methane, accelerate investment in renewable energy, address regulatory trends, and retire diesel and coal assets.	We bring 90 years of experience in converting alternative fuels into power.	**90** Years
We are ahead of the curve with our “Ready for H_2” technology. Additionally, INNIO supports the installation of one of the largest CO_2-neutral gas engine fleets globally. More than 9 GW already has been installed to provide clean energy for our customers.	We have an installed fleet of ~9,000 units operating with CO_2-neutral fuels (~9 GW of energy).	**100%** CO_2-neutral Engines

Table 7

Case Study 01—Stadtwerke Bad Säckingen, Germany—Flexible and sustainable CHP with biomethane

Background: Stadtwerke Bad Säckingen is a municipal utility company that combines more than 130 years of experience with an innovative and progressive mindset.

The company wants to make Bad Säckingen a shining example of an environmentally sustainable town that is diverse in its innovation and a wonderful place to live. Based on the special responsibility it has toward the town's residents and the environment, as well as the economic strength of the surrounding area, Stadtwerke Bad Säckingen is committed to generating energy sustainably, reducing CO_2 emissions, and expanding a safe and advanced supply network for power, natural gas, drinking water, and heat. Stadtwerke Bad Säckingen operates various hydropower plants and wind farms in the southern Black Forest region as well as several separate CHP plants in towns. A further milestone in the continuous expansion of the company's heat supply was the addition of three Jenbacher units to its Heizwerk Süd heating plant, including two of the latest generation J420 E engines.



Stadtwerke Bad Säckingen
Germany

A pioneering solution:
The original Jenbacher CHP plant in the Heizwerk Süd heating plant comprised one J312 and one J416 and was operated purely on a heat-driven basis to align with the demand in the district heating network. Stadtwerke Bad Säckingen's decision to expand came at just the right time to install the new J420 E technology. Adding the three Jenbacher units—an additional J416 and two latest-generation J420 E engines—has increased total output to 6.2 MW of thermal and 5.7 MW of electrical energy. A large buffer storage system with a capacity of 264,172 gallons (35,314 ft^3) was constructed, allowing the system to also be operated on a power-driven basis. This means that the individual CHP system modules are turned on and off depending on the power demand in the public grid and the feed-in of solar- and wind-generated power, thus ensuring power supply even during the "dark doldrums." The thermal energy generated can be stored temporarily and fed into Stadtwerke Bad Säckingen's district heating network as required. This CHP plant expansion was carried out as a flexibilization measure in accordance with the Renewable Energy Law (EEG) because both the existing and new CHP system modules run on biomethane—biogas that has been purified to natural gas quality and fed into the natural gas grid—and thus represent major progress from an environmental perspective. The next step toward the objective of a carbon-neutral town will be to switch to green hydrogen as soon as it is available in sufficient quantities.

Results:
Adding the three Jenbacher Type 4 CHP systems increased the output of the Heizwerk Süd heating plant by a factor of three, meaning that more than 4,000 households can now be supplied with electricity and a further 1,000 with heat. According to Stadtwerke Bad Säckingen, using the biomethane-powered Jenbacher CHP systems to generate both power and heat saves some 3,600 metric tons of CO_2 emissions compared to conventional heat generation using fuel oil. The electricity produced is fed into the public grid, while the thermal energy given off in the process is transported via the existing district heating network to the homes and public facilities connected to it.

The Jenbacher Type 4 has operated successfully for the past 20 years with more than 6,000 engines supplied all over the world. With its flagship project at Stadtwerke Bad Säckingen, INNIO is demonstrating the significant improvement brought about by the latest generation of engines in the field.

Product video:
Scan the QR code to find out more about the customer benefits of the next generation J420 engine.

Jenbacher online:
www.jenbacher.com

Case Study 02—Renewably powering Europe's largest city

Background: As a subsidiary of Istanbul Metropolitan Municipality, Istanbul Enerji offers innovative and environmentally conscious fuel, lighting, recycling, and energy solutions in Istanbul, Turkey.

One example of the company's innovations is its new Seymen Biomass Power Generation Plant, located in Silivri County, which is part of the Istanbul province. The multi-engine landfill gas plant turns vast quantities of waste generated from Europe's most populated city—home to more than 15 million residents—into usable energy for the region.

Located on the grounds of the Seymen Solid Waste Storage and Disposal Plant, where the household wastes of Istanbul's European Side region are stored, the new plant produces energy by burning the landfill gas formed from stored waste. Because this type of renewable solution helps reduce the release of greenhouse gases—specifically methane gas, which is even more potent than carbon dioxide (CO_2)—from the landfill, the Turkish government offers support to companies joining the growing trend to convert waste into energy.

"By increasing the use of renewable energy sources, Istanbul Enerji's new biomass plant is helping to make Istanbul a cleaner, greener, and healthier city. We are proud of our role in creating more awareness about green industry and green cities while we promote our goal of being a more sustainable, effective, efficient, and environmentally responsible scientific and technologically based energy company. INNIO's technology is helping us achieve our goals in this respect while also helping to ensure the reliable and efficient operation of our power plant."

– Yüksel Yalçın, general manager, Istanbul Enerji

A sustainable energy solution:
Based on INNIO's previous successes with landfill gas applications in Turkey, Istanbul Enerji chose the proven performance, reliability, and availability of the Jenbacher J420 engine for this large-scale project. The construction of the biomass plant began in mid-2018, with the first 12 Jenbacher engines commissioned in September 2020. Multiple expansions brought the plant to a capacity of 37 MW at the end of 2021 and the beginning of 2022 with a total of 26 J420 engines running on landfill gas.

The engines are installed in an approximately 60,000 square meter area. The massive plant's total indoor area is about 13,000 square meters, comprising administrative, control, production, workshop, command, and security buildings as well as 154 kV switchgear and a 1,200 cubic meter buffer storage system. Designed for capacity increases to accommodate the region's growing population, the plant is future ready, too.

As the authorized distributor of INNIO for Jenbacher engines in Turkey, Topkapı Endüstri provided project support and supervision during the sales process and continues to supply after-sales service and spare parts for the plant.

To help improve the operational performance of the facility's Jenbacher engines, INNIO's myPlant Performance solution provides live remote monitoring and predictive analytics to detect and correct even the smallest deviations at an early stage.

Results:
By combining its renewable energy source with sustainable technology, the Seymen Biomass Power Generation Plant is delivering enough energy to meet the needs of about 190,000 households, or 760,000 individuals, in the region annually. Not only is the new plant already supplying 37 MW of power to the people of Istanbul, but it also is providing substantial environmental benefits as well.

By burning landfill gas, the plant eliminates methane emissions that are equivalent to the greenhouse effect of 1.45 million tons of CO_2 annually. According to the customer, these impressive environmental impacts will be backed up upon evaluation by the Gold Standard organization. The emission reductions are comparable to removing 940,000 vehicles from local roads, or supplying the greenhouse gas protections afforded by an additional 37,000 trees.[1]

Jenbacher online:
www.jenbacher.com

[1] These figures were determined by dividing the electricity produced at the plant p.a. with the average electricity consumption per household, based on data from the Turkish Statistical Institute (TUIK): https://www.tuik.gov.tr/the

Case Study 03—First hydrogen emergency backup power solution with engines globally

Jenbacher "Ready for H_2" engine technology has been selected by NorthC Datacenters (NorthC) to deliver an emergency backup power solution for its newest data center, which will be constructed in Eindhoven, Netherlands.

Six Jenbacher hydrogen engines will provide carbon-free emergency backup power in case of an electricity grid outage. The Jenbacher Type 4 hydrogen engines generate a total power output of six MW and will be delivered as a containerized package. The Eindhoven data center, including the hydrogen emergency backup power solution and the on-site hydrogen storage solution, is a greenfield project that is expected to be operational in the second half of 2023.

"We are excited and proud to build the first 100% green hydrogen emergency backup power solution with engines for data centers globally, together with NorthC," said Dr. Olaf Berlien, president and CEO of INNIO. "As a carbon-free energy source, hydrogen is an important pillar of the energy transition."

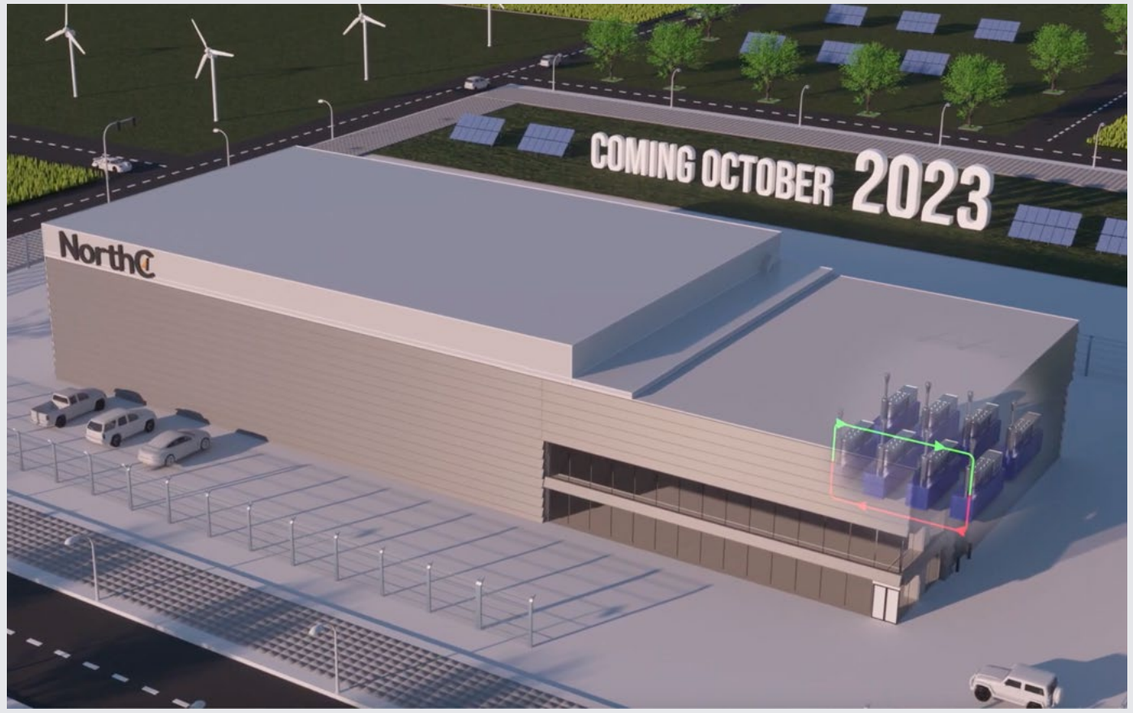
"We selected INNIO's Jenbacher technology to support our green hydrogen-powered electricity generation because of their long-term experience and proven track record with special gases, like hydrogen. With INNIO's Jenbacher hydrogen emergency backup power solution coupled with the renewable power sources from the electricity grid, we are able to decarbonize our complete energy supply infrastructure."

– Jarno Bloem, COO of NorthC Datacenters

Jenbacher online:
www.jenbacher.com

NorthC has implemented a strategy to be fully carbon neutral by 2030. This will be accomplished through four sustainability pillars: 100% green energy, modular construction, the efficient use of residual heat, and green hydrogen. The Eindhoven data center will be powered with solar and wind energy from the grid.

To provide additional flexibility and security to NorthC, the six Jenbacher Type 4 engines are configured as dual-gas engines. In case of an electricity grid outage, the engines are operated with the on-site stored hydrogen. For longer duration grid outages, NorthC has the option to switch to natural gas as an energy source during engine operation should there be a shortage in the H_2 supply infrastructure. INNIO's myPlant Performance cloud-based digital platform solution will provide NorthC with secure, real-time monitoring of the emergency backup solution. The project supports the Netherlands' strategy to achieve carbon neutrality by 2050.



02

Sustainable procurement in action

Working circular

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Procurement operations are the gateway to INNIO's value chain, and we begin our sustainable efforts here, with our suppliers and business associates. Through robust management of purchasing and manufacturing processes, their contributions play an instrumental role toward decarbonization. We jointly work to further enhance transparency of processes, responsibility for resources, innovation in energy use and transportation, and resilience of operations in the upstream movement of materials.

In this report, we chose to showcase procurement policies and programs to continue the engagement with our stakeholders and proactively lead a dialogue toward a sustainable future.

I am happy to open this chapter with a brief interview with Thomas Janvier, VP Procurement, who provides interesting insights and perspectives.

– **Marcin Kawa**, VP Sustainability

Marcin Kawa:
Sustainability as a term has become a buzzword. What actions are being taken to ensure that INNIO's sustainable procurement activities are impactful?

Thomas Janvier:
First of all, it is great that the word "sustainability" is on everyone's lips. It shows an increase in awareness, which is a prerequisite to action. Of course, the buzz alone does not drive impact. Impact, in sustainability as in all other areas, comes from SMART (Specific, Measurable, Achievable, Relevant, and Time-bound) goals and a Plan/Do/Check/Act approach—in other words, turning strategic goals into a regular tangible plan and monitoring progress for continuous improvement. For Procurement at INNIO, these goals are:

- By the end of 2023, 80% of our suppliers (by spend) perform a reputable ESG rating
- By the end of 2030, 80% of our suppliers (by spend) commit to net zero by 2050
- All new purchased products totalling more than 90% of weight are made with materials that are reusable, re-manufacturable, reclaimed, or recycled
- All supply chain partners must have governance, business ethics, and transparency which meet or exceed the Ten Principles of the UN Global Compact and, of course, all applicable laws and regulations.

Behind each, there is a solid plan. We are monitoring progress regularly, and we are satisfied with the results so far.

Marcin Kawa:
What are the key areas of opportunity for driving sustainability forward in our supply chain?

Thomas Janvier:
True opportunities arise once suppliers and customers understand that sustainability is not in conflict, but rather in perfect alignment, with other supply chain metrics such as cost or resilience. For example, using recycled material can simultaneously reduce cost and contribute to our circular economy targets. Reducing the energy required to make a part also decreases costs and, in most instances, CO_2 as well. Ensuring that all of our upstream associates respect human rights is a sustainability imperative, and it also reduces risk significantly.

When it comes to the specific materials that we buy, what I am most excited about are the steel industry's commitment to move toward greener steel, and the efforts that I see both within INNIO and at our suppliers to re-manufacture parts to reduce our use of virgin materials.

Marcin Kawa:
Reflecting on what has been achieved so far, what makes you confident that we are doing the right thing?

Thomas Janvier:
We are constantly receiving quantitative and qualitative feedback on our approach from our sustainability rating agency, EcoVadis, as well as from customers, suppliers, and external peer groups. In 2022, EcoVadis increased our procurement rating from 50 to 70, compared to an industry average of 37. Recently, it also graded us as "Proactive" on sustainable procurement, while the global average is ranked "Reactive." In our network, peers from other companies are actively seeking our advice, which is a strong sign of our thought leadership on the topic. We still have a long way to go, but we are confident that we are on the right track.

Marcin Kawa:
Looking pragmatically at the next steps ahead of us, what are the biggest challenges we need to tackle, also involving our stakeholders, to ensure we make tangible progress? How are we working to overcome these?

Thomas Janvier:
As we progress, we are becoming more data-driven, and the quality and completeness of that data must improve. We are good at creating educated estimates for Scope 3 emissions, but going forward, our suppliers will have to produce real data, anchored in the real energy consumption of the real production processes. Also, if we are to reduce absolute emissions in parallel to our growth, we will need more momentum. To that end, we must create contractual incentives that align our goals with those of our suppliers.

To sum it up, sustainability in the supply chain requires a great deal of communication, and it must all be done in a spirit of collaboration. We will overcome these challenges, together with our suppliers, as one supply chain.

“Since the early 2000s, sustainability has been a key driver in my career and has given purpose to my work. I joined the energy industry with the intention of transforming it from the inside and contributing to the path toward decarbonization.”

Thomas Janvier
Vice President Procurement

Procurement value chain

Sustainable procurement is integrated in the roles & responsibilities across all pillars

Zero-defect policy

We ensure that suppliers comply with specification requirements and quality procedures, and we mitigate risks by leading qualification projects for new parts and performing supplier on-site audits.

By addressing supplier scrap ratios, we work to reduce inefficiencies in the supply chain and, by doing so, decrease the carbon footprint.

Our aim is to proactively and continuously help suppliers develop regarding quality, with a zero-defect mindset.

Resilient supply chain

We use contracts, policies, cross-functionally available information, and market intelligence tools as instruments to mitigate risks in our upstream supply chain.

We work with our suppliers to create resilient, sustainable products. Our virgin materials and components are made of 56% recycled materials.

ESG-focused & cost-effective procurement

As gatekeepers of INNIO's external spend, we play a critical role in the company's financial performance and enterprise value.

We target a fair, trusted and constructive relationship with our suppliers to reach better outcomes for INNIO and our supply chain associates while building a sustainable, carbon-effective collaboration.

Supplier base & reliable data

We are developing the best possible supply base for INNIO's business, in close collaboration with our internal stakeholders.

By leveraging and developing our technical and commercial competencies, we identify, on-board, strategically manage, and continuously work with suppliers who meet INNIO's requirements regarding compliance, quality, delivery, resilience, competitiveness, innovation, responsiveness, and sustainability.

Building a strong foundation for sustainable procurement requires consistent collaboration with our suppliers. The collection of reliable data is key to making measurable decisions. By tracing the relevant data (for example: cradle-to-gate emissions, conflict minerals) we involve multiple tiers of suppliers (going beyond Tier 1).

Ethical and compliant conduct is the foundation of our procurement operations.

Table 8

Procurement metrics

Supplier sustainability score

65% relative supplier score increase—sustainability quadrant: from the introduction Q3'21 to Q3'22.

Sustainable procurement score

We use this as a trusted metric of our holistic progress in sustainable procurement. We perform ESG-related policy, actions, and reporting upgrades. Our target for 2023 is to further increase the score.

Supplier sustainability performance

We track the supplier performance across seven sustainability criteria on a quarterly basis. We also ensure supplier progress through dedicated B-level executive meetings.

ESG-rated suppliers

80% of the volume of our top 200 direct material suppliers is granted to ESG-rated suppliers[2]. In 2022, we began introducing this as a goal in some contracts.

Circularity

INNIO uses 56% recycled material inputs, compared to a 53% baseline at the end of 2021. We aim to reach 60% by the end of 2023. This is tracked as one of the main Sourcing KPIs and is reported to the INNIO Executive Board each month.

Supply chain decarbonization

We encourage suppliers to commit to a 50% reduction in GHG emissions by 2030. As of the end of 2022, 75% of our top 200 direct material suppliers have committed. By the end of 2023, we aim to have 80% of direct material volume coming from suppliers who have committed.

Graph 11

[2] 96% with EcoVadis

The rise of ESG activities within INNIO's supply chain

Initial focus and activities

Sustainable procurement has always been a top priority for INNIO. However, we cannot achieve our own sustainability goals alone. Indeed, we are dedicated to pursuing close collaboration with all stakeholders in our supply chain. Over the last four years, we have expanded and strengthened our supplier policies and guidelines to further accelerate our journey.

Since becoming a stand-alone business at the end of 2018, INNIO has established a Supplier Responsibility Guidelines program, enabling us to identify areas of higher risk and perform in-depth, on-site audits. Areas of higher risk are identified using the Corruption Perception Index. Any direct material supplier whose site is in a country with a score ≤ 50 undergoes an in-depth on-site audit prior to onboarding. This dedicated ESG audit takes place every three years for suppliers in these targeted countries. It contains 75 questions that cover four sections: EHS (38 questions), Labor (21 questions), Security (12 questions), and Intellectual Property (three questions).

In our Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) campaign, we annually ask all suppliers to provide the required information concerning the REACH regulation to assess their progress regarding the requirements. This campaign traces back to 2018. Since 2021, suppliers are awarded an additional point on their supplier scorecard if they respond to our campaign on time.

Subsequently, in 2019 INNIO further solidified our onboarding process by making mandatory the 10 principles of the United Nations Global Compact. These principles cover the areas of Human Rights, Labor, Environment, and Anti-Corruption. A potential supplier must sign this agreement or be a member of the United Nations Global Compact to become an INNIO supplier.

Current suppliers also were requested to sign the Supplier Integrity Commitment, covering key areas such as human rights, labor, environment, and anti-corruption.

As part of our continuous improvement and to further engage with our suppliers, at the end of 2022 we published three educational sustainability-related guidelines—"Sustainable Procurement—Priorities," "Your environmental impact—recommended first steps for suppliers," and "Our common journey towards zero." All documents and policies mentioned in this chapter are publicly available on INNIO's website and can be found in the dedicated Supplier Media Library.

The topics and initiatives of our sustainability reach will be covered in the next sub-chapters. The topics of supplier ESG ratings, ESG supplier policies, GHG metrics, GHG reduction, and sustainability clauses will be covered in a subsequent section of this "Sustainable Procurement in Action" chapter.

Conflict minerals

INNIO believes that mineral supply chains must contribute positively to social and economic development. We support responsible mineral sourcing, and our Conflict Minerals Program is just one of the initiatives in place to reduce the use of conflict minerals in our products.

After joining the Responsible Minerals Initiative in 2021, INNIO has been consolidating our strong position on the use of minerals. Furthermore, by being a member of RMI and using the Conflict Minerals Reporting Template (CMRT), INNIO customers can be assured of our credible conflict mineral certification strategy. Our annual Conflict Minerals Program, in place since 2019, helps ensure that we collect consistent and reliable data from the smelters in our supply chain. Selected suppliers are required to fill in a CMRT.

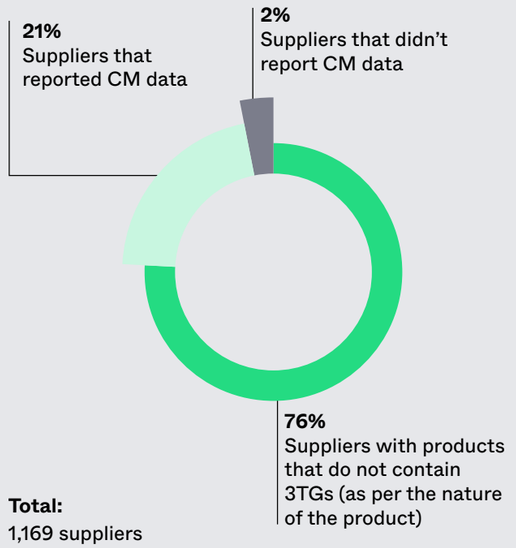
Conflict Minerals Program:

- **Step 1:** Assess if tin, tantalum, tungsten, or gold (also called 3TGs) may be present in the components we buy from a supplier.
- **Step 2:** Inform targeted suppliers about our intention to run a conflict minerals campaign, as well as our right to disengage with non-responsive suppliers.
- **Step 3:** Run the campaign with all suppliers that potentially use 3TG in their products, using the latest CMRT file from RMI.
- **Step 4:** Ensure the response rate is more than 75%. In parallel, focus on non-responsive suppliers, urging them to report the smelters and fill in the CMRT.
- **Step 5:** Initiate a due diligence correction plan with all suppliers who use high-risk smelters and refineries. In 2022, we introduced a two-year target for affected suppliers with high-risk smelters to reduce their raw materials that are conflict minerals by 50%.

Every three years, INNIO performs an audit of suppliers in targeted, high-risk countries. This external audit of smelters and refineries investigates the 3TGs from potential conflict mines. After a review in line with our policies and programs against conflict minerals, the risk is assessed, and action is taken.

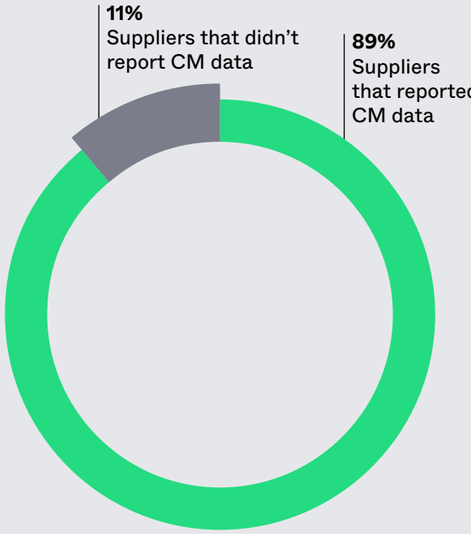
In the graph on the right, we explain the percentage of suppliers for which conflict minerals information is available (CMRT). We determined the scope of the yearly conflict minerals campaign based on detailed conflict minerals risk analysis (per product or purchasing category) across the supply chain.

Our conflict minerals identification process begins by running an analysis of all products received from selected suppliers to understand if they may contain 3TGs. These minerals are mined in eastern Congo (DRC) or adjoining countries.



Total:
1,169 suppliers
Reference year:
2021 CM survey
Targeted group:
Direct material suppliers

Graph 12



Source: 2021 CM survey that targeted 277 direct material suppliers

Graph 13

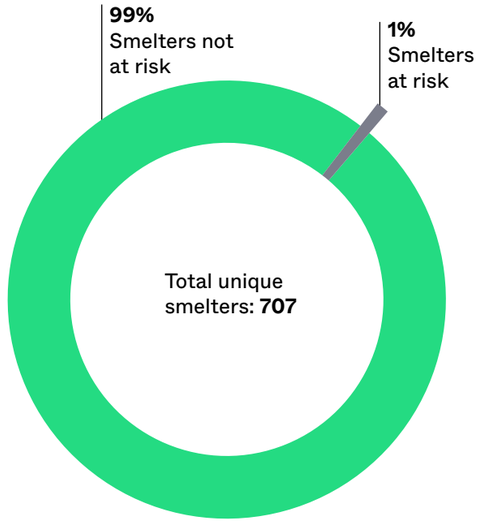
We include those suppliers that do provide components containing 3TGs in our yearly conflict minerals survey. Through this survey, we regularly assess and monitor the data gathered, with the goal of reducing conflict minerals in the supply chain.

This process covers all direct material suppliers providing components for our engines. Our response target was to achieve over 75%, and we achieved an 89% response rate in our 2022 survey.

During the 2022 conflict minerals campaign, we updated our procedures to capture high-risk smelters. The shortlist was based on the non-conformant list of smelters from RMI. As in past years, we ensured that written communication continued to be sent to these suppliers to inform them of conflict minerals issues. In addition, we included a procedure to disengage with a non-responding supplier on conflict minerals issues, which is explained in the table below:

Year 1 →	Year 2 →	Year 3 →	Year 4
Accept all smelters, apply due diligence	Supplier to reduce the nonconformant smelters by 50%	Supplier to use 100% conformant smelters	If the 100% conformant still is not achieved, initiate disenganging procedure with the strategic buyer

Table 9



Graph 14

We are striving for a 100% response rate. To this end, we have begun an initiative targeting the suppliers (fewer than 10%) that have not responded to our survey in a timely manner over the past two years.

The result of the campaign is a final INNIO CMRT, a due diligence report on conflict minerals that also is used for due diligence requests coming from INNIO customers.

Our conflict minerals policy is publicly available and can be found on our website in the dedicated Supplier Media Library. This document is a commitment to INNIO's public policy engagement and ensures transparent reporting on due diligence.

Introduction of sustainability assessment in supplier scorecards

All suppliers are assessed using INNIO's procurement scorecards. Suppliers are scored across four categories with the potential to score up to 100 points. In July 2021, INNIO introduced a "Sustainability" category (15%) along with "Commercial" (25%), "Planning and Logistics" (25%), and "Quality" (35%). Suppliers are incentivized to act sustainably and actively contribute to our goals. Each of the four categories ranks a supplier according to several criteria. The "Sustainability" section of the scorecard contains the following seven criteria, chosen for their alignment with INNIO's goals:

1. Energy Management System (EnMs) and Environmental Management System (EMS):
INNIO encourages our suppliers to adopt internationally recognized standards and external certification to reduce the use of energy and enable better environmental management. INNIO expects suppliers to adopt the highest standards (ISO 14001 and ISO 50001).

2. REACH:
REACH policies and programs protect people's health and the environment by regulating the use of chemicals and ensuring information transparency.

3. ESG rating:
This criterion has two aims: to increase the ESG practices of our business associates and to evaluate our suppliers' sustainability practices. This consequently provides insights for potential improvement.

4. Recycled material:
INNIO aims to increase the percentage of recycled material used. To achieve this, our suppliers also will need to increase their use of recycled material. We seek to ensure that valuable natural resources continue to be available to both current and future generations by avoiding their total depletion.

5. GHG reduction commitment:
This criterion provides an incentive to our suppliers to calculate and reduce their GHG emissions, providing specific values for both a baseline and any ongoing improvement. Currently, 75% of spend of our top 200 direct material suppliers[3] is awarded to suppliers who have committed to reducing their GHG emissions by 50% by 2030.

6. Renewable energy:
By providing an incentive for our suppliers to use renewable energy, this criterion is aimed at the decarbonization of the supply chain. Currently, 20% of the spend allocated to our top 200 direct material suppliers goes to suppliers using 100% renewable energy in their operations.

7. Sustainability clause in contracts:
Suppliers must define a sustainability goal that is considered SMART (Specific, Measurable, Achievable, Relevant, and Time-bound). Once approved by INNIO, the goal is signed by both parties and added in the contracts. This clause motivates our suppliers to reflect and act on their sustainability goals. It also promotes sustainability and convinces more companies to act on pressing ESG issues.

INNIO actively engages in dialogue with suppliers regarding sustainable practices. We have been able to overcome initial capacity challenges and already see improvement in both collaboration and motivation from our suppliers. Not only has this led to a significant average score improvement, but it also has helped contribute to a more sustainable supply chain.

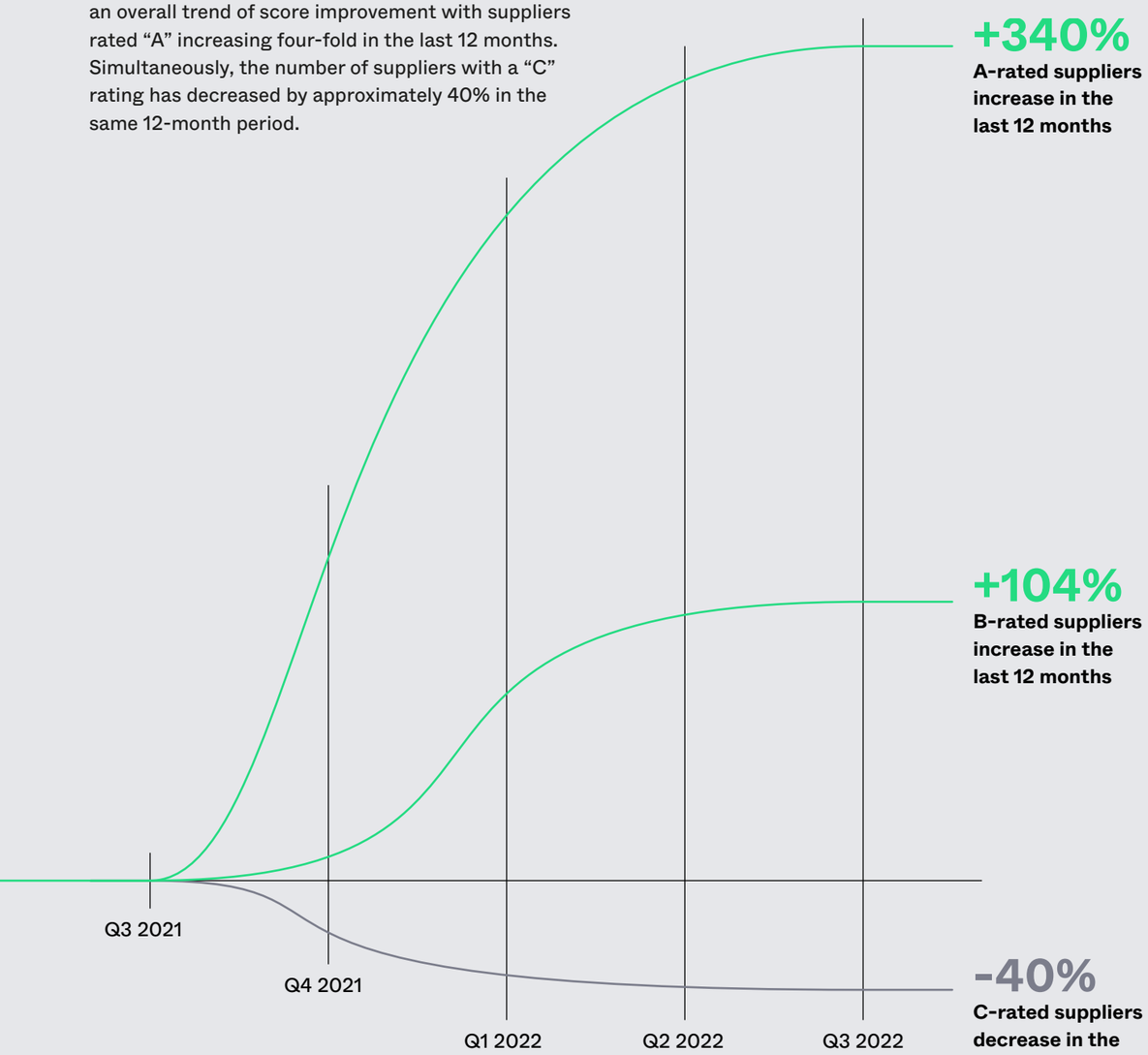
One key example of dialogue is workshops focused on discussing sustainability in depth and jointly identifying what improvements can be made. We hosted two sustainability workshops during our annual Supplier Conferences.

Interactive engagement between INNIO and our suppliers has proved very impactful. The outcomes have not only improved supplier scores but showed that collaborative action can quickly and effectively introduce improvements throughout our supply chain.

[3] To make tangible changes, we have selected a group of the top 200 suppliers by spend. The top 200 suppliers cover 80% of spend for direct material.

Overall sustainability score improvements in supplier scorecards

Since introducing the sustainability section on the supplier scorecard in autumn 2021, supplier ratings have shown significant positive improvement. We see an overall trend of score improvement with suppliers rated “A” increasing four-fold in the last 12 months. Simultaneously, the number of suppliers with a “C” rating has decreased by approximately 40% in the same 12-month period.



Graph 15

ESG data collection and validation

INNIO views data collection and validation—a process involving all the stakeholders in the value chain—as crucial elements when making informed decisions regarding ESG. Today, most data comes from a secondary source, but we aim to establish primary data as a key source. We will work with our suppliers to determine mechanisms to obtain primary data, including clear expectations for when the data must meet audit criteria.

For INNIO, with an average of 40 products per supplier, collecting data regarding percentages of recycled materials and GHG emissions (cradle-to-gate) has proven a complex process. To overcome this challenge, we simplified the workload by focusing on the most representative product in most cases (i.e., the top weight and ordered quantity) while also prioritizing based on supplier volume. During 2021, INNIO initiated several value-adding cross-functional projects run through the Talent Development Program. One focused on establishing the data collection mechanisms to overcome the challenges in the data collection process. The team created a template in which suppliers can list the used materials in their most represented products. We started by approaching a limited number of suppliers and focusing on the most representative products by volume as benchmarks. Since this proved to be very practical, throughout 2021 and early 2022 the approach was extended to collect data from all relevant direct material suppliers.

Data collection and validation are time-consuming, and they require supplier cooperation, including the disclosure of raw and recycled material splits. The process of data validation began in 2022 with evidence requested through emails and dedicated supplier reviews. Beginning in July 2022, on-site audits conducted by experienced INNIO auditors were added to ensure data validation. In total, 94% of the targeted suppliers provided a recycled template for benchmarked engines.

Recycled percentage

Circularity is one of four key initiatives run under the SRB at INNIO. Because our engines are mainly made of metals in their raw material form, in 2021 Procurement set a company-wide target of increasing the percentage of recycled material inputs as part of our ESG goals. As mentioned, the focus thus far has been in data collection, starting with calculations (first published in INNIO’s 2020 Sustainability Report) and progressing to cover validation and reduction of used virgin material.

With the most representative products by volume as benchmarks, we took the bill of materials and addressed suppliers based on weight. We have received inputs covering 90% of engine weights. The data was collected, and the average estimated for those products.

The baseline year is 2021, with 53% recycled material. INNIO saw improvement to 56% by the end of 2022. The 3% increase during 2022 directly corresponds to 341 kg more average recycled content for every engine we produced.

Spark plug recycling

A highlight of our recycling process is our spark plug initiative, which aims to significantly reduce the need to extract new materials. After sorting the different metals from used spark plugs, the precious metals are processed to reach an almost pure state. These metals then are returned to our supplier, who treats and re-manufactures them. In 2022, 23% of the produced spark plugs were recycled. In doing so, INNIO covered about 10% of our yearly demand—an important element in our ongoing sustainability journey.

Building best-in-class sustainable procurement	2020	2021	2022
EcoVadis rating of INNIO	→ **June:** Silver medal INNIO (JB) (top 5% industry)	→ **January:** Gold medal INNIO (JB) (top 1% industry)	→ **September:** Platinum medal INNIO (top 1% of all rated companies)
Sustainable procurement section	→ **June:** 50 points	→ 60 points	→ 70 points (40% increase)
Conflict minerals & REACH policy & program	→ From **November 2018**		
Supplier onboarding controls & SRG program	→ From **November 2018**		
Sustainability section in the scorecard		→ **July:** introduction	→ **July:** 26% score increase
ESG (EcoVadis) coverage of direct material suppliers		→ **August:** introduction 20% coverage (top 200)	→ **September:** 72% coverage (all DM)
ESG (EcoVadis) supplier score		→ **June:** 48.5 points	→ **September:** 51.1 points (industry: 44.5 points)
Recycled material		→ **January:** 53%	→ **September:** 56%
50% GHG reduction commitments (Top 200 DM suppliers)		→ **March:** 52%	→ **September:** 67% (29% relative incr.)
GHG emissions		→ **January:** 19.5 tons CO_2 1u J320	→ 17.2 tons CO_2 1u VHP; **September:** 19 tons CO_2 1u J320; 16.4 tons CO_2 1u VHP
Dedicated ESG policy & action plan		→ **December:** one-pager	→ **June:** 20 pages detailed
Data validation & introduction of sustainability to every supplier (SQE) audit		→ **May:** Validation	→ **July:** extended audits **Sepember:** 68% evidence received
Contract templates & sustainability clause		→ **December:** template update	→ **September:** 10 contracts

Table 10

Transport and logistics

During 2021, INNIO initiated a project to calculate the emissions coming from upstream transportation. The cross-functional team used online maps to identify the distance between the supplier and INNIO. In addition, the team categorized the shipments by mode of transportation (sea, air, land). Subsequently, industry averages were used for each mode of transportation to more accurately establish emissions.

We continued to enhance the calculation process in 2022 and looked specifically at the biggest contributors to emissions regarding Waukesha transportation. Ultimately, we discovered that about half of the emissions were caused by one singular part. In light of this, we developed some opportunities to decarbonize upstream transportation, for example, by adding rail as a mode of transportation and near-shoring for some selected parts. Some of the 2022 global challenges, such as material shortages and the lack of sufficient containers, further accelerated our identified projects. We were able to increase near-shoring from 20% to 80% for some of our heaviest engine parts. These combined efforts are proof of two strategies coming together: our dual focus on resilience and sustainability working toward the decarbonization of the supply chain.

Supply chain resilience

Risk mitigation with a focus on “Financial Supplier Stability” monitoring traditionally has been part of the procurement agenda. After some of our suppliers were impacted by the COVID-19 crisis and climate events, INNIO refined our approach toward risk mitigation in 2022. We decided to reach out to our suppliers to get a better understanding of their risk mitigation strategies. The instability of the energy crisis following Russia’s war on Ukraine validated the necessity of this approach.

Indeed, to ensure continuity of supplies despite unforeseen events, we decided to work hand in hand with our suppliers on a risk mitigation project. Material availability has always been measured at INNIO through on-time delivery, but with our new approach, ensuring business continuity and avoiding unplanned changes also were determined to mitigate our environmental impact. Our main aim was to reduce dependency on modes of transportation with higher emissions (such as air transport) as well as to avoid incomplete or partial shipments.

As part of this initiative, we began asking our suppliers to provide us with information about their business continuity strategies. We surveyed them to understand if they had an established Business Continuity Plan (BCP) and if they considered: all relevant natural risks (earthquakes, flooding, draught, tornados, volcanos, etc); human-made risks (like fire and explosions); political or social unrest (including strikes); and cyber-attacks. We also asked them for information about the ensured delivery capacity to INNIO. Suppliers that did not consider risks to a sufficient extent were asked to establish or improve a BCP.

Through this ongoing project, suppliers are contacted to improve their performance and establish mitigation strategies. Doing so will improve the resilience of our supply chain, thereby reducing the impact that unpredicted events can have on our sustainability progress.

In 2022, we also implemented AI-powered Supply Chain Risk Management software, monitoring more than 300 risk objects to proactively identify, assess, and mitigate supply chain risks.

Ethical, compliant, & transparent supply chain

Checking behavior of our current & prospective suppliers

INNIO helps ensure the ethical and compliant behavior of our suppliers in multiple ways. First, we conduct vendor pre-screening and supplier audits. Prior to onboarding, all suppliers are required to review, agree to, and sign INNIO's "Supplier Integrity Commitment Declaration." This demonstrates their commitment to the 10 principles of the United Nations Global Compact regarding the areas of human rights, labor, environment, and anti-corruption. Additionally, INNIO's Integrity Commitment focuses on the following areas: fair employment practices; EHS; human rights; working with governments; improper payments and dealings with INNIO employees and representatives; competition law; intellectual property; security and privacy; trade controls, custom matters, and tax laws; business process controls; and ESG.

Second, INNIO regularly assesses the environmental and social practices of suppliers through the information received from the sustainability section of the procurement scorecards. Data is collected for more than 200 suppliers (covering more than 80% of spend) through questionnaires and meetings. This data then is reviewed by INNIO's procurement subject matter experts.

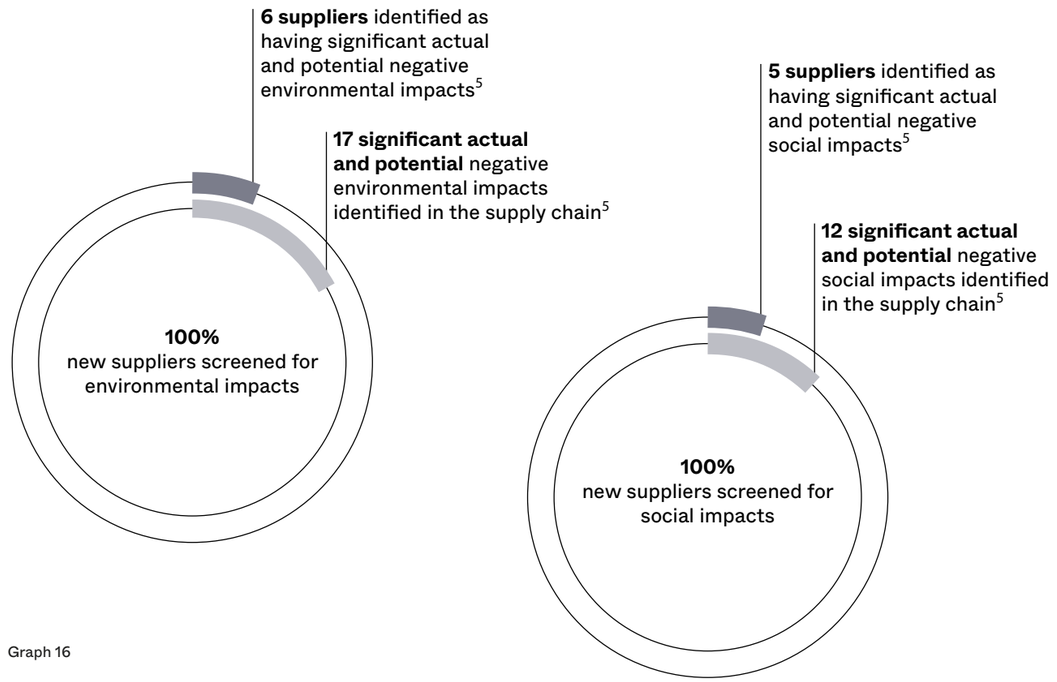
Third, strategic (direct material) suppliers are asked to take an ESG assessment questionnaire to determine how their practices align with our requirements. The score then determines the appraisal on the supplier scorecards.

Fourth, for suppliers located in countries with low corruption perception index (CPI[4]), we run in-depth audits on the supplier site. This is required for both existing suppliers (audited on a regular basis) and prospective suppliers that want to enter into a business relationship with INNIO.

We continue to be very selective and apply high ESG standards to prospective suppliers, and we use our automated onboarding process for decision-making. For instance, as part of the onboarding process in 2022 we undertook a sustainability audit for a promising business associate that could deliver some of our critical materials. Through this process we noted that the business associate did not provide satisfactory answers to the 75 questions. As a result, the strategic buyer and the Compliance and Sustainability Procurement teams jointly decided to reject the onboarding of the prospective supplier.

Additionally, INNIO has multiple procurement policies regarding ethical, compliant, and transparent supply chain, all of which are publicly available on INNIO's website in the Supplier Media Library. In June 2022, INNIO's ESG Supplier Policy was expanded to include an extended focus on our goals and action points for six different areas: Environment, Health and Safety; Supplier Environmental Issues; Social Practices; Human Rights; Conflict Minerals; and Diversity. For each topic in the policy, INNIO has set both goals and actions to provide more clarity and transparency and therefore ensure compliance with our high ESG standards throughout our supply chain.

[4] Source: transparency.org



Graph 16

[5] INNIO has addressed all instances of identified actual or potential impact.

GHG in our procurement value chain

Climate change is an important and urgent topic requiring common action. To mitigate the effect of climate change and ensure a sustainable future for us and for the next generations, we must reduce our GHG footprint. Given INNIO's international presence, real estate plays a role in our overall GHG inventory.

Initiated in 2021, our cross-functional project team identified, proposed, and implemented a practical way to calculate cradle-to-gate GHG metrics based on supplier-provided recycling information and a reliable industry average CO_2. Another approach for calculating the GHG emissions that results from upstream transportation was to use data regarding supplier factories, mode of transportation, and distance. In total, we calculated the materials and CO_2 upstream transportation baseline at almost 50,000 tons CO_2 for materials (cradle-to-gate) and transportation.

In 2022, we identified five supplier projects that counterbalanced some of the capacity increase of our Welland factory, and contributed to an improvement in intensity. Given the positive results, at the end of 2022 we began expanding these projects, which now cover close to 30 suppliers.

With the introduction of the carbon management module in the EcoVadis platform, we were able to gain important insights into the carbon reporting maturity of our suppliers to improve our GHG metrics tracking. At the end of 2022, 20 of our top 200 direct material suppliers reached a carbon maturity rating from EcoVadis of "intermediate," "advanced," or "expert." Our target is to at least double that group by the end of 2023.

A commitment to emissions reduction

INNIO committed to SBTi in 2021 to ensure that our progress toward decarbonization is approached in a structured and tangible way. To reach this target, we need collaboration—and commitment—from our stakeholders, including our suppliers.

By the end of 2023 our target is to have those suppliers covering 80% of top direct material spend commit to reducing their own GHG emissions by 50% by 2030. We have proposed three different levels of commitment for our suppliers:

- Commit to us in written form
- Share with us their public statements
- Sign up for the SBTi

Already, as of 2022, more than 75% of our top 200 suppliers (by spend) have demonstrated their commitment to our goals by agreeing to reduce their GHG emissions, with 50% by 2030. Our target is to work with the remaining suppliers to encourage their commitment as well.

By 2030, INNIO additionally aims to have suppliers covering 80% of both direct and indirect spend committing to net zero by 2050.

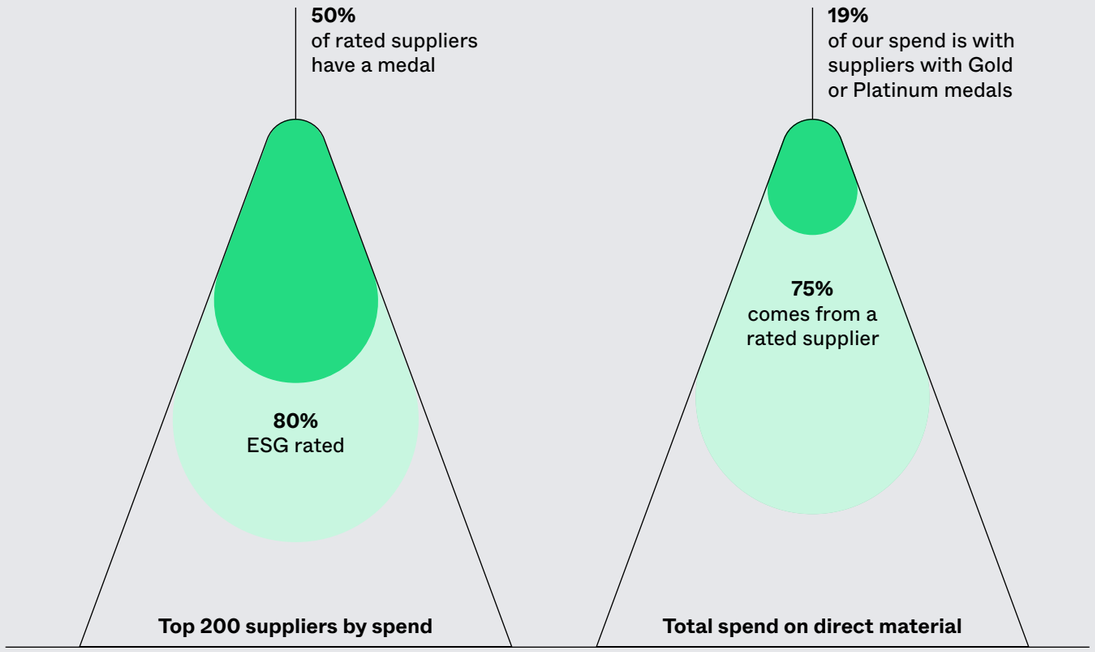
Direct material suppliers' ESG ratings

In 2021, we introduced independent ESG ratings to our supply chain, initially focusing on our top 200 suppliers representing 80% of our direct material spend.

To track, measure, and enhance the ESG performance of our suppliers, we work with EcoVadis. In addition to getting our suppliers on the platform, we also help them improve their ESG performances using the corrective actions identified by EcoVadis as guidance. As we constantly strive for improvement at INNIO, we require our suppliers to work on improvement topics highlighted by EcoVadis.

In 2022, we extended the requirement for an independent ESG assessment to all our direct material suppliers, sending them a request to perform a rating assessment. Toward the end of 2022, 75% of the spend for direct material suppliers was allocated to suppliers with an ESG rating.

Beginning at the end of 2022, suppliers with an ESG assessment will have an advantage over suppliers without, so having a third-party ESG rating has become a deal-awarding decision factor.



Graph 17

Indirect material suppliers' ESG ratings

After successfully approaching our top direct material suppliers in 2022, we extended our approach to smaller direct material business traders to further increase the scope. INNIO has committed to cover 80% of our indirect spend by ESG-rated companies by 2025.

In October 2022, the scope for indirect suppliers was set at those with a year-to-date (Jan-Oct 2022) spend of more than €100,000. We are now reaching out to suppliers regarding EcoVadis ratings. Our goal is to reach 30% by the end of 2023.

Contractual commitments to sustainability

A top initiative to increase our sustainability performance in the supply chain was the introduction of sustainability clauses into the contracts. We began by updating all our commercial templates in 2021, so that every new or extended contract includes the sustainability clause. At the same time, we have extended the template to include a dedicated sustainability appendix, meant to capture specific sustainability goals as proposed by suppliers. The goals set by suppliers need to be SMART. As part of the contract renewal cycle, we inevitably increase the number of contracts containing sustainability clauses.

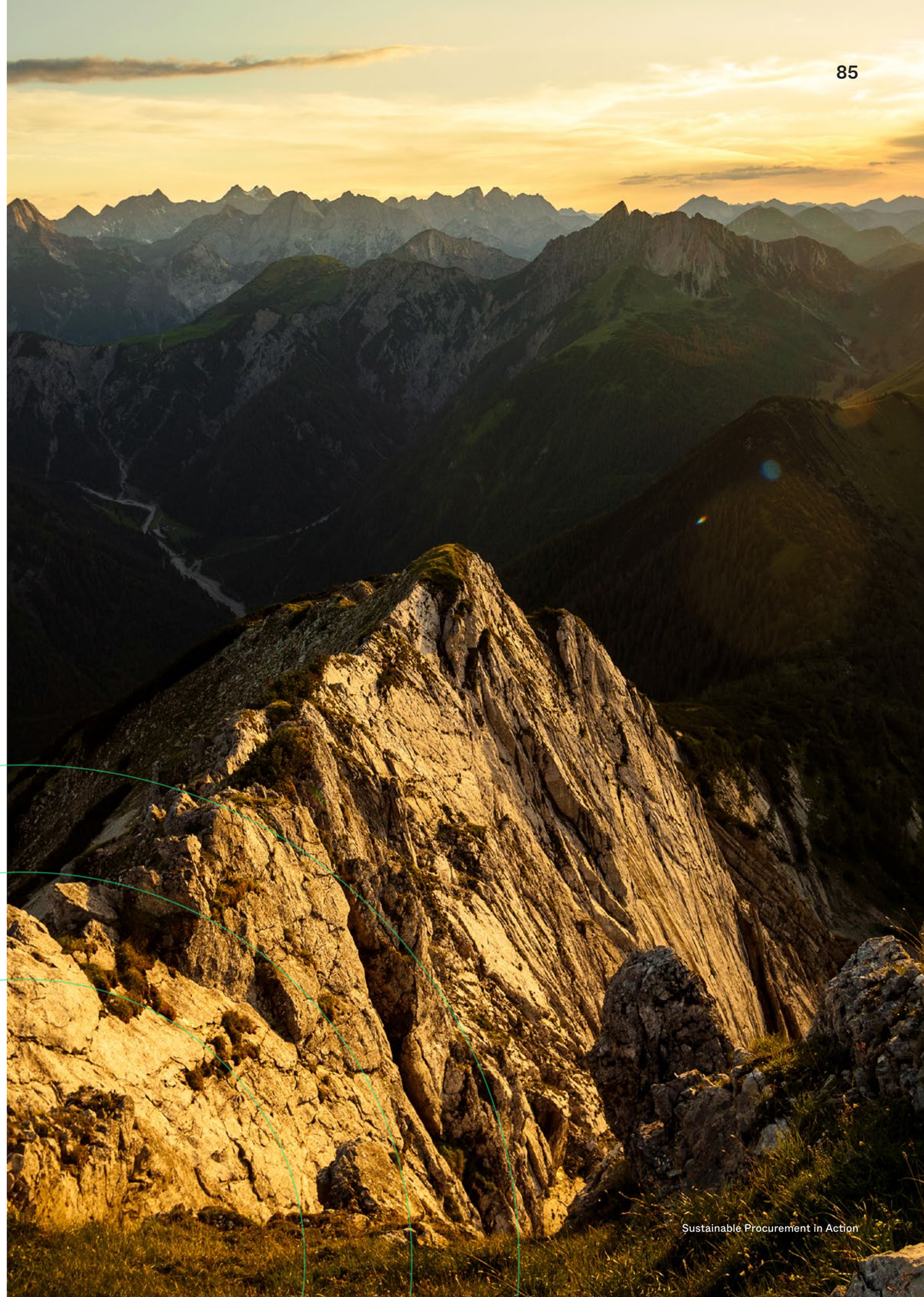
As a result of this process, we have formalized sustainability goals in contractual form for direct material suppliers covering 18% of spend in 2022. This goes beyond the target per the 2022 Sustainable Procurement roadmap.

Reliable data: key to making measurable impact

Collecting primary data that is reliable requires collaboration across the procurement value chain. We are discussing how to collect and measure data with more than 500 of our suppliers to determine effective sustainable progress and ensure our data quality is audit-ready and meets the criteria for emerging ESG frameworks.

To do this, we heavily count on our supplier response rate, and they in turn depend on Tier 2 and 3 suppliers. In the future, we aim to work toward an increase in the use of the International Environmental Product Declaration System for transparent disclosure of the footprint of the products we buy.

Each procurement initiative faces the challenge of data collection. Regarding the scorecard, we rely on supplier disclosure and communication to know where our suppliers stand in relation to the different criteria. Additionally, supplier responsiveness is needed for the ESG third-party assessments. Because of this, we often launch communication email campaigns. If the data required is not provided, these in turn are followed by reminders and discussed in supplier calls.



Diversity in our supply chain

In 2022, INNIO began to work on diversity in our supply chain. We identified indicators that could be tracked in the EcoVadis platform to measure the performances of our suppliers and identify opportunities. We decided to focus on the following five indicators:

- → **Indicator #1:**
  Labor and human rights policy on diversity, discrimination, and harassment
- → **Indicator #2:**
  Measures to promote gender and/or minority inclusion in the workplace
- → **Indicator #3:**
  Awareness training regarding diversity, discrimination, and/or harassment
- → **Indicator #4:**
  Reporting on the percentage of women in top executive positions
- → **Indicator #5:**
  Reporting on the percentage of women employed in relation to the entire organization

In 2023, our target is that suppliers with less than three of the highlighted KPIs will be requested to improve through the platform.

A highlight of our initiatives is a project in North America to increase our partnership with diverse suppliers. A diverse supplier is a business that is at least 51% owned and operated by an individual or group that is part of a traditionally underrepresented or underserved group. Common classifications are small-business enterprises (SBEs), minority-owned enterprises (MBEs), and women-owned enterprises (WBEs). Our plan for the next year is to establish a baseline that will serve for improvement.

Next steps:

Building ownership for robust data quality

At present, we calculate the GHG emissions of our supply chain based on the materials used and the corresponding transportation emissions in the upstream. Although we have taken first steps in our calculation method, we continue to improve our approach to gain more detailed and precise calculations. In 2023, we aim to begin using a life-cycle inventory database to support supply chain GHG emissions calculations. Our overarching goal is to systematically move from secondary to primary sources of data. An instrumental part of this process is implementing methodology and ownership for data across our supply value chain. The ideal long-term goal would be that, for each product we buy, suppliers would provide us with an Environmental Product Declaration, where the GHG equivalent associated to the product is stated transparently. This would enable a detailed analysis of emissions in the supply chain and allow us to better integrate sustainability into the decision-making process.

“ At INNIO, we see digitalization as a key to enabling our ESG goals. By leveraging technologies like internet of things, artificial intelligence, and machine learning, we can optimize our operations, reduce waste, and improve our environmental performance. Our digital platform myPlant was developed to connect our machines to our employees to engage with stakeholders, share information, and foster collaboration in order to decarbonize energy.”

Moritz Fröhlich
Chief Digital Officer

Our roadmap

We are committed to circularity in procurement. One of our main contributions to the Group's goals is increasing the recycled material ratios in the components we buy, therefore increasing the percentage of overall recycled material used in our engines. Our baseline was set at the end of 2021 and validated in Q1'22 to an average of 53% recycled material used to produce one unit of an INNIO engine.

We focus our efforts on recycling materials for two main reasons. First, in doing so we can lower the demand on Earth's limited natural resources. Second, by using recycled material instead of virgin material, we can reduce our GHG footprint. For example, a reduction of 1% virgin material for one tonne of steel translates to a decrease of 16 kg CO_2-e. In 2022, we increased the average recycled input material rate of our engine by 3 percentage points, from 53% to 56%, resulting in lower GHG emissions associated with our engines. We are determined to follow our procurement roadmap to reduce GHG emissions in the short-, medium-, and long-term.

While some components impose a limitation in the amount of recycled material that can be used to meet stringent quality requirements, our ambition is to be in a range of 75%. For this purpose, our first target in the 2022-2025 sustainability roadmap is to increase the average recycled content by 1% every quarter. During 2023, we will implement 23 supplier projects based on materiality.

We are aware that this process involves multiple tiers of suppliers and requires strong collaboration between all the parties involved in the value chain. While we understand that this is a demanding process, we already recorded some successes in 2022. One such example is a Swedish supplier who was able to more than double its recycled material content ratio from 19% to 42%.

To accelerate the achievements in the Sustainable Procurement roadmap, we have increased our focus on buyer training regarding social and environmental issues within the supply chain.

In September 2022, the Sustainable Procurement team ran a training for the entire Sourcing Department. This training focused on raising awareness of environmental issues such as global warming as well as the social issues of forced labor, modern slavery, inequity, and gender equality. The session had a very motivating impact on our strategic and operative buyers, as well as on our suppliers' quality engineers who are all deeply involved in sustainability topics. The initial attendance of this all-hands training session was close to 60. However, it was followed up by another two-team dedicated session, after which the session's materials were shared. In this way we managed to reach 100% of our Sourcing employees.

We since have followed up with a training on the EcoVadis platform for the entire Sourcing Department, given by the EcoVadis key account team. In addition, we took this opportunity to launch the EcoVadis Academy for INNIO buyers, through which they can get additional insights and training certificates.

Moving forward, INNIO is committed to further developing sustainable procurement. We recently underwent our third annual EcoVadis' "Sustainable Procurement Maturity Review." In the two years since our first review, we have increased from the "Responsive" to "Proactive" category—two categories higher than the global average. The EcoVadis matrix is rooted in five components: vision and goals; governance and resources; policies, procedures, and processes; capacity building and continuous improvement; and reporting. We remain committed to further maturing our sustainable procurement program in 2023.

Our position on emerging ESG regulations

Building excellence in our operations requires constant monitoring of the ever-changing ESG landscape. We are actively monitoring current and future requirements to ensure our business is well-positioned to meet them.

EU Supply Chain Act

The EU Supply Chain Act, currently being drafted, aims to ensure the European Union protects human rights and fosters sustainable development and international trade rules. The act primarily focuses on risk and compliance along the value chain, and companies based or operating in the EU will need to comply with strict supply chain standards. The act also will enhance the disclosure of information regarding the supply chain operations of subjected companies. INNIO is assessing the future requirements and our level of preparedness for when they go into effect.

German Supply Chain Due Diligence Act

Although INNIO is not directly impacted by the German Supply Chain Due Diligence Act, some of our customers are. As a result, at the end of 2021 INNIO proactively began reviewing our existing controls for covering the law's requirements through: risk analysis of the supply chain, adapting the contracts, adapting the internal procedures to encompass the risk management analysis and prevention mechanism, establishing a complaints system, and providing dedicated support for customer requirements.

Beginning in 2023, the act will apply to companies based in Germany or registered branches of foreign companies with more than 3,000 employees. The following year, this threshold will be dropped to companies with more than 1,000 employees. The act applies to enterprises regardless of their legal form.

Both human rights issues and environmental impact must be evaluated and mitigated by German companies subject to this regulation. Therefore, those companies will implement transparent policies and risk assessments for their supply chain. Because many of our suppliers are German, this regulation will significantly impact them and lead to more compliance and transparency. In turn, there will be consequent, positive impacts on the compliance and transparency of INNIO's supply chain.

Non-Financial Disclosure/Corporate Sustainability Reporting Directive

In the coming years, the EU's Non-Financial Reporting Directive (NFRD) will be replaced by the CSRD. Companies subject to CSRD will be required to publish non-financial disclosures regarding the environmental and social impacts of their activities. As the reduction of GHG emissions targets will have to be reported, our suppliers who are subject to the regulation will need to comply. Because of this, CSRD provides an opportunity for INNIO to work collaboratively with our suppliers, ensuring that they are focused on sustainability.

Supplier impact stories

In July 2021 we introduced ambitious sustainability targets for suppliers via scorecards and independent ratings. Our ambition at INNIO is to not only maintain our own A-level rating, but also to encourage and support our own suppliers in continuous improvement of their own ESG ratings. As described earlier in this report, our suppliers are in the process of working toward the highest sustainability score in INNIO's evaluation.

Below are a few supplier stories detailing their key success factors, unique approaches, and proactivity, as well as their challenges and how these have been overcome. These suppliers have all scored A-level (green) in the sustainability quadrant from the beginning of 2022.

MANN+HUMMEL

Mann+Hummel

At Mann+Hummel we have a clear commitment to sustainability, and we were the winner of INNIO's "Sustainability Award" at the annual Supplier Conference in 2022. In addition to joining the UN Global Compact, we have intensively advanced our existing management systems relating to occupational safety (ISO45001) and environmental protection (ISO14001). All our production sites for our transportation business have a certified environmental management system in place. Additionally, more than 90% of employees work at production sites with certified occupational management systems. We are continuously striving to further increase this level of coverage.

As a first step toward a comprehensive CSR strategy, we also have developed a roadmap to carbon zero, with the goal of being climate-neutral by 2050. In 2021 we implemented 58 measures and reduced our CO_2 emissions by 1,600 tonnes. In 2022, we improved a centrally controlled program to reduce energy consumption worldwide by 2% to 4% per region each year. With the help of this program, we reduced operational energy demand by 19.5 GWh in the last 12 months. Concrete measures are systematically implemented at all sites in six-week sprints.

We are experiencing very volatile times, and we are confronted with a variety of challenges. For example, the steep increase in energy prices in Europe has impacted many parts of the company. However, we see a sustainable approach to overcoming this challenge. Increasing energy efficiency reduces our energy consumption, saving costs and reducing our CO_2 footprint, thus contributing toward our strategic goal of carbon neutrality.

Our main challenges are sustainable products; the reduction of our ecological footprint; human rights and working conditions, especially in our supply chain; and compliance with regulatory requirements, particularly CSRD, EU Taxonomy, and the German Supply Chain Act. All challenges have been translated into concrete strategies and targets and backed up with specific action plans. All strategies require cross-divisional and cross-country cooperation. To make this possible, we convene global project teams for the identified focus topics. Regarding human rights, we have implemented a risk management system for our own company and our direct suppliers.

Our sustainable product portfolio is continuously evolving. We derive potential for improvement based on life-cycle assessments. We strive to improve energy efficiency and reduce the overall footprint of our filtration solutions for cleaner air, mobility, and water. Indeed, we are committed to supporting our customers in the transformation of their product portfolios with sustainable solutions. However, doing so is always a team effort. As INNIO and Mann+Hummel are pursuing similar goals of carbon neutrality, low carbon, and circular products, we see a focal point for future cooperation in "sustainable product design" and the development of closed-loop flows. In particular, the topic of circular economy will be an important field of collaboration moving forward.

Mahle

Rated in the top 25% of our industry by EcoVadis, MAHLE puts sustainability as a principal focus. To address the challenging requirements of our customers and all other stakeholders, we set up a strategy with eight main sustainability dimensions consisting of the development and production of sustainable products; the protection of climate and environment; occupational safety, working conditions, and social standards; business compliance and ethics standards; and human rights, sustainable procurement, and sustainable finance. To implement the strategy, we have set up an organization responsible for sustainability program management and annual sustainability reporting for the group. In our projects we work in cross-functional teams and aim to integrate sustainability into existing business processes. The governance is in the hands of our Sustainability Steering Committee, which consists of five MAHLE Management Committee members.

Our most important project transfers the MAHLE CO_2 roadmap into action. We have set CO_2 reduction targets for Scopes 1, 2, and 3, and we have submitted our targets to SBTi for validation. Our climate protection efforts have been awarded with a B for our Carbon Disclosure project, confirming the effectiveness of our carbon reduction strategy.

We pass on our sustainability targets to our suppliers and expect their active contribution to achieving them. As part of this initiative, we conduct emissions assessments and introduced an online tool for human rights risk management in the supply chain. Moving forward, our focus for both this year and the next will be on CO_2 emission reduction and the fulfillment of the German Supply Chain Act.

Furthermore, focusing on Scope 3 reductions provides an opportunity for us to collaborate with customers such as INNIO for a more sustainable future.

Currently, Mahle and INNIO are collaborating closely on a sustainable sourcing project. Looking at recycled materials, the aim is to further increase the recycled materials ratio in support of a circular economy. At MAHLE we are also looking at calculating reliable cradle-to-gate greenhouse data. This enables our customer Innio to determine the carbon footprint of the products beyond the Tier 1 supply chain.

Schneider Electric

At Schneider Electric, we have been committed to sustainability for the last 17 years, and six long-term company commitments encompass our vision. These company commitments focus on respecting resources, creating equal opportunities, empowering local communities, and acting for a climate-positive world.

In 2017 and 2018, we established an internal measuring system that enabled us to connect employee performance to an index composed of a set of 12 sustainability goals. In addition to those corporate targets, all managers were encouraged to propose and implement local sustainability goals.

Through our commitment of building sustainability into the core of our company, we can mitigate risks while also creating competitive advantage. One concrete example is our increased resilience using renewable energy. For example, even with volatile gas prices in the current energy crisis, we have been able to build resilience by using solar panels. Obviously, this creates benefits for our customers, too. We see ourselves as part of the solution in fighting climate change and making our economy more sustainable as we develop and implement sustainable products and solutions at our own facilities before proceeding to sell them to our customers.

Initially, we faced some resistance from stakeholders. In particular, some customers have had and are still having concerns regarding cost and the difficulty of implementing sustainability measures. However, especially during the last year this resistance has diminished greatly. That is due in part to the new wave of environmental regulations that increasingly is emerging but even more to the current energy crisis where availability, security, and cost of energy have become a question of strategic importance to almost all businesses.

We do not stop with sustainability on the border of our own organization; our top 1,000 suppliers now are required to commit to 50% GHG reduction by 2030. Notably, small- and medium-sized suppliers are experiencing important resource issues as they recover from the COVID-19 pandemic while also facing material shortages. However, we do not leave them alone with their sustainability challenges. We see significant opportunities for collaboration with knowledge sharing, helping them take their first steps toward a more sustainable practice in the future while standardizing the tools used to do so. In this way, we create an even more resilient and sustainable business together.

Integrating sustainability into the post-pandemic mode of working is undoubtedly challenging. While some stakeholders want to return to face-to-face events, others argue against this return, stating that the GHG emissions from traveling and meeting in person are unnecessary and therefore should be avoided. Our strict travel policy ensures that travel relating to customers is prioritized over internal travel, which should be avoided whenever possible. Furthermore, we continue to expand our digital collaboration tools and host virtual management meetings and town halls. When in-person internal meetings cannot be avoided, we select locations that are accessible by public transportation.

We believe that bringing sustainability into the heads and hearts of every employee of our organization and ingraining it into our culture is essential for the company's long-term success. Therefore, we offer to all of our employees and partners a sustainability university consisting of resources such as online and in-class training courses, white papers, podcasts, and panel discussions.

Each year, we offer a survey to our customers and partners to identify future focus areas. Interestingly enough, in August 2022, 56% of respondents voted that their main priority was the procurement of renewable energy. The second-place topic was sustainability messaging and reporting, and CO_2 emissions reporting was third. Other mentions pointed to the importance of supply chain decarbonization, driving circularity, and increasing electrification of processes.

Moving forward with INNIO, we are looking for deeper cooperation beyond the delivery of our products and solutions in energy management for INNIO's final products. Currently, we are investigating opportunities around our products and solutions regarding their potential to further improve and extend the current energy management system for INNIO's facilities in Jenbach.

03

Progress and performance

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Low-carbon and circular products

This chapter covers the material topics of technology and innovation, customer collaboration for the long term, analytics and digital solutions, the circular economy, and value chain. An innovative value proposition for end users is created through these areas. Additionally, these material topics have a common set of goals: enabling and driving decarbonization, extending the overall long-term value for customers, maximizing life cycle(s), and increasing circularity while minimizing our impact on the environment. As of 2022, our digital platform myPlant covered 10,620 connected assets, which is a 9% increase from 2021. We were able to increase recycling of input materials to 56%, which is an improvement of 3 percentage points vs. 2021. Our order intake dedicated to low-carbon fuels has reached 36%, an increase of 5 percentage points vs. 2021.

Technology and innovation

Why it matters to us:
Reliable carbon-free and green technology is key to society's ability to simultaneously meet the growing demand for electricity and heat and achieve the global goal of carbon neutrality by 2050. Innovation, including the application of novel or transferable technologies, is critical to creating efficient and sustainable outcomes. INNIO understands the development of industry-leading technologies and innovations will be central to the well-being of communities, the transition toward a decarbonized or near-zero future, and the Group's success.

Our aspiration:
INNIO is committed to continuous investment in research and development that enables our customers to flexibly transition to a resilient, carbon-free future while also providing long-term energy solutions such as distributed and decentralized power and heat.

Key performance indicators:
Coverage of H_2-ready fleet, coverage of renewable fuels fleet

Responsibility within INNIO:
Chief Technology Officer (CTO), Engineering Department, Research & Development (R&D) Department

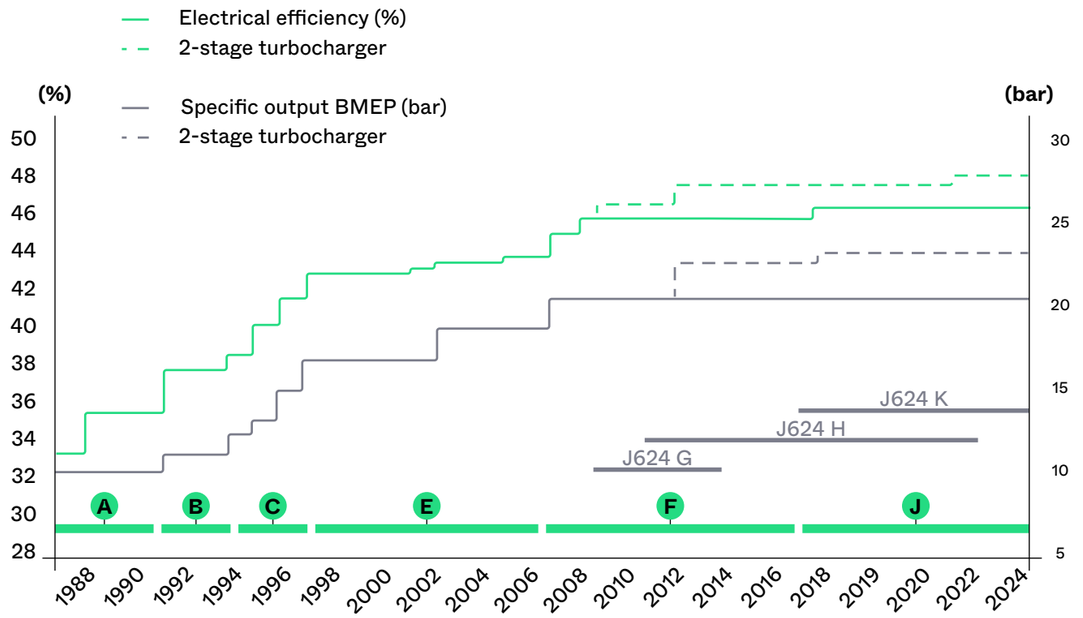
Management approach:
INNIO's engineering organization, led by the CTO (a member of the Executive Board), is at the core of our research and development activities. The engineering team governs product development, new product introduction, testing, validation, and all activities around technology innovation. The team sets internal targets surrounding areas such as product design and characteristics and their energy efficiency aspects that are validated by the Executive Board.

Progress and status:
Determined to use our position as a global energy provider to play our part in enabling a sustainable, carbon-free future, INNIO increased our focus on R&D in the use of low-carbon fuels. In 2021, INNIO introduced our "Ready for H_2" product portfolio for our Jenbacher engines, enabling customers to use the fuel of the future in various options today. In 2022, approximately 250 MW of INNIO's pilot engine installations used hydrogen as a fuel. Additionally, the amount of INNIO's order intake designated to operate on low-carbon fuels (such as biogas, wood gas, or sewage gas) increased to 35% of units in 2022.

“I’ve chosen INNIO because its apprenticeship program offers a well-established and diverse learning opportunity. I can work with various tools and machines and continuously broaden my experience. In particular, I enjoy great team spirit and collaboration with other apprentices and INNIO employees. Generation of clean energy is very important for me and my peers, and therefore I am happy to be part of this journey.”

Sophia Brandacher
Apprentice

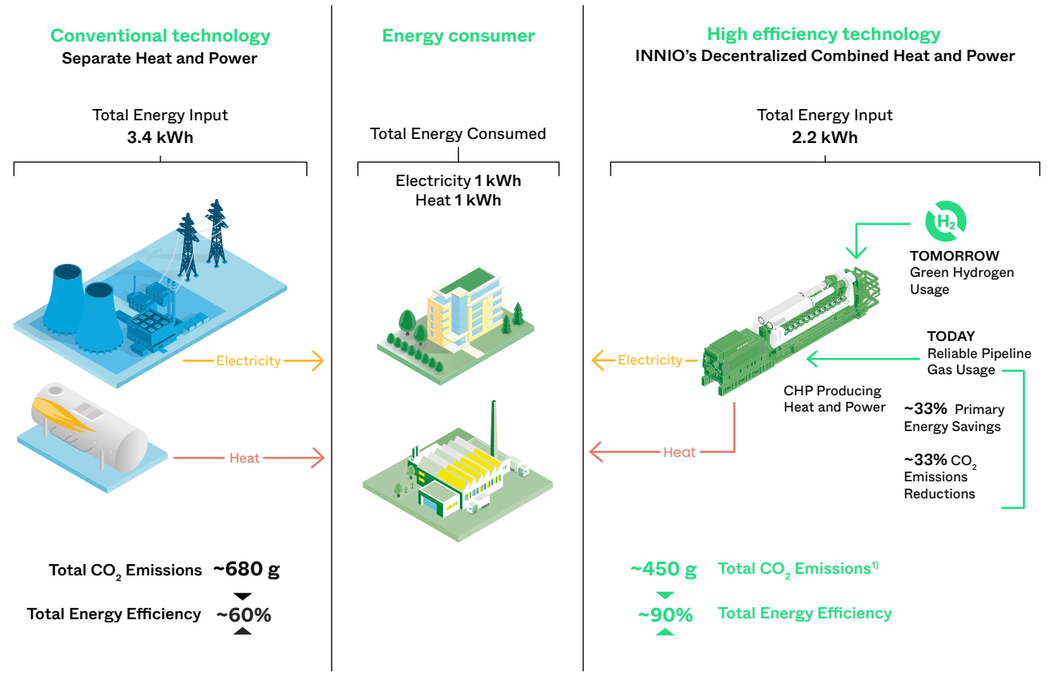
Energy efficiency product improvements:
As highlighted by the IEA, energy efficiency improvements are a critical solution in the road to achieving net-zero emissions by 2050. With the ability to run on low-carbon fuels and bioenergy in addition to natural gas, INNIO's Jenbacher high-efficiency cogeneration (also known as CHP) technology has been contributing to decarbonization. We continue to pursue the principle of Efficiency First, which conveys our desire to simultaneously achieve greater efficiency and lower emissions. With that goal, we have been able to increase efficiency by 50% in recent years. In addition, doubling the power output has led to a 50% reduction in the CO_2 footprint in production.



Graph 18

End-use emission reductions:
For many decades, an on-site boiler for heat production was used in parallel with electricity generation equipment. However, CHP equipment generates electricity and captures heat simultaneously, reaching overall efficiency of more than 90%. INNIO's data shows that by using CHP technology, our customers can reduce CO_2 emissions and primary energy consumption by more than 30% compared to conventional electricity and heat generation. As the fuel mix decarbonizes, cogeneration cost-effectively reduces emissions by displacing more energy and carbon-intensive technologies.

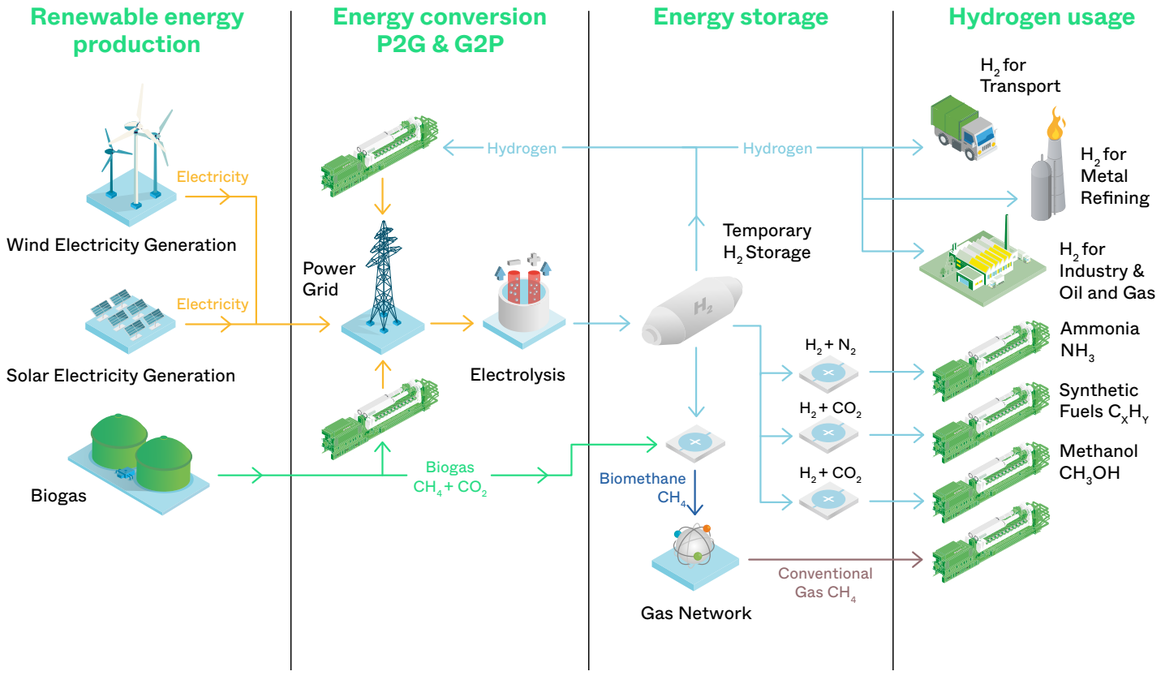
Technology for a carbon-neutral future



Graph 19

INNIO's Jenbacher equipment is ready for hydrogen:
INNIO is actively pursuing different ways to use hydrogen in our engines to increase power system flexibility. We have been operating Jenbacher gas engines with high hydrogen content for many years. For example, some Jenbacher engines are operating on steel gases and synthetic gases with high hydrogen content of up to 70% (volume). Newer projects use local hydrogen blending with natural gas up to 70% (volume). Therefore, Jenbacher gas engines are already highly flexible in admixing hydrogen to natural gas. By retrofitting the world's largest-running natural gas engine fleet, INNIO can make a substantial impact on reducing CO_2 emissions. Once hydrogen is available on a large scale, Jenbacher gas engines used for peaking and CHP applications can be converted from natural gas to hydrogen operation. In the short term, hydrogen can be blended with natural gas in H_2-ready engines. Since 2021, INNIO has introduced such engines, which were configured to enable operation on natural gas blended with up to 25% hydrogen. INNIO's strategy is to roll out our entire product portfolio ready for 100% hydrogen as of 2025. The Jenbacher Type 4 product line has been available to operate on 100% hydrogen since 2021.

Supporting the energy value chain



Graph 20

Customer collaboration for the long term

Why it matters to us:
Through collaboration, INNIO and our customers are unified and empowered to achieve a shared goal. Collaboration fosters innovation, in turn creating lasting relationships and opportunities for sustainable, long-term growth. Collaboration ensures that we are all responsible for promoting sustainable energy solutions.

Our aspiration:
We want to build a regular sustainability engagement platform with our distributors aligned on relevant material topics to advance the growth of our ESG agenda.

Key performance indicator:
Hours of engagement (trainings, workshops, seminars) of current distributors

Responsibility within INNIO:
VP Global Sales, VP Global Services, VP Project Management, VP Product Line & Marketing

Management approach:
INNIO's Global Sales, Services and Project Management organizations are actively engaging with global customers and distributors. Function leaders engage regularly with the Executive Board to discuss strategy, goals, and progress.

Progress and status:
Eliminating flaring globally: According to IEA's Flaring Emissions Tracking Report (November 2021), 142 bcm of natural gas was flared globally in 2020. This resulted in about 265 Mt of CO_2 and nearly 8 Mt of methane (240 Mt CO_2-eq). A key contributor to this global problem, routine flaring occurs when there is no off-taker or transport pipeline for the natural gas that is produced as a by-product of crude oil production. Key to eliminating routine flaring is monetizing this stranded gas through new business models. Governments globally are working at local, provincial, and federal levels to tackle this problem. INNIO is working with both our customers and regulatory bodies to develop solutions that help reduce routine flaring. We are enabling our customers to generate electricity with stranded gas and power either co-located distributed computing applications or nearby remote communities. The fuel flexibility of INNIO's engines makes it the right choice for customers in these distributed power generation applications. So far, INNIO has installed more than 200 MW in flare gas-to-power applications globally.

Analytics and digital solutions

Why it matters to us:
Our product and service offerings are comprised of sophisticated analytics and digital solutions. These tools enable customers to maintain high accuracy in asset management, reduce downtime, optimize operating costs, and extend the life cycle of their equipment. To constantly improve the sustainability performance of our customers, we predict when maintenance will be required and analyze data for optimum energy output and high efficiency.

Our aspiration:
We aim to disperse sustainability solutions to our customers through our myPlant digital platform by adding ESG-related key performance indicators (KPIs). Easily accessible to our customers, these KPIs can help them create their own ESG reports and accelerate their sustainability journey.

Key performance indicators:
Number of connected assets

Responsibility within INNIO:
Chief Digital Officer – Digital Department

Management approach:
Our customers' digital experience and sustainable value proposition are an important focus for us. INNIO's Digital Product organization, responsible for our myPlant remote applications, is working to improve solutions that enhance them. The Group's Quality Policy describes our commitment to deliver affordable and reliable solutions to our customers and is supported by INNIO's digital strategy. Our organization regularly aligns with the Executive Board in terms of strategy, goals, and progress. The digital value proposition remains threefold. First, the myPlant Performance solution increases engine reliability and performance through real-time monitoring. Second, myPlant Optimization is designed to optimize our customers' earnings and simplify their operational life. Finally, myPlant Maintenance focuses on operational excellence and service productivity. Extensive collaboration with our customers allows us to provide and adjust our digital solutions according to their specific needs. Furthermore, our customers are able to immediately communicate with our employees to answer and solve any questions and requirements through our dedicated INNIO Customer Portal.

Progress and status:
The needs of our customers continue to be a priority for INNIO. With extensive collaboration, in 2022 we further expanded our energy solutions platform and our comprehensive portfolio of digital products. Our myPlant advanced digital solutions offer real-time monitoring and preventive and predictive analytics for our engines, optimizing performance and reducing possible unplanned downtime through our extensive service network in more than 100 countries. In 2022 the number of assets connected to myPlant was 10,620, an increase of 9% since 2021. Additionally, we use the intelligent smart field technician dispatch function to plan both service events and our service technicians' assignments. As a result of this functionality, the number of site visits can be reduced as both planned and unplanned maintenance are merged. In 2022, we were able to save 275 tons of CO_2 through a 59% remote fix rate in direct markets. Alongside this, nearly all work debriefing of the service technicians is now paperless.

Circular economy and value chain

Why it matters to us:
INNIO strives to operate responsibly and drive more sustainable practices across the breadth of our value chain. This includes areas such as design of new and existing components, procurement, and collaboration with suppliers, and we also offer products with a positive circular impact to end users. The optimization of resource or material use through an extended lifetime, the reclaiming of products for reuse, and the recycling of products and components are just some examples of these practices. INNIO understands that product life-cycle planning that maximizes circularity is critical to effective value chain management and planning.

Our aspiration:
Our goal is that more than 90% of our new products or components will be made with materials that are either reusable, re-manufacturable, reclaimed, or recycled by 2030.

Key performance indicator:
Percentage (%) of recycled input materials used to manufacture our products and services

Responsibility within INNIO:
VP Services, Chief Technology Officer, VP Product Development, VP Product Line Management, VP Procurement

Management approach:
Circularity is at the forefront of INNIO's designs; our products are reusable and can have multiple life cycles. Through the work of our specialized remanufacturing team and the reUp programs for both Jenbacher and Waukesha engines, used engines and parts are returned to like-new condition. Resources are saved and environmental impact is reduced through material reuse, and these programs also help increase efficiency and energy savings. Aiming to continuously increase circularity, we set internal goals for our reUp programs. Our goal of having more than 90% reused, recycled, or reclaimed materials by 2030 is handled by our Procurement team. INNIO understands that extensive collaboration with suppliers and our high-quality data collection process are key to achieving this goal. To continuously increase our circular activities, INNIO's SRB also agreed to create a Circularity Task Force to systemize a framework of activities across critical business functions that would increase visibility, measurement, and accountability.

Progress and status:
In 2022, INNIO saved approximately 12,400 tons of CO_2 through in-field engine upgrades. In addition, our Jenbacher reUp program gives an engine and all its parts a new, longer life by returning used components to like-new conditions. Through this program, we saved 2,137 tons of material in 2022 alone. We also increased our efficiency in repair shop overhauls by 1%, corresponding to over 1 MWe average power output.

Customers who buy Jenbacher remanufacturing products get the same OEM quality and product reliability—all with a smaller environmental impact. At present, 56% of our material inputs are recycled.

Remanufacturing and reUp programs:
Our ambition supported by specific business plans is to provide more local remanufacturing and condition-based maintenance in key countries or regions. Simultaneously, we hope to expand the range of remanufactured components as well as our buy-back program of used engines to ready them for a new life cycle. These activities are accompanied by the extension and standardization of our return and handling processes. We have established a dedicated network of logistics and remanufacturing centers that perform high-quality OEM remanufacturing activities. In our approach to decarbonize this process, we are establishing reUp workshops in various global locations, closer to end users, to decrease the up- and downstream transportation footprint.

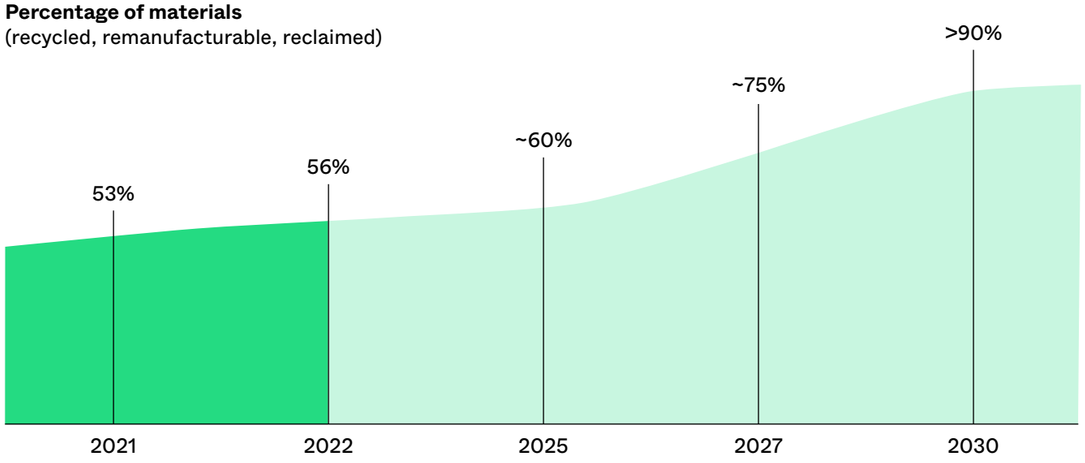
Accelerating circularity through recycled materials:
In 2020, we established the goal of achieving "more than 90% of recycled, remanufacturable, or reclaimed materials by 2030." To achieve this goal, we initiated a comprehensive and detailed framework that enables us to find the baseline of the current percentage of recycled materials. This framework has been used to calculate the percentage of recycled materials since 2019, and this methodology will be used as a benchmark for our ongoing sustainability data collection. Along with planned methodological improvements, we estimate we will make systematic progress toward our 2030 goal (Graph 21). We also keep direct and close communication with our suppliers through constant email exchanges, dedicated meetings, and sustainability workshops. This helps us sustain the baseline and identify and mitigate challenges on our journey to building a robust path toward the circular economy. We also are screening recycling activities into the already established supply chain screening processes. We understand that this is an ambitious undertaking, but combining the efforts with our stakeholders and actively investigating impact areas—such as design to recycle, remanufacturing, or re-use—will help us drive meaningful progress.

Product safety & quality:
We are determined to deliver safe, high-quality products, and exploring ways to reduce our products' environmental impact throughout their life cycle continues to be a priority for us. Indeed, INNIO has set the company-wide goal of zero product defects and recalls. Through the provision of top quality and safe equipment, we earn and maintain our customers' trust. INNIO has comprehensive systems in place to promote quality improvement globally, with top executives taking responsibility for ensuring these promotions are successful. These are regulated by the EU Machinery Directive, harmonized under norm EN 12100 (machinery safety risk assessment), with which INNIO—as original equipment manufacturer—complies. Regarding North American manufactured equipment, INNIO aligns with the National Fire Protection Association, the Canadian Standards Association, the UL standards, and other guidelines. INNIO's overall product offerings, new product introductions (NPIs), R&D, and safety are governed by the Chief Technology Officer, who is also a member of the Executive Board.

The Product Safety Board, which includes INNIO's vice presidents of Quality, Products, and Services, meets on a weekly basis. This body governs all product safety, from NPI to the Residual Risk Summary. We use a business process modeling tool to manage INNIO's policies, instructions, operating procedures, safety instructions, and safe operation handbooks.

The end users of our products and services have digital access to the guidelines and instructions, and they sign conformity as part of each contract. Conformity for product and service safety is provided by external audits and the issuance of ISO 9001, which covers 100% of INNIO's production facilities and products.

Percentage of materials
(recycled, remanufacturable, reclaimed)



Graph 21

Resilient manufacturing

This chapter is dedicated to INNIO's energy and resources management, which are at the core of our operation's sustainable transition. 2022 has been a year of multiple initiatives in this area. Our total energy consumption largely remained flat (decreased by ~1%), while we processed almost 10% more material output in our factories. Simultaneously, we were able to increase share of renewable energy by 4 percentage points and, at the same time, consumption of non-renewable energy decreased by 5%. We are constantly looking for opportunities to improve the ways energy is produced, used, and recovered, including advanced storage and microgrid technologies. In 2022, we initiated a significant decarbonization process for our production activities by investing in the construction of a green hydrogen facility (hydrolyser), which will significantly reduce our Scope 1 footprint in the next three years.

Energy and emissions

Why it matters to us:
INNIO mainly consumes energy in the forms of natural gas and renewable sources. The production and testing of our products prior to delivering to our customers, together with our R&D labs, play a significant role in our overall on-site energy consumption for Scopes 1 and 2. Effective management of our energy consumption is important to reduce the environmental cost of our operations, mitigate the climate effects of GHG emissions, and increase our financial savings through better energy efficiency.

Our aspiration:
Green advanced manufacturing is the cornerstone of sustainable management at INNIO, and we aspire to become the global leader in highly energy efficient, near-zero eco-friendly operations. While lowering our impact, we hope to emphasize that these issues are significant to both INNIO and our stakeholders.

Key performance indicators:
Scope 1, 2, and 3 GHG emissions (in tons of CO_2-e)

Responsibility within INNIO:
VP Operations - Operations Department (for Scope 1 and 2 emissions), VP Procurement - Sourcing Department (parts of Scope 3 emissions), VP Product Management Jenbacher and Waukesha - Product Management & Marketing Department (parts of Scope 3 emissions)

Management approach:
INNIO's Executive Board reviews and sets the direction to achieve the goal of reducing CO_2 emissions from our own activities (GHG Scopes 1 and 2) by 50%. Our goal is to do this by 2030, but we have a strong desire to accelerate this process and achieve this goal by 2028. Several projects and initiatives have been identified in different operational locations to actively pursue emissions reductions year by year. Monthly progress updates are provided to the Executive Board. Important areas relating to INNIO's environmental impact are documented by INNIO's Integrated Management System (IMS) and the corresponding Environmental Policy. Furthermore, companywide governance is monitored by the site's Environmental Management teams to ensure compliance with standards and regulations. Facility leadership teams regularly assess reports on initiatives, goal setting and monitoring of relevant performance KPIs, and environmental indicators. Additionally, these are presented quarterly to the Executive Board for discussions and approval.

INNIO's GHG reduction practices

Scope 1	Scope 2	Scope 3
Direct GHG Emissons	Indirect GHG Emissons (From Purchased Energy)	Indirect GHG Emissions (Value Chain)
→ **ISO 50001 energy management and third-party audits** 100% of production sites are ISO 50001 certified (energy management system)	→ **Green building production** The company that constructed our site in Welland undertook initial LEED assessments and sustainable design strategies, leading to higher energy efficiencies. The construction included low-emitting materials, proper air quality and thermal comfort, and energy-efficient building envelopes, equipment, and light systems.	→ **Promotion of local procurement** Since 2019, the company has been gradually increasing collaboration with local suppliers. Local procurement lowers the distance with our suppliers and contributes to upstream transportation GHG emissions reductions.
→ **Next generation, sustainable production model for electricity & heat recycling** INNIO's largest manufacturing site in Jenbach follows a sustainable production model where all test benches are integrated and controlled with our future-oriented myPlant energy management system for self-supply of electricity and heat as well as with connection for electricity feed-in to the public grid.	→ **Renewable energy purchase** Our two biggest sites in Jenbach and Welland use renewable energy from the grid.	→ **Life-cycle emissions assessment** Through this assessment we aimed to determine the environmental impacts of our products, helping facilitate a strategy for emissions reductions.
→ **Renewable energy programs to reduce carbon emissions** The installation of a nearly 3,200-square-meter photovoltaic plant, and the installation of nearly 2,000-square-meters of green-roofs in Jenbach.		→ **Raw materials** Since purchased goods comprise approximately 40% of INNIO's 2021 total carbon footprint, INNIO conducted an extensive assessment of the current percentage of recycled input materials. An increase of this percentage could lead to GHG emissions reductions.

Table 11

Reducing emissions across our value chain:
INNIO strives to be a leading example of low-carbon manufacturing. We conduct annual carbon footprint assessments and perform yearly reviews of the overall effectiveness of carbon reduction and carbon intensity in collaboration with third-party consultants.

For many years, INNIO continuously has followed industry best practices for GHG reductions. At the Jenbach site, INNIO has established a sustainable production model that enables the reuse of electricity and heat being produced by the test benches and engineering processes. Moreover, our Welland facility, built in 2018, was designed in accordance with green building best practices for high energy efficiency in the production process.

In addition, INNIO's Procurement team extensively assesses the percentage of raw materials used in our materials. We also are increasing our focus on the extension of local procurement practices. To further reduce our operations' Scope 1 and 2 GHG emissions, we continue to invest a large amount of capital into renewable energy products. This includes the integration of photovoltaics (PVs) and a battery storage system at our headquarters in Jenbach for expanded microgrid capacity. Additionally, we have installed approximately 3,000 square meters of green roofs at our headquarters in Jenbach to reduce emissions through improved building energy efficiency (e.g., office heating and air conditioning).

INNIO has set goals related to the percentage of materials that are reusable, re-manufacturable, reclaimed, or recycled, and we work closely within the circularity matrix to significantly decrease the GHG impact of manufactured products and components. In 2022, INNIO's Scope 3 Purchased Goods intensity continued to decrease despite a 10% increase in factory output. In 2022, we expanded our analysis of our Scope 3 emissions to include Capital Goods.

Since 2021, Life-Cycle Assessments (LCAs) have been part of our overall GHG disclosure. We have quantified emissions for one year of all sold products, based on statistical and average data regarding the hours of operation over the previous five years. In line with INNIO's sustainable growth strategy and low-carbon and circular product goal, we expect that the average annual LCA of products sold will continue to decrease. This likely will be driven by an increased share of climate-neutral and renewable fuels such as hydrogen. Total emissions during the life cycle of a product are dependent on the application and the operational model. INNIO's engines are designed and built to operate for multiple life cycles, which significantly supports the concept of circularity and reduction of emissions and protection of virgin resources. The tCO_2e emissions from the use of INNIO's products (Scope 3) are a function of operating model (actual operating hours), fuel application, and energy generated. Furthermore, as of 2021, INNIO sells its Jenbacher products as "H_2 ready," meaning possible hydrogen use with the current set-up. Using our data from 2022 as the basis and multiplying it with the typical single life cycle of 8 years[6], a total LCA would yield an average of 55,930,000 tCO_2-eq for the entire fleet shipped in the reporting year.

[6] The actual single life cycle depends on equipment usage. INNIO products are designed to be capable of multiple life cycles, strongly supporting the concept of circular economy.

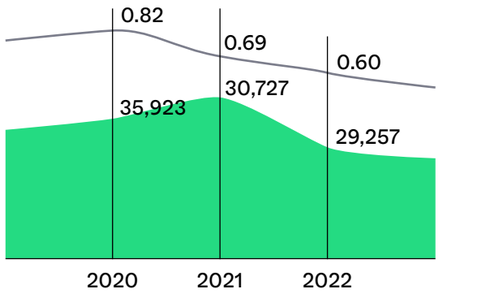
Progress and status:

As INNIO continues to pursue our ambitious environmental and carbon reduction targets, our advanced technologies and manufacturing have brought environmental protection and energy efficiency to the forefront of our production sites. In 2022 we continued to expand innovative, energy-saving measures, installing smart renewable equipment and adding components for energy conservation. As a result, in 2022, INNIO's total energy consumption was 637,275 GJ. Our total energy consumption has remained largely flat since 2021, even with an increased production volume of nearly 10%. In addition, INNIO's use of renewable energy sources has increased by 37%, and therefore now accounts for 13% of the total energy consumed. This year, to increase the quality of our measurements, we carried out a more detailed analysis, which included some minor operational sites and small offices in addition to our three main production facilities. This highlighted the use of other kinds of renewable energy, such as biogas. Along with the installation of PVs in Jenbach, this drove the 37% increase in renewables. Our Welland, Ontario, facility already mainly operates on renewable resources.

Since 2021, INNIO has run a GHG inventory—based on the Greenhouse Gas Protocol—including all relevant components for Scope 1, 2, and 3 emissions. In 2022, INNIO continued to conduct a cradle-to-grave LCA. This technique assesses the environmental impacts associated with all stages of a product's life, from raw material extraction through material processing, manufacturing, distribution, use, and remanufacturing. The LCA enables us to further comprehend the environmental impact of our products, identify environmental hotspots in products and materials, and establish a benchmark against which improvements can be measured in the future.

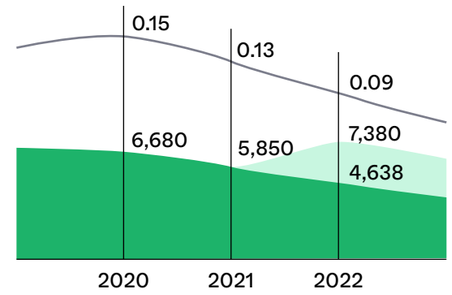
By focusing on tangible actions, INNIO has effectively reduced approximately 2,682 metric tons of direct and indirect CO_2-e emissions (Scope 1 and 2) in comparison to 2021 (Graphs 22 and 23). As shown in the graph on the bottom right, we are seeing consistent year-over-year reductions in INNIO's Scope 2 emissions intensity. We have reduced our overall intensity by 0.06 since 2020. This illustrates the increasing share of renewable sources in the energy we purchase. Since 2021, INNIO has been committed to the SBTi, and we also joined the Race to Zero initiative, a global campaign established by the UNFCCC to bring together global leadership for a healthy, resilient, and zero-carbon future. Throughout 2022, we continued to pay close attention to science-based targets and work on projects and initiatives in line with criteria for 1.5°C emissions reduction scenarios. We estimate that a further reduction of our Scope 1 and 2 emissions is possible by increasing our share of renewable energy sources and improving our energy efficiency. Indeed, these two factors will be the main contributors in our ability to cut Scope 1 and 2 emissions by 50% by no later than 2030.

Scope 1 emissions (tCO_2e)



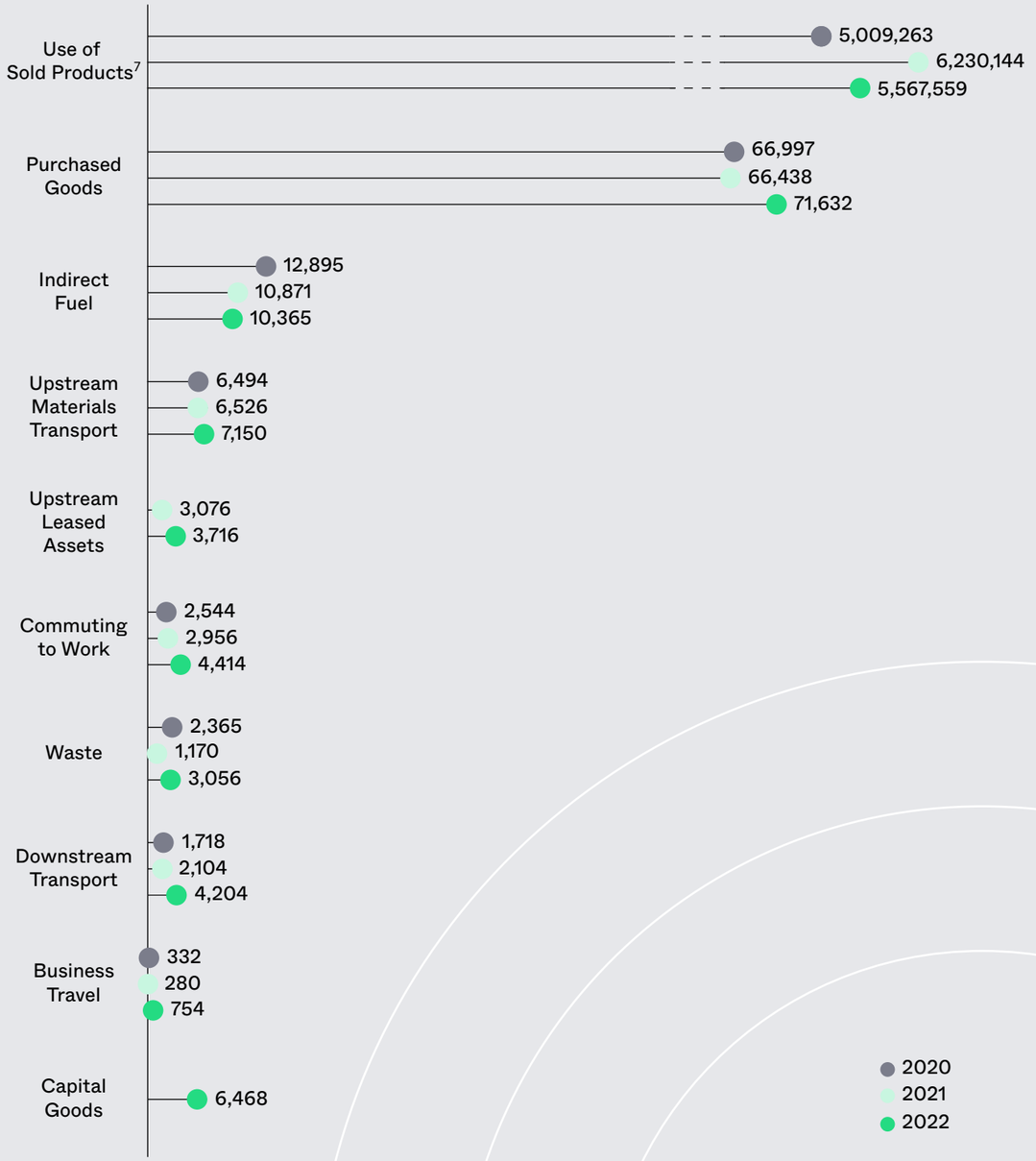
Graph 22

Scope 2 emissions (tCO_2e)



Graph 23

Scope 3 emissions (tCO_2e)



[7] The figures in the table represent the emissions of all engines sold for a single reporting year. The emissions over the entire life cycle of our products sold in 2022 correspond to an average of 55,930,000 tCO_2-eq. The full life cycle assessment was calculated in accordance with the GHG Protocol. A detailed explanation of our life cycle assessment calculations can be found on page 111, and an overview of all figures including previous years on page 176.

Graph 24

“It is important that my team encourages all employees to embrace diversity as a critical component in employee engagement and business culture. This happens, first and foremost, with leadership – leading by example through open communication, listening for understanding, and accepting ideas and opinions that may be different from your own.”

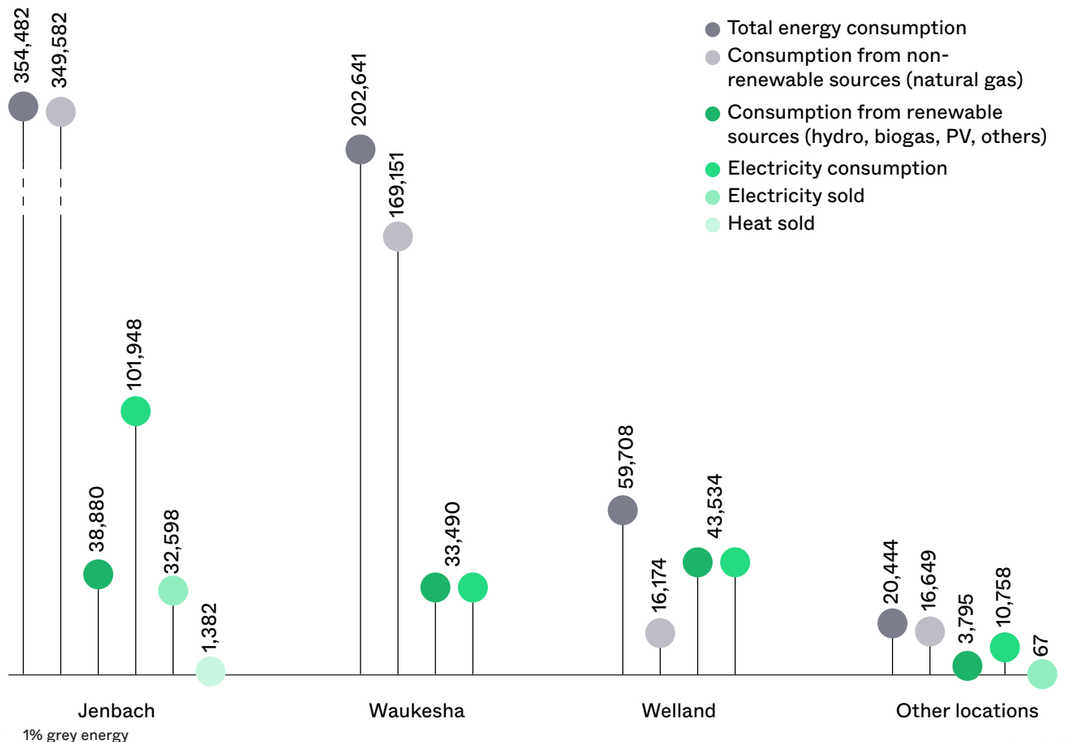
Lisa Reinhardt
HR Director Waukesha
and INNIO Americas

Energy efficiency in INNIO's operations:
INNIO's energy management system is part of the Integrated Management System and acts in accordance with ISO 50001. Through annual energy consumption monitoring and a set of internal targets, INNIO aims to identify energy consumption improvement areas. We plan to continue increasing the energy efficiency of our operations through technical improvements and process optimization.

To be more specific, at our headquarters and main production facility in Jenbach—which accounts for approximately 56% of our total energy consumption—we use an advanced energy management system, powering our operations through high energy recovery from the electricity produced during testing. Our production process uses produced thermal and electrical energy, with any surplus being provided to the communal heating network or grid. Moreover, in our two production sites —in Jenbach and in Welland—the electricity[8] purchased from the grid is renewable or climate neutral.

Our smaller sites and offices use an electricity mix from the local grid. As illustrated below, the largest amount of energy consumption comes from INNIO's headquarters in Jenbach, where engine production takes place, and our site in Waukesha, where the main contributor for energy consumption is the engineering lab. In comparison to 2021, both our Jenbach and Welland sites have reduced their total energy consumption as well as their consumption from non-renewable resources. Concurrently, the consumption of renewable sources has increased in Jenbach, the Welland sites, and our other locations.

In 2022, with the full support of the Executive Board, we began major renovations to improve the energy efficiency of certain buildings at our headquarters in Jenbach and a major site in North America. In addition, INNIO continues to invest in our renewable energy programs, such as the installation of PVs and a battery storage system.



[8] 1% grey energy

Graph 25

Resource management

Why it matters to us:
INNIO understands the importance of natural capital preservation. Therefore, we aim to maintain leading environmental stewardship practices in our own operations and responsibly manage our use of natural capital, including minerals, water, and land.

Our aspirations:
One of INNIO's environment-related goals is to reduce as much as possible our total water consumption. In comparison to the previous year, our water withdrawal —and therefore our water consumption—decreased by around 1%, and we are determined to consume water responsibly and intensify our efforts to control and reduce its use. We are working on implementation of initiatives to systematically reduce water use. Our waste-related goals include both hazardous and non-hazardous waste, as outlined in our Environmental Policy. INNIO promotes resource reduction in our upstream and downstream activities, beginning in the supply chain. Furthermore, we aim to achieve source optimization and minimization by adjusting the parameters of raw material usage at the source while developing technical solutions for process technology. We aim to further contribute to the circular economy by continuously increasing both the recycling rate of waste and the preparation of waste for reuse. Finally, despite hazardous waste being only a fraction of INNIO's waste generation, we are determined to eliminate it by implementing measures such as the reduction of chemicals at the source.

Key performance indicators:
Waste generated (in tons), water withdrawal (in megaliters)

Responsibility within INNIO:
VP Operations - Operations Department

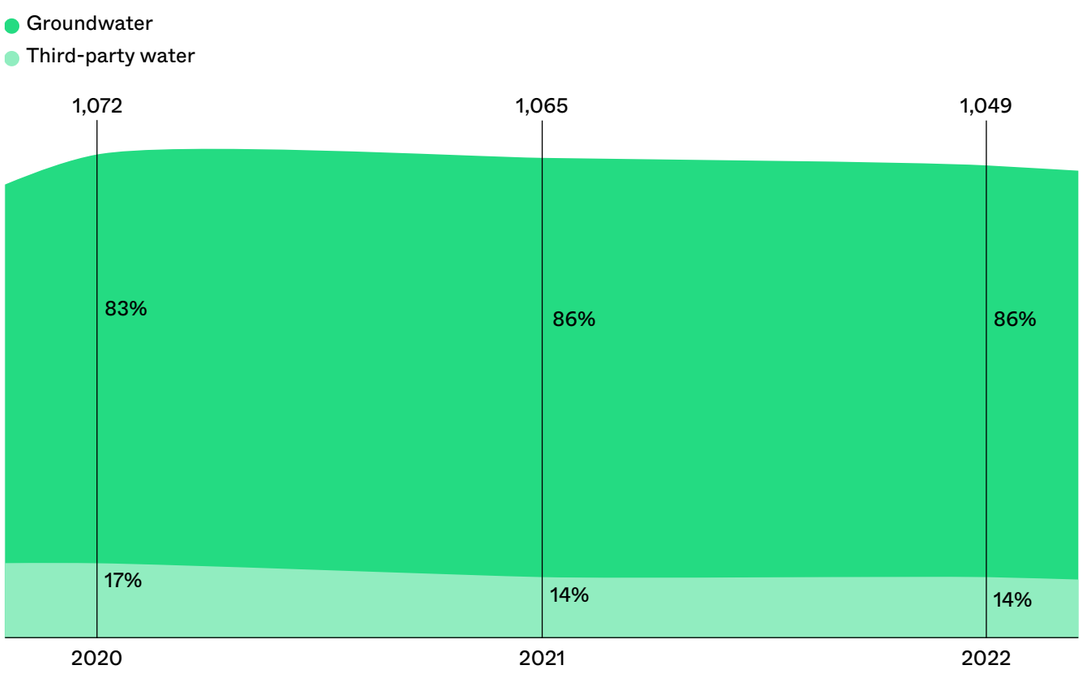
Management approach:
INNIO's VPs of Operations and the Operations team are responsible for the sustainable management of our operating procedures. The team sets both internal and external environmental goals, some of which are described in INNIO's Environmental Policy. Additionally, the team defines environmental guidelines, prepares dedicated and mandatory environmental trainings for all employees, implements new sustainability-related projects for INNIO's operations, and conducts internal and/or external audits to ensure that our procedures align with international standards, local laws, and regulations. INNIO's water and waste management is covered by INNIO's IMS and is ISO 140001 certified. Dedicated experts from INNIO's EHS team are responsible for monitoring and managing water and waste-related activities to help ensure that INNIO is compliant with applicable laws, regulations, and standards. Goals, KPIs, and corresponding management approaches are monitored regularly and communicated to the Executive Board at least quarterly. The Executive Board then provides feedback. All environmental risks, including water-related risks, are also part of INNIO's groupwide enterprise risk management process. A systematic approach is taken into daily operations to measure, monitor, and manage water-related activities. High-level water stress assessments are conducted on an annual basis.

Progress and status:
According to Graph 26, INNIO's total water withdrawal in 2022 was around 1,049 megaliters, 1% less compared to 2021, with the majority being groundwater. In 2022, INNIO generated a total of 11,327 tons of waste, approximately 2% less compared to 2021. The waste recycling and recovery rate reached 83%, which is a slight decrease versus the previous year. This slight decrease is driven by one-time non-core building improvement activities, which should, however, yield energy savings in the mid-term. Non-hazardous waste constitutes more than 93% of the total waste generated.

INNIO's WRI water-related risk assessment

WRI Water Risk Index	**Quantity** Water stress, depletion, seasonal or interannual variability, drought risk, & flood risk	**Quality** Coastal erosion, untreated water bodies	**Regulation & Reputation** Drinking water quality & sanitary conditions, ESG Risk Index	
INNIO's Water Risk Assessment	**Water Stress**	**Flood Risk**	**Water Quality Risk**	**Regulatory Risk**
Water Assessment Results	**Low Risk** 100% of facilities assessed	**Medium Risk** -	**High Risk** -	

Table 12



Graph 26

Water management:
INNIO uses international tools and indexes to conduct high-level water risk assessments on an annual basis. We annually use a publicly available tool to assess water supply, effluent water quality, and regulatory/reputation risks. Results from these water risk assessments then are used to assess climate change-related water stress risk. We will continue to assess the water-related risks for our facilities and develop and implement water management plans. Since 2020, INNIO has adopted the Water Risk Atlas from the World Resources Institute (WRI) to evaluate water-related risks for our facilities. According to the results, 100% of INNIO's facilities are rated with low risk.

INNIO withdraws water from two sources, groundwater and third-party water. Regarding effluent discharge quality, INNIO adheres to the requirements laid down in local legislation. We systematically monitor and manage appropriately all water discharge. In addition, local regulatory authorities are involved, helping to ensure that we follow environmental regulations and obtain all required permits for direct and indirect water discharges. According to the graph at left, INNIO's total water withdrawal in 2022 was approximately 1,049 megaliters, which demonstrates a steady decrease of about 1% annually since 2020 (a 2.1% total decrease since 2020).

Waste management:
INNIO's waste management strategies abide by the principle of waste minimization, resource recycling, and reuse maximization. Our goal is to have zero hazardous waste by 2030. INNIO's activities generate solid and liquid waste, including non-hazardous waste. More than 93% of our waste is non-hazardous, such as municipal waste, paper, and wood waste. Hazardous waste makes up only 6.8% of INNIO's waste. Examples of hazardous waste include emulsion and alkali mixtures, waste oils, and waste from cleaning and specialty detergents.

The Procurement team has set clear packaging and process guidelines for our suppliers to ensure packaging is performed in an efficient and resource-responsible way. The recycling or reuse of raw materials is prioritized, helping to reduce the amount of waste disposal. INNIO uses an internal software platform for documenting and monitoring both the different types and weights of waste used, as well as assessing their potential hazards. Finally, INNIO follows applicable local laws and regulations and regularly collects waste for outsourced treatment. INNIO regularly reports on our waste management procedures to local authorities.

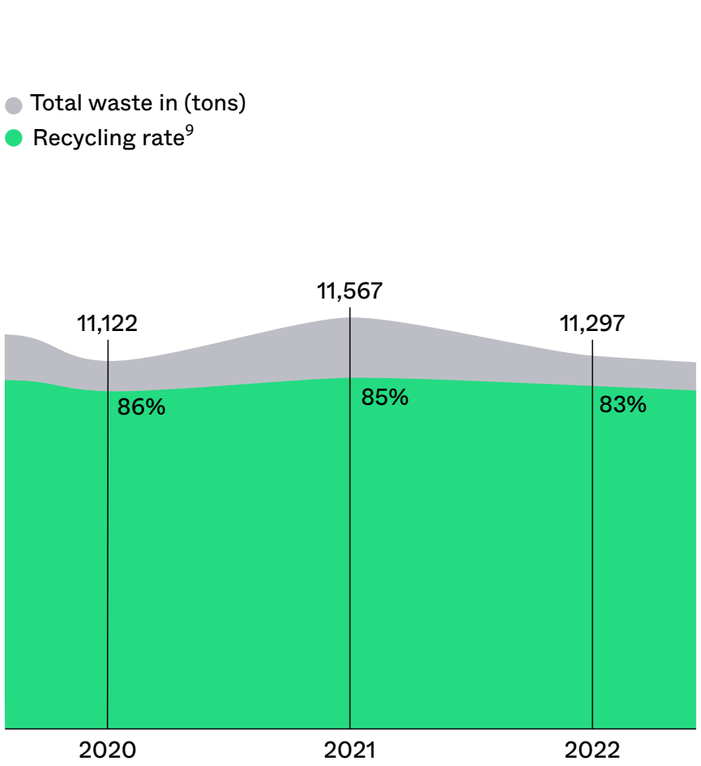
Spill prevention:
INNIO defines spill management as the prevention and management of spills in operations and other spills resulting from an incident. Our management approach includes identifying hazards, conducting related risk assessments, taking preventive measures, and creating plans to respond to specific business conditions and emergencies as well as cleanup procedures. Our spill management plan, which is under the direct control of INNIO's EHS team, identifies the people responsible for dealing with spills and sets out the necessary clear responsibilities and actions should a spill occur.

Our goal is simple: zero spill incidents. In 2022, and for several consecutive years earlier, INNIO recorded no spill incidents in our operations (including oil, fuel, and spills from wastes or chemicals). We are committed to continuing to follow best practices in our operations and maintaining our zero spill incidents track record.

INNIO's waste management procedure

Upstream	On-site waste management	Outsourced waste treatment
→ Policies on waste for suppliers	→ ISO 14001 certification & renewal every three years	→ Monthly waste collection for outsourced waste treatment according to local laws and regulations
→ Requirements for documentation of hazardous and non-hazardous substances in products and materials supplied to INNIO	→ Internal audits (at least annually)	→ Documentation in internal software system
→ Quality requirements and guidelines to suppliers	→ Waste output tracking → Internal waste reduction goals → Waste separation procedure	→ Regular reporting to local authorities
→ Audits	→ Intelligent software system for proper treatment of waste	

Table 13



Graph 27

2022

10,552 tons
Non-hazardous waste

775 tons
Hazardous waste

7,801.5 tons
Recycling

1,582.8 tons
Other recovery options

[9] Waste recycling rate - includes recycling, reuse, and other recovery options

Responsible operations & social responsibility

This chapter covers the material topics of employee experience, diversity and inclusion, health and safety, and community engagement. INNIO continues our focus on those key areas with demonstrated positive results from our actions in 2022. We increased the amount of training hours performed by 8%, aligning with our 7% workforce growth. At the same time, our gender diversity share increased by 0.7 percentage points or 4% compared to 2021. Our health and safety record remained very strong with zero fatalities, and our Lost Time Injury Rate (LTIR) improved by 5% compared to 2021. INNIO, our management team, and employees are committed to various social activities, supporting local communities, responding to distress situations, and volunteering time and effort to help others.

Employee experience

Why it matters to us:
Our employees are the driving force behind the success of our company. We look to attract the best talents and provide fulfilling careers that keep our employees engaged and allow them to continue to develop. Training, development, employee engagement, and an inclusive workplace are all essential to the employee experience.

Our aspiration:
At INNIO, our goal is to ensure operational excellence through an increased focus on our employees. To meet both corporate and individual employee needs, we focus on strategic talent attraction, retention, and development opportunities through competitive compensation strategies, benefits, and extensive trainings. We work with our employees to help plan their career paths, encouraging internal transfers that allow the right people to gravitate toward the right positions. At INNIO, we are determined to continue growing stronger, together with our employees.

Key performance indicator:
Total number of training hours provided to employees and average hours of training per year per employee

Responsibility within INNIO:
Chief Human Resources Officer - HR Department, Management Teams of INNIO Global Learning Centers

Management approach:
The Human Resources Department, under the direct leadership of the Chief Human Resources Officer (CHRO), is responsible for setting internal and external employee-related targets. In addition, the team develops or revises INNIO's DEI Policy and Labor & Human Rights Policy, engages with employees from all departments, and provides trainings that enable our employees to thrive in their jobs and careers. Through regular and clearly structured employee practices (including hiring, retention, compensation, and promotional practices), INNIO aims to ensure a working environment of inclusion and constantly enhanced employee engagement. Our Global Learning Centers design, develop, and implement training programs tailored to the needs of INNIO's global teams that help us meet the highest technical standards for our INNIO products.

Progress and status:
INNIO recognizes that our ongoing success and sustainable growth are driven by our employees' commitment and innovative engagement. During 2022, our employees completed 115,535 hours of training, an average of 29 hours of training per employee. The completion target for the mandatory annual trainings, which include topics such as Legal & Compliance, Health & Safety, and prevention of corruption, is 100%.

In 2022 we dedicated additional focus to cybersecurity and data privacy. The number of trainings begun from our e-training platform significantly increased to 78,572 in 2022.

Within these e-trainings, those specifically relating to technical product expertise are available for INNIO's distributors, system integrators, and customers, as well as our employees. In 2022, 115,290 training hours specific to the technical product expertise of our Jenbacher and Waukesha products were completed. This correlates to the training of approximately 5,680 people (both internal and external to INNIO).

In 2022 we increased the number of Corporate Lectures from five to eight, providing our employees with valuable insights into specific areas of our business and maintaining diverse dialogue and perspective sharing. The average number of employees participating was 75 (Table 14). Moreover, in 2022, 15 trainees completed INNIO's "First Wave Leadership Program," and 31 successfully accomplished the "Talent Development Journey," a cross-functional assignment to deliver improvement and growth projects.

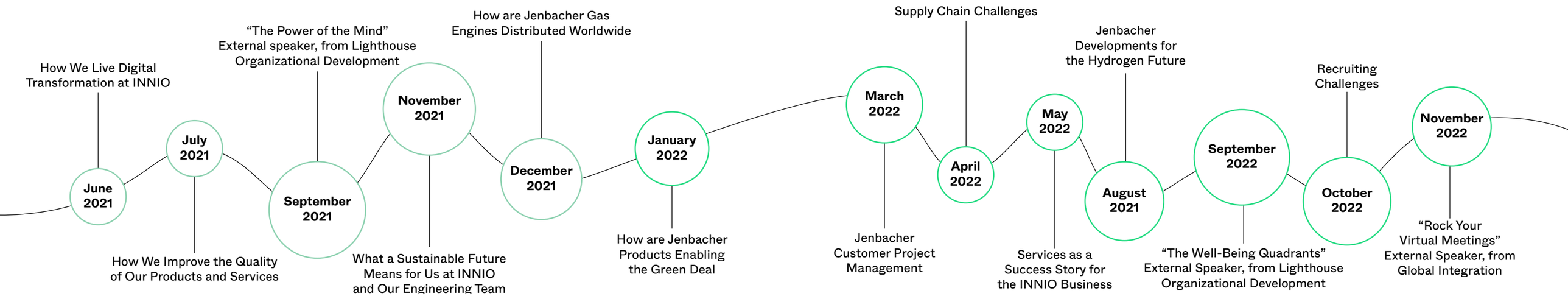
We remain committed to supporting all our employees in their development journeys!

INNIO's 2021 training numbers

115,535 training hours	provided to employees (105,785 in 2021)
29 Average training hours	per employee (29 in 2021)
78,572 eTrainings	started (1,161 in 2021)
8 Corporate lectures	in 2022 with average of **75** participants (5 lectures with average 72 participants in 2021)
15 New leaders	completing the "First Wave Leadership Program" (45 in 2021)
31 Talents	completing the "Talent Development Journey" (32 in 2021)

Table 14

INNIO Insight Sessions/Corporate Lectures



Graph 28

Learning and development:
Learning and development are vital for the positive and continuous growth of our employees and for INNIO. By encouraging our employees' personal development, INNIO's trainings support our organization's long-term strategy and growth.

INNIO's continuous learning and development strategy is promoted in three ways: goal setting, regular performance feedback, and the promotion of internal opportunities. In addition, all employees are encouraged to undertake their own professional and personal development through the various training pillars available to them. INNIO's training offering ranges from general, often mandatory, content that is applicable to all employees to tailored, specialized, and function-specific packages.

Our goal has always been to provide the best training options, enabling employees to plan a fulfilling career path and envision their future development. Concurrently, our product-related training goals are focused on expanding our training portfolio by including new and regularly updated content. INNIO's learning platform is hosted by our Global Training Center team, and we are constantly working on keeping our training programs up-to-date and improving the digital features. In addition, a short-term goal is to expand INNIO's regional training by creating new Training Centers in other parts of the world.

INNIO has two major pillars for training. The first is our "INNIO Development Academy," created to help employees continuously develop their personal and professional skills. Through a variety of development offerings like eTrainings, workshops, and other programs, employees can learn from renowned external trainers and coaches as well as directly from their colleagues in cross-functional teamworking sessions.

The second pillar covers "Technical Product Training" for the Waukesha and Jenbacher product portfolios. This pillar is aimed at internal employees, as well as distributors, customers, and maintenance personnel. Product training is usually carried out at a global Training Center with a primary focus on hands-on activities, in-class exercises, live online training, and eTrainings. Those completing these trainings must pass an exam and then are awarded a specific certificate.

To broaden employee perspectives on business-relevant topics and market trends, corporate lectures led by INNIO's leaders and subject matter experts are offered as live events. As shown in Graph 28, our 2022 corporate lectures highlighted a wide range of topics including sustainability, product development, the supply chain, the digital transformation, and employee development.

In 2022 we also hosted customer- and supplier-specific sustainability insight sessions to increase engagement and awareness and intensify dialogue around the ESG agenda.

Diversity and inclusion

Why it matters to us:
Diversity and inclusion are embedded in our core values, which define what we stand for and how we conduct business with our customers, associates, and each other. Diversity and inclusion in all our people processes are critical to ensuring we create a workplace culture where individuals can flourish and contribute to the shared success of the business. We recognize not only the large societal value of diversity but also the rich creative opportunity in which various cultures, backgrounds, genders, and age groups contribute with their differing perspectives, values, and experiences. Together, these different perspectives foster new and better-balanced thought processes and ideas while often providing innovative solutions that can help our customers succeed and build long-term value.

Our aspiration:
As part of the sustainability goals that we introduced in 2020, INNIO's ambition is to cultivate an inclusive working environment where diversity prospers in support of our strategic ambitions and priorities. Indeed, we continue to incorporate diversity and inclusion into our key people processes, from employee attraction, retention, and development to an overall corporate culture of transparency, trust, and dynamic collaboration. Diversity is critical to achieving a high-performance culture and is a key enabler of ideas and innovation. For INNIO, diversity goes far beyond a focus on gender diversity; we also support cultural diversity, which enables us to better collaborate with our global teams, customers, suppliers, and stakeholders across the globe. Overall, we aim to treat diversity from different groups' perspectives and across all levels of the company.

Key performance indicators:
New employee hires and employee turnover by age group, gender, and region

Responsibility within INNIO:
VP Diversity & Inclusion, Chief Human Resources Officer - HR Department, Communications Department

Management approach:
In 2021, INNIO's CEO, together with the Executive Board, created the new leadership position of Vice President Diversity & Inclusion, which is dedicated to expanding diversity culture and programs. This role collaborates closely with INNIO's CEO and President as well as the Group's CHRO. The VP Diversity & Inclusion is responsible for engaging with employees and stakeholders, setting meaningful goals directed to building a workforce that represents the views and values of INNIO and our stakeholders, and also ensuring that every employee feels truly valued and included within the global INNIO family. The VP also chairs the DEI Committee, which meets every two weeks. This committee is responsible for outlining INNIO's key diversity and inclusion goals, establishing our DEI Policy, and setting our DEI strategy. The DEI Committee reports directly to the Executive Board, whose members are responsible for overseeing INNIO's ongoing DEI efforts and evaluating their effectiveness. The VP Diversity & Inclusion also is a member of the Sustainability Review Board and collaborates closely within the overall ESG framework.

Progress and status:
In addition to the efforts performed in previous years, such as implementing the DEI Policy, which outlines INNIO's commitment to diversity and inclusion, we continue to focus our efforts on female and national diversity attraction, retention, and development. In 2022, we highlighted two initiatives. Our initiative to hire young female talents has shown a positive progress with a 2 percentage point increase in females hired in 2022 versus 2021. Specifically, we saw progress in our corporate function, but we also see a substantial 3 percentage point increase in our engineering organization, which will drive innovation. As of 2022, our entry-level internship program was 43% female. Our other initiative, talent retention and employee engagement, is a key area for INNIO's Human Resources management. By the end of 2022, we were able to reduce female resignation by 6 percentage points. INNIO's success is driven by our employees, where we see a diversity of age, experience, and perspectives. We fully support all employees in all parts of their individual career progression, independent of age.

For data collection and processing, INNIO acts in alignment with the EU's GDPR data protection law, which forbids the data collection of sensitive information such as race and ethnicity. Some of the details surrounding the action plan are described on the next page.

Milestones of INNIO's diversity, equity, & inclusion journey

2017
- Adopted a flexible work policy for all employees
- Began company-wide consistent approach to diversity as a business imperative

2018
- CEO comitted to D&I
- Hosted the Girls Day Program

2019
- Eliminated bias from the hiring process through Bias Blocker program

2020
- Released DEI data to the public
- Introduced the "Talent Development Journey" program
- Offered unconscious bias training with 82% completion rate

2021
- Publicly communicated our diversity goals
- Dedicated managerial position for DEI
- Created Americas-wide study for gender pay equality
- Established DEI Committee
- Made DEI Policy available to the public
- Set a Diversity Action Plan to foster D&I across company
- Performed gender pay gap analysis and public reporting
- Followed a DEI data-driven approach
- Noted representation of women across the company at 17% and at 45% in corporate functioning

2022
- Established functional goals
- Offered INNIO diversity week incl. leadership engagement roundtable
- Established employee roundtable
- Performed Group-wide study for gender pay equity
- Introduced mentoring program
- Included under-represented work groups in people initiatives
- Established Girls Day

2023
- Collaborated with the University of Innsbruck on Job-Ad Decoder (JADE) screening and improvements of job advertisment
- Established functional goals
- Continued mentoring program
- Offered Girls Day
- Provided INNIO diversity workshops
- Continued employee roundtables

4,173
Employees

53
Locations

36
Countries

78
Nationalities

1%
Disabled employees

~17%
Overall diversity (female)

45%
Diversity in corporate functions

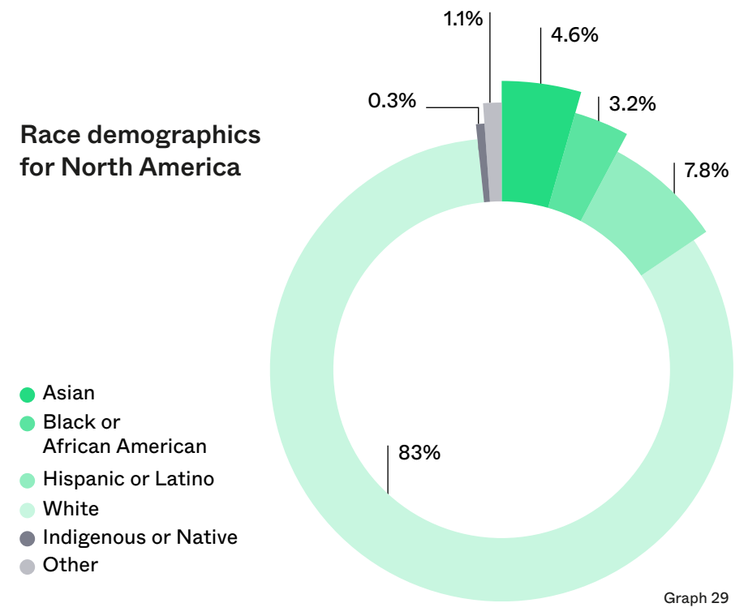
According to the table on the next page, the percentage of female employees increased in comparison to 2021, while age and region remained similar. In 2022, INNIO's total number of employees increased by approximately 7% in comparison to 2021.

Employees by gender, age group, and region

		2020	2021	2022
Gender	Male	83%	83%	83%
	Female	17%	17%	17%
Age group	<30 years	20%	19%	20%
	30-50 years	60%	60%	59%
	>50 years	20%	21%	21%
Region	Europe	82%	82%	81%
	Americas	16%	16%	17%
	Other	2%	2%	0%

Table 15

Race demographics for North America



Graph 29

In 2022, INNIO ran a voluntary self-identification program in North America, through which employees provided information about their race. As illustrated in Graph 29, most employees who participated are White, while other participants are Asian, Black or African American, Hispanic or Latino, Indigenous, or more than one origin. In 2022, gender diversity in corporate functions remained at approximately 45%, with functions such as HR and Communications increasing their gender diversity to over 80%. Our employees hail from 78 nationalities.

INNIO continues to work to improve our DEI goals and ambitions across different areas of the company and diversity categories. Using a 2020 baseline, our goal is for 25% improvement in gender diversity by 2025. We will pursue specific diversity objectives that are closely aligned with company functions and teams to create opportunities for meaningful impact to the entire organization, the ecosystem, and our stakeholders. When implementing these diversity initiatives, our focus is on distinct employee groups and diversity dimensions (age, gender, nationality, and minorities). In line with the target of expanding our diversity, we will assign functional goals:

- **Corporate staff functions:** We aim to drive diversity to get the best talent and increase diversity levels within leadership roles.
- **Regional Sales & Service teams:** We strive to develop national diversity according to international business development to match our customers' cultural diversity.
- **Engineering/Research & Development:** Here, we want to increase both gender and national diversity to accelerate innovation.
- **Operations:** In our largest organization, we pay a great deal of attention to national diversity. This gives us both a multi-national and resilient work force and a way to attract candidates from various countries. We want to grow minority representation in our company to increase the diversity of our leadership structure.

A key diversity driver will be to thoughtfully include underrepresented work groups in any people-related initiatives such as:

- Recruiting
- People development (training, coaching, mentoring)
- Assignment planning
- Inclusion/integration activities
- Support programs related to remote work

We will measure progress through a subset of internal effectiveness indicators for each of the above people drivers. Regular updates will be provided to the Sustainability Review Board and to the Executive Board on a quarterly basis.

Diversity and inclusion activities:
To achieve our DEI targets, we must create tangible and specific projects and initiatives. In 2022, we initiated five projects—to be continued into 2023—that aim to drive improvement in gender diversity at INNIO. These projects cover the areas of employer branding, hiring manager training, mentoring, and employee engagement, and we will take a deep dive into diversity. Furthermore, each project is defined by a specific action plan outlining activities, timeline, and status. Although the results of mentoring will only be visible in the mid- to long-term, improvements already can be seen in the other four projects when compared to 2021. For example, through these projects we are working to support minorities, increase the awareness and sensitivity of leadership and managers, execute ongoing gender pay gap analyses, and use data to help us define concrete next steps.

Project	Details
Employer branding	→ Increase attractiveness of brand to minorities → Integrate new platforms focusing on minorities
Hiring manager training	→ Increase sensibility of managers → Recognize different needs of minorities
Mentoring program	→ Support minorities with extra mentoring → Continue pilot in Hungary
Employee Life-circle (engagement)	→ Understand and analyze exit resons → Roundtables and newWOW → Identify root causes and close gaps
Diversity deep dive	→ Increase leadership awareness of function KPIs → Analyze data and define next steps: HRBPs and functional leaders

Table 16

Inclusion:

Ensuring that each of our employees can experience INNIO as an inclusive workplace continues to be of the highest priority at INNIO. Inclusion is a shared responsibility among all, and we strongly encourage all employees to complete "Unconscious Bias" training on an annual basis. Since 2021, we have engaged in monthly group roundtables, which we view as an effective and efficient method of improving employee engagement and inclusion. These small, cross-functional group conversations facilitate an open discussion with key senior leaders. Additionally, we encourage our employees and associates to SPEAK UP! anytime they are aware of potential violations, possible business risks, or critical issues. Our SPEAK UP! platform provides multiple channels, some of which are fully anonymous, to report risks and concerns without fear of retaliation. When incidents of discrimination are reported, our Compliance team works to assess the nature of the claim and strives to always take appropriate action in response. In 2022, INNIO did not face any discrimination or harassment cases.

Pay gap analysis:

We believe that conducting a pay gap analysis by gender or race is key to intensifying INNIO's diversity and inclusion efforts. For this reason, we continue to conduct thorough pay gap assessments and voluntarily report on our results. In 2022 we significantly expanded our pay gap analysis to cover approximately 74% of our employees. Salaries and bonus programs are dependent on position, employee group, and/or country location. They are equal for eligible employees regardless of gender. We are committed to maintaining a high level of continuous diligence and data analysis in this ongoing process. Our aim is to expand our analysis to cover the entire organization. Making progress requires commitment from many different areas. INNIO's DEI Committee aims to accelerate improvement and regularly reports to the Executive Board regarding this topic.

INNIO operates in the machinery engineering sector with a focus on Science, Technology, Engineering and Math (STEM), and our industry generally does not demonstrate high gender diversity. We continue to invest in partnerships with universities that can help bring more individuals from a diverse candidate pool to INNIO. Additionally, we support women in technical training at the early pre-professional stage, providing intense education and industry-ready skills. Women made up 10% of the people in INNIO's technical skills-related apprenticeship programs in 2022, corresponding to an increase of 2 percentage points since 2021. Additionally, we have improved our gender diversity in four of our levels (Levels 2, 3, 4, and 6). INNIO remains committed to further increasing diversity across all levels in 2023.

As part of our overall sustainability strategy, INNIO aims to achieve greater diversity at the management level. We support increasing the proportion of women in senior management positions through a range of initiatives, such as mentoring, succession planning, specific trainings, and increased work-life flexibility. Diversity in managerial roles increased to 13% female in 2022. In our 2022 "Talent Development Journey," 33% were female, compared to 20% in 2021.

Global proportion of men and women per organizational level

Global proportion of men and women per organizational level

	Female	Male
Level 1	9%	91%
Level 2	13%	87%
Level 3	20%	80%
Level 4	23%	77%
Level 5	50%	50%
Level 6	12%	88%

Table 17

Recruitment:

To ensure our recruitment practices reflect our commitment to promoting equal opportunities for everyone, we train our HR recruiting team and hiring managers against unconscious bias, and we pay close attention at every step of the hiring process. To start, for every new job opening, we make sure we check the description for biased language. We use gender-neutral pronouns, we avoid gender-charged words, and we keep the number of job requirements concise to avoid deterring any candidate from applying.

We make sure we advertise our job openings in a broad range of platforms, easily accessible to everyone. Additionally, we have the option to use the Bias Blocker tool. When we receive a curriculum vitae (CV), the tool can redact from the resume information such as gender, race/nationality, name of the university, and others, while only keeping the most relevant information.

New hires by gender, age group, and region

		2020	2021	2022
Gender	Male	74%	79%	78%
	Female	26%	21%	22%
Age group	<30 years	27%	37%	39%
	30-50 years	63%	50%	49%
	>50 years	10%	13%	12%
Region	Europe	67%	64%	68%
	Americas	30%	35%	30%
	Other	3%	1%	2%

Table 18

Employee retention and promotion:
At INNIO we focus not only on attracting the best talent, but also on furnishing conditions for growth and ensuring retention in the long term. Having hired people who are passionate about providing innovative solutions, we want them to stay. At INNIO we make sure we provide work that is both challenging and meaningful to our employees, as we believe people thrive when their perspectives are valued, their work is purposeful, and they feel they have opportunities to grow. Employee development opportunities and succession processes are based on merit at INNIO. We have both a clearly structured promotion path and a pipeline of promotion-eligible candidates. We ensure this process is communicated to all employees. By maintaining transparency, we strive to increase morale and offer motivation to people looking to move upward through our organization.

Lateral moves	+ 45% (22 vs. 21) *144 INNIO Organic
Promotions	+ 57% *192 INNIO Organic

Table 19

At INNIO, we recognize that lateral and promotional moves are a key success factor to progressing the career paths of our employees as they help to build long-term engagement in our workforce. We are proud to report that, in comparison to 2021, we increased promotions by 57% and lateral moves by 45%.

INNIO follows a “connection opportunities” strategy to enable career development across all seniority levels, therefore allowing dissimilar people to collaborate in an effective way. By connecting employees from different seniority levels and departments, we can pull together various experiences and diverse perspectives to work on cross-functional projects, adding value to overall company growth. In addition, we also offer rotational possibilities, thereby allowing individuals to gravitate toward the right positions. In 2022, approximately 28% of vacancies were filled through internal transfers. This reduces turnover rates and builds long-term career paths within INNIO. With that we can create opportunities for individuals to gain valuable experience, acquire other perspectives, and expand their network. INNIO continues to strive to fulfill internal transfers and promotions to both meet rising demands for organizational growth and the need for personal career development.

A key part of our employee retention processes is to provide training and development programs for underrepresented groups that focus on supporting and expanding their skills. One example is INNIO’s “Talent Development Journey” program, which helps participants define their ambitions and future professional path. This is carried out through a mix of individual coaching and guidance, inspirational speeches and experience sharing from INNIO’s top leadership team, group workshops with peers from other departments, and emotional support. We regularly collect and review feedback and learnings to continuously improve our systems and practices.

Total employee turnover rate

		2020	2021	2022
Total		16%	10%	10%
Gender	Male	81%	76%	79%
	Female	19%	24%	21%
Age group	<30 years	17%	20%	25%
	30-50 years	45%	57%	54%
	>50 years	38%	23%	21%
Region	Europe	42%	72%	74%
	Americas	57%	26%	24%
	Other	1%	2%	2%

Table 20

“INNIO aspires to offer an environment that allows us to work, live, participate, and develop in a way that is true to who we are. With more than 4,000 team members and over 78 nationalities, our goal is to make everyone feel like they belong at INNIO.”

Kerstin Lienbacher
Vice President Communication and Diversity

We believe that to ensure talent mobility and long-term growth, a natural employee turnover rate should not exceed 5% to 10%. This excludes the consideration of external influences such as economic shifts, international business factors, or unforeseen regional or global events that impact the business environment. One of our long-term ambitions, then, is to keep the annual employee turnover rate under 10%. According to Table 20, the Group's total employee turnover rate in 2022 remained at 10%, which reflects a positive two-year trend and is in line with what we believe to be a healthy turnover rate.

Health and Safety

Why it matters to us:
High health & safety standards are paramount prerequisites and a responsibility we must meet to protect the security of all who interact with INNIO and ensure everyone returns home safely every day.

Our aspiration:
Our employees do work that matters. For this reason, INNIO continuously strives to create a strong corporate culture where employees are fully engaged and committed to making INNIO a healthier and safer place for all to work. Our health & safety goal of zero serious injuries and zero fatalities for all employees and contractors is embedded in our Group-wide Health & Safety Policy. To achieve this goal, a strong governance system as well as proactive risk management are needed.

Key performance indicator:
Rate of work-related injuries

Responsibility within INNIO:
VP Operations & EHS managers—Operations Department; the Environment, Health & Safety (EHS) Committee

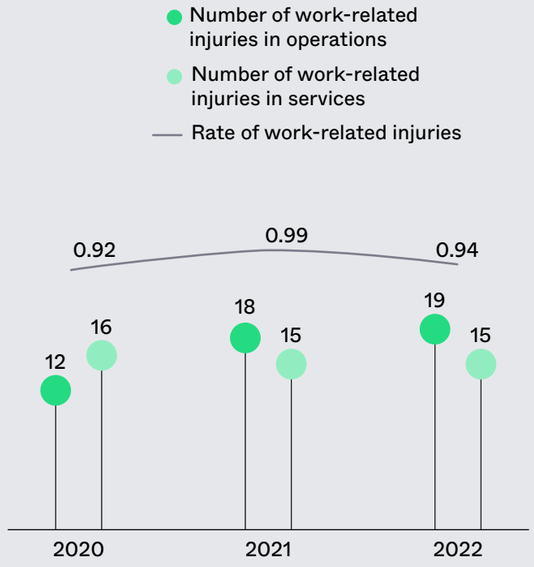
Management approach:
Leadership responsibility for health & safety is assigned to the Executive Board and the functional executive leaders of the organization. The EHS Committee, chaired by INNIO's site leaders and VP Operations, reports to the Executive Board on a quarterly basis. They provide updates about EHS performance indicators, the implementation of EHS risk assessment and management, emergency preparedness, and our EHS programs and trainings. INNIO's VP Operations and our dedicated EHS Department are responsible for supporting the implementation, maintenance, and continuous improvement of the EHS management system through policies, targets, continuous EHS performance reviews, and improvement actions. The EHS staff ensures that the Health & Safety policy and EHS guidelines are shared with all employees, workers, contractors, and external stakeholders, and the staff conducts regular internal EHS audits. The team also supports the implementation of annual, mandatory training programs for all employees, contractors, and other relevant parties. Certified with ISO 45001, INNIO's health & safety management approach includes employees and contractors along with process safety procedures, internal audits, and dedicated, thorough and mandatory health & safety trainings and emergency preparedness simulations.

Progress and status:
As illustrated in Table 21, INNIO has had no fatalities in the reporting years. According to Graph 30, in 2022, the rate of recordable work-related injuries was 0.94. Those 34 recordable work-related injuries were minor, without further implications or, in some cases, resulting only in a few days of medical leave. We provide our employees and contractors a safe workplace, and we implement mitigation measures to prevent accidents. For this reason, our two major production sites receive periodic re-certification to ISO 45001: Occupational Health and Safety Management System, following an independent third party certification process. Additionally, in 2022 our factory in Welland, Ontario, was recognized for outstanding occupational health & safety by Canada's Safest Employers Awards (CSEAs). Incidents, hazards, EHS internal audits, and findings are reported and tracked in a health & safety tool that helps us find the causes of incidents and implement suitable measures to prevent their reoccurrence. We regularly review, evaluate, and monitor our health & safety mitigation measures. Health & safety risks are incorporated into our overall enterprise risk management process and are directly reviewed by the company's top management. Our Executive Board exhibits strong leadership and commitment to this goal. INNIO's EHS management acts according to the Plan-Do-Check-Act cycle that enables us to improve our EHS performance through visible active leadership (Graph 31).

Historical health & safety data

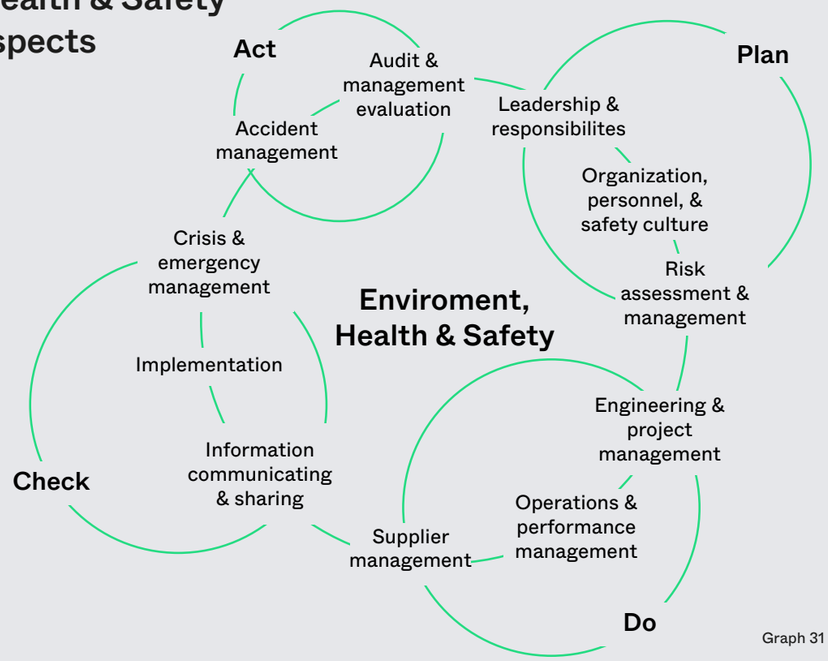
	2020	2021	2022
Number & rate of fatalities as a result of work-related injury	0	0	0
Number of fatalities as a result of work-related ill health	0	0	0
Number & rate of high-consequence work-related injuries (excluding fatalities)	0	0	1
Rate of high-consequence work-related injuries (excluding fatalities)	0	0	0.06

Table 21



Graph 30

Environment, Health & Safety management aspects



Graph 31

INNIO's internal control for health & safety

INNIO's Executive Board	
EHS Committee	Oversees overall EHS management
Corporate EHS Department	→ Establishes policies, targets, and plans according to international standards & regulations → Ensures the continual improvement of the EHS management system → Undertakes leadership audits → Supports the implementation of EHS trainings → Holds safety and health discussions with external stakeholders → Communicates proactively with EHS policy and EHS guidelines to all relevant stakeholders
EHS industrial field service team	→ Promotes health- & safety-related activities → Performs workplace risk inspection → Supports annual EHS goals and objectives → Undertakes regular safety observation visits and EHS walkthroughs
All departments	→ Implement the health & safety-related activities described in INNIO's EHS guidelines → Report incidents, accidents, and unsafe conditions immediately to the EHS representative → Participate in mandatory annual EHS trainings and events (including emergency preparedness and building evacuation simulations)

Table 22

As illustrated in Table 22, the EHS industrial field service division supports the leadership and EHS team in setting annual EHS goals and objectives and ensuring that all workers and contractors adhere to INNIO's EHS guidelines and regulations. This process is supported by risk inspections and regular safety observation visits and walkthroughs at the production facilities.

All departments and employees are required to be familiar with INNIO's Health & Safety policy, implement the health- and safety-related activities described in INNIO's EHS guidelines, work in a safety-conscious manner, and always report incidents, accidents, and unsafe conditions immediately through a dedicated hotline to the EHS representative.

The hotline is proactively communicated to all employees, contractors, and site visitors through a dedicated training and posters throughout our facilities, and it is included on our employee/visitor ID cards.

Employees also are encouraged to provide suggestions that could improve INNIO's EHS system via our INNIOvative improvement ideas platform. The most relevant improvements submitted by employees or contractors are selected for implementation. Additionally, all employees and contractors are trained on the EHS policy and guidelines and on their responsibilities. Participation in regular awareness programs, workshops, online sessions, and emergency simulations such as building evacuation are also mandatory.

Health & safety initiatives

Our operational sites are located in countries with high-quality medical services. INNIO follows national statutory requirements regarding health and insurance contributions for its employees.

Employee health & safety committees:
Both of INNIO's business units have clearly structured health & safety committees. For the Jenbacher brand, the employees' Works committee, including the Occupational Safety committee, acts independently, representing the interests of the workforce (employees and workers). The committee has the right to maintain dialogue with management, and provides consultation about economic, social, health, and cultural matters. Composed of 28 members, the committee meets monthly. For the Waukesha brand, the joint Health & Safety committee acts as an advisory body whose function is to promote the maintenance of a safe work environment that enhances the health, safety, and well-being of all employees. Committee objectives include evaluating and recommending strategies that will prevent or resolve workplace health & safety concerns. Additionally, the committee fosters ongoing dialogue between senior management and employees on health & safety issues. The committee is composed of 15 members—three management and 12 workers who are chosen to represent their teams through an annual election process. Committee members meet monthly with occasional additional meetings as recommended by the committee.

Safety and security training for site visitors:
At our headquarters in Jenbach, INNIO provides an advanced electronic check-in system that helps ensure the security of our visitors. In this next-generation entry protocol, all visitors to INNIO's headquarters must complete an interactive safety and security training and pass a quiz before being granted a photo ID visitor's badge. This security and safety course is accessible in 11 languages.

Health Matters:
To promote health and well-being among our employees, INNIO's U.S. team provides a workplace wellness program, Health Matters. The Health Matters program includes up-to-date resources and forums that promote a healthful work environment and support the adoption of healthy habits by employees who want to improve their mental and physical health.

Health We Care:
Analogous to the Health Matters program, Health We Care was launched in 2012 in Austria. The initiative is designed to support and motivate employees to live healthier lives through healthy leadership, individual or team sporting activities, preventative healthcare, healthy nutrition, and mindfulness. The initiative also provides employees with information about trends in workplace health through dedicated digital newsletters.

Process safety management

Graph 32

One integral part of the Group's overall EHS management is process safety management. Our process management guidelines and procedures are ISO 9001 certified (quality management). As illustrated in Graph 32, INNIO's process safety management covers areas that enable us to eliminate risks and near misses. Our process safety management is set in accordance with international and local regulations, standards, and requirements. Employees and contractors receive regular training and must pass an exam about our process management.

The fundamental components of process safety management include our principles of inherent safety and management processes, the assurance of competent and adequate resources, a coherent approach to risk management, internal and external audits, investigation and analysis of incidents, proactive communication to employees and contractors regarding the hazard management process, maintenance and verification of critical safety measures, and continuous improvement through regularly updated plans.

Our factory employees work with large equipment that, if not properly handled, potentially could lead to (serious) process incidents and even fatalities. For this reason, we have robust emergency management plans in place, and we implement comprehensive measures to ensure process safety. Process safety risks are assessed through a variety of process hazard assessments including quantitative risk assessments according to international and local regulations and standards. Dedicated employees lead process safety management and are in direct contact with the EHS division.

Community engagement

Why it matters to us:
INNIO plays a vital role in the communities where we operate. Our community engagement approach aims to ensure we are "good neighbors" who actively support the communities that live alongside and work with us. Through our volunteer network, we support organized employee events in the communities in which we work and reside with a special focus on education and skill building, environment, health, and financial stability.

Our aspiration:
Our goals about community engagement are clear. At every action, we aim to implement our core values, strengthen our corporate culture, and drive "esprit de corps." Alongside this, we believe employee engagement can be increased further. INNIO's employee outreach efforts can be categorized in five areas that we have identified as critical to building strong communities.

Key performance indicator:
Charitable donations (in €) from "INNIO Volunteers"

Responsibility within INNIO:
VPs of Operations, "INNIO Volunteers,"
VP Communications

Management approach:
We believe that giving back to the communities where we operate is critical to our success. In our community engagement goals, we incorporate our corporate values, and we aim to drive esprit de corps. Through "INNIO Volunteers," INNIO emphasizes our philanthropic efforts in five focus areas of support: education, individual, environment, local business, and medical. INNIO has been actively engaged in a wide spectrum of activities over the years. In 2022 we discussed plans to create an official, company-wide Engagement Committee that will further help enhance our community engagement efforts. We expect to formalize our plans in early 2023.

Progress and status:

In 2022, INNIO, "INNIO Volunteers," other employees, the Works Council, and the management team supported various initiatives by donating time, funds, and goods for local people and communities. For example, near our headquarters in Austria, we sponsored various local cultural and music festivals and also supported sports tournaments, events at local technical schools, and the Jenbacher Museum.

A key focus continues to be support to those impacted by the war in Ukraine by collecting and sending help as well as aiding refugees and their families. For instance, we have printed German-Ukrainian children's books and refurbished two company apartments that are open to local social services for use when needed.

In North America, INNIO ran various recruiting partnerships to promote hiring initiatives within the local community. These initiatives included working with local schools, attending employment job fairs and women in manufacturing events, supporting Ontario Youth in Skilled Trades, and having a company booth at the Niagara Games. Throughout 2022, we also held various food drives, such as the Easter Food Drive for Welland Hope Center, which included both food and cash donations. In total, a donation of $10,000 was made to the Open Arms Missions Food Bank (with 50% employee contributions and a 50% company match). In addition, during the holiday season specifically, the INNIO Machining Team sponsored two local families in need with a monetary donation. Our company continues to celebrate National Indigenous People's Day, Black History Month, Diversity Week, and International Women's Day.

Ethical & transparent business

This chapter covers the material topic of business ethics.

Why it matters to us:
A cornerstone of INNIO's compliance culture is a focus on integrity in all we do, including our responsibility for our actions around business conduct, prevention of fraud or corruption, protection of human rights, compliance with competition labor, and international trade controls. As a signatory of the UN Global Compact, we act in accordance with the highest ethical standards on an international level everywhere we operate, and we aim to contribute to the UN's 2030 Sustainable Development Goals through our global activities. Furthermore, we regularly review our business continuity and emergency preparedness plans, as well as our cybersecurity framework, to prepare for unforeseen circumstances.

Our aspiration:
Our commitment to high ethical standards is embedded through all levels of the company and applies to all employees and business associates. We are dedicated to continuously improving the way we do business.

Key performance indicator:
Prevention of fines and non-monetary sanctions for non-compliance with laws and/or regulations

Responsibility within INNIO:
General Counsel and Chief Compliance Officer & Group Head of Compliance – Legal & Compliance Department

Management approach:
Through our comprehensive rules, in particular our Code of Conduct, other systems, and systematic corporate strategic and emergency preparedness plans, we organize operational, risk management, reporting, and financial processes to ensure that the Executive Board and INNIO's shareholders are updated continually. In addition, we make sure we constantly communicate with our stakeholder groups, and we take their views into consideration in our business decisions.

Progress and status:
In 2021 and 2022, an internationally recognized accounting firm (Big 4) conducted two reasonable assurances and issued two independent assurance reports relating to the design, implementation, and operating effectiveness of the Compliance Management System (CMS) of the INNIO Group for the delineated areas of anti-corruption, export controls, and government tenders/public contracts for the period of January 1 to December 31, 2021, and for the topic of lobbying within the delineated area of anti-corruption for the period of January 1 to June 30, 2022. The assurance engagements were based on the underlying guidelines represented in the German Assurance Standard 980 (IDW AsS 980). In 2022, INNIO had zero fines and non-monetary sanctions for non-compliance.

Code of Conduct:
The Code of Conduct applies to all employees, regardless of their level of position in the company, and it is available on INNIO's website and intranet in English, German, and several other languages. It is important to us that employees internalize these rules and values.

For this reason, all new and existing employees are required to complete annual mandatory compliance trainings. These trainings enable our employees to familiarize themselves with all aspects of compliance and the general principles of conduct that apply in day-to-day business. INNIO's Code of Conduct provides to all of our internal and external stakeholders a framework and description of ethical and compliance standards, rules, and regulations, as well as actions around business conduct.

Monitoring and review of compliance procedures:
INNIO's established CMS enables us to manage compliance within the organization. Consisting of an integrated system of documents, processes, tools, controls, and functions, the CMS helps us better address risk management by assuring that our policies and procedures adhere to the requirements of applicable laws and regulations. It also enables us to address our culture of compliance, which includes goals, risk identification, program, organization, training, communication, continuous monitoring, and corrective actions. At INNIO we make sure that our employees know their responsibilities regarding compliance and that compliance requirements are integrated into our business processes. We conduct periodic reviews to evaluate the effectiveness of the CMS. These reviews can include internal or external audits to deter, detect, and investigate bribery and other non-compliant behavior, risk assessment processes, and effectiveness testing. We report and provide periodic updates of the findings of these reviews to our Executive Board members, who ultimately are responsible for the management and improvement of our CMS.

Ethics management and compliance:
Ethics, integrity, and compliance conduct are the foundation of our business. Compliance is not an option but a vital element that helps the company run safely and with integrity while maintaining a best-in-class reputation. INNIO has zero tolerance and strictly prohibits any behavior regarding bribery, fraud, extortion, misuse or misappropriation of our assets, or impairment of the company's interest for personal gain. Based on this policy, the company aims to detect any potential violations of our business conduct from an early stage. When such incidents are confirmed, the company determines the appropriate organizational measures or sanctions for the individuals involved. We only conduct business with those who share the same understanding of and commitment to our ethical standards. The Group's Compliance organization ensures that internal policies and standards are aligned with regulatory changes.

Compliance training:
INNIO has established a comprehensive CMS with mandatory trainings. To raise employee awareness of ethics and compliance as well as INNIO's Code of Conduct, we provide a variety of annual mandatory training courses, available in INNIO's learning platform, for all employees. INNIO's mandatory online training courses include topics such as ethics and anti-corruption, avoidance, reporting conflicts of interest, data privacy, and personal data protection, among others. Through posters located at our facilities, guidelines, FAQs on regulatory compliance on the Company's intranet, and internal email distributions, INNIO helps ensure that all employees have timely access to new information on regulations and a deeply ingrained awareness of various issues.

Corruption prevention:
Before we engage with new business associates, INNIO conducts exhaustive due diligence assessments. Such assessments involve the potential business associate and our direct and indirect shareholders, investors, and directly or indirectly involved legal entities. For this reason, INNIO performs checks on counterparties to obtain information focused on corruption, money laundering, other criminal conduct, and related sanctions as per the Group's standardized know-your-customer and know-your-supplier processes. Key red flags are connections to government officials and companies referred to in high-attention media reports related to political and corruption cases, sanctioned entities, or any other suspected involvement in criminal conduct.

Whistle-blower program—SPEAK UP!:
We expect all employees who observe or become aware of potential or actual misconduct or violation of internal rules or statutory regulations—committed by other employees or business associates—to report these incidents in SPEAK UP!, our dedicated whistle-blower platform. This platform is available to all internal and external stakeholders, since we believe that all stakeholders represent a valuable source of information that can help identify breaches of ethical standards. All stakeholders can report an incident completely anonymously, if desired, without fear of retaliation. All reports are analyzed with the utmost discretion by INNIO's dedicated compliance experts, and the SPEAK UP! data is treated with highest confidentiality.

Cyber

Data protection and information security:
Data and proprietary information protection and security are commitments from the INNIO Group to our stakeholders, including customers, employees, and providers of capital. The Group's Chief Information Security Officer (CISO), the IT Department, and the Information Security team oversee information security, policy formulation and implementation, risk management, and security audits. The Information Security team meets regularly to review and resolve guidelines and policies and carry out formulated information security measures. Every month, the Executive Board, which is responsible for monitoring our corporate information security, and cybersecurity management receive reports and updates on IT management performance-related issues and directions.

Advanced technologies and services are used to achieve the expected high level of internal and external security. In addition, INNIO has implemented organizational measures such as annual mandatory security awareness training and security alerts for employees as well as phishing simulations.

The Group uses numerous security tools to prevent and respond to all types of attacks and to block intrusion attempts. These include adaptive security measures such as firewalls, anti-virus tools, intrusion protection, VPN capabilities, artificial intelligence systems that predict and prevent threats in real-time, and cloud and endpoint security platforms designed to help enterprise networks investigate and respond to advanced threats. In addition, INNIO has multi-factor authentication (MFA) deployed for all employees to further prevent intrusion attempts.

Vulnerability Review Board:
The Group has continuous vulnerability management programs in place, including scheduled vulnerability scanning and patching. These programs review systems, networks, and applications for updates that remediate security vulnerabilities. INNIO's weekly Vulnerability Review Board reviews the vulnerability status to ensure remediation is happening and to assist with any issues.

ISO27001 accreditation:
INNIO plans to be ISO27001 accredited by the end of Q2 2023. The project is ongoing, and IT is working closely with TUV Austria to complete the documentation required for accreditation purposes.

Tax transparency

INNIO supports tax policies and incentives that encourage enterprise innovation and foster economic growth. For this reason, the Group aims to be transparent about our tax approach disclosure. INNIO's business activities generate a substantial amount and variety of taxes. INNIO Group pays corporate federal, state, and local income taxes, stamp duties, and a variety of other taxes. In addition, we collect and remit not only payroll taxes but also indirect taxes such as excise duties and VAT. The taxes we collect and pay represent a significant part of our economic contribution to the countries in which we do business. We are committed to always acting in compliance with applicable laws and regulations, being transparent in our financial reporting disclosures, and developing strong, mutually respectful relationships with tax authorities based on transparency and trust. INNIO files a country-by-country report for the Group with the Austrian tax authorities in accordance with the Sec. 3 Transfer pricing documentation act and Action 13 of OECD'S Base Erosion and Profit Shifting Action Plan.

Among other areas from the consolidated financial statements, this report breaks down the annual tax payments INNIO has made in the countries in which INNIO owns a legal presence.

Public policy:
INNIO strives to always implement the highest standards of corporate governance and transparency, gaining the trust and respect of our stakeholders. In this context, as also described in our Code of Conduct, INNIO forbids any support of—or donations to—political parties. INNIO follows or is a member of several initiatives in areas such as energy, environment, and climate change. We are determined to remain fully transparent about our participation in different associations, and we are fully compliant with all reporting obligations and transparency requirements. INNIO's ESG-related initiatives can be found on pages 34-35 of the report.

INNIO's human rights framework

Governance	Stakeholder engagement	Transparency & reporting
→ Responsibility of the Board of Directors	→ Human rights due diligence through dedicated teams (HR, Supply Chain, Legal & Compliance)	→ High level of transparency about progress and challenges around human rights topics
→ Human rights integration at all levels of the company	→ Labor and human rights training for all employees	→ Annual reporting about action plans and due diligence results
→ Policies and processes in place to ensure human rights are embedded throughout INNIO's value chain	→ Best practice and experience sharing with business associates to increase process effectiveness	

Table 23

Respecting and promoting labor and human rights

Since the beginning of our existence, INNIO has been committed to respecting human rights across our business activities, carrying out due diligence and human rights risk assessments with our supply chain, customers, and our own operation. In addition, we raise awareness, promote best practices, and empower people across our value chain. Human rights are inextricably linked to corporate values. We respect human rights as described in the Universal Declaration of Human Rights, the International Labor Organization, and other internationally recognized treaties. We commit to upholding labor rights, including decent wages, working hours, employee representation, and provisions against forced labor, child labor, and human trafficking. We are determined to advance these rights throughout our value chain, contributing to a more fair and inclusive future for all people.

Human rights governance:
INNIO's Labor & Human Rights Policy, together with our Code of Conduct and applicable laws, guides us in the planning, execution, review, and action for human rights-related governance in the organization. Managers from the HR, Supply Chain, and Legal & Compliance departments are responsible for taking charge of human rights topics and reporting regularly to the Executive Board. To be more specific:

- → The HR team is responsible for managing human rights topics that have a daily relevance to INNIO employees in accordance with INNIO's Human Resources management system and formal internal control procedures. The team conducts internal labor and human rights audits, trains employees on these topics, and reports directly to the CHRO, who is a member of the Executive Board.
- → INNIO's Supply Chain team is responsible for human rights topics related to suppliers. All relationships with suppliers are formulated and implemented in compliance with INNIO's Code of Conduct and the UN Global Compact to help ensure compliance and transparency in supplier management.
- → The Legal & Compliance team provides daily advisory to our business activities, monitors potential cases of human rights risks or violations, conducts investigations to assess these cases, and takes appropriate action. The team reports periodically to the Executive Board.

Labor & human rights training:
In 2022 our Code of Conduct training, which includes human rights policies and procedures, was mandatory for all employees. We are determined to focus on human rights topics and will offer more training programs in the future.

Human rights risk management:
INNIO conducts due diligence in compliance with international standards and regulations. This helps us evaluate the effectiveness of our processes by identifying and assessing any actual or potential adverse human rights impacts that may occur through our own activities or are directly linked to our business relationships. We then integrate the findings in our overall corporate processes. For many years in a row, no human rights issues have been detected through our own operations, and any instances of potential signals of human rights infringements in business relationships have been addressed accordingly for improvement with the respective stakeholders.

“There can be many reasons why global companies establish shared Centers of Excellence. The focus of INNIO’s Center in Budapest is enhancing our customer’s experience and optimizing our overall efficiency and effectiveness. I believe sustainable and successful service centers are forged from teams of engaged and talented people who clearly understand and share INNIO’s values and ambitions provides a stronger foundation for excellence and growth.”

Gergely Szappanos
Finance Center of Excellence Leader

Enterprise risk management

Effective risk assessment and management are essential aspects of our success. Besides the conventional risk types—such as financial risks, operational risks, legal risks, and strategic risks—the management of non-financial risks is becoming increasingly important. ESG, including climate and regulations, data protection, and information or cybersecurity, play a significant role within the spectrum of enterprise risks.

INNIO's enterprise risk management sets the framework under which proper identification, impact assessment, evaluation, and quantification of such risks occurs. Through risk management, INNIO provides comprehensive direction to mitigate potential exposures and safeguard value for the company, our employees, customers, suppliers, and both financial and non-financial stakeholders. The purpose of risk management is to address risk areas throughout the organization in a structured review cycle, allowing for objective monitoring and control of various elements in the best interest of the organization.

Risk identification and management:
INNIO identifies risks through continuous monitoring of our internal and external environment. We use structured risk identification techniques such as workshops with risk owners and ongoing interviews with senior management, subject matter experts, and executives. Furthermore, we use heat maps and/or risk matrices to support the assessment process, helping us identify probability ranges and the related consequences of the identified risks. For instance, in 2021 INNIO conducted a dedicated workshop to identify climate change risks and opportunities using the TCFD framework. Regarding the risk management process, we use a bottom-up and top-down approach, which provides a comprehensive risk profile of the organization. INNIO performs this risk cycle twice a year to ensure accuracy in the entire risk identification and valuation process in a continuously changing environment.

Strategy and target-setting:
INNIO's Executive Board establishes overarching strategic goals and sets financial targets that are communicated to all functions, ensuring alignment across the organization. Senior management is responsible for the achievement of these goals and objectives. The goals and objectives of the departments and individual employees generally are aligned with the goals of the entire organization.

Risk identification and assessment:
INNIO's risk management function is responsible for the identification of risks that might affect our ability to achieve established goals and objectives. Furthermore, business leaders work with the Group's risk management function to determine the appropriate way to address identified risks. Risk activities can be avoided, accepted, mitigated, or transferred, depending on the circumstances. To ensure that appropriate risk responses are in place, the risk management function sets policies and defines guidelines that apply to our business activities. INNIO's business leaders are responsible for the implementation of these policies and guidelines as well as for understanding where improvements might be needed.

Review and revision:
To ensure that risks are effectively assessed and appropriate risk responses are in place, we perform regular assessments of our risk management processes. Our risk management function, the Risk Committee, and business unit management monitor enterprise risks and the effectiveness of the risk mitigation activities, and they report the results of the assessment to the Executive Board and other senior leaders.

Mandatory annual risk trainings (e.g., cybersecurity) are provided to all INNIO employees. Additionally, further information is provided to employees through direct communications or via the intranet. Regular emails or memos summarizing key learnings from incidents or other identified trends also are provided to employees. INNIO's Code of Conduct and other formal policies are in place to provide detailed guidance regarding incidents of non-compliance, adverse events, or critical unmitigated risks. Finally, INNIO's SPEAK UP! digital platform offers all employees, suppliers, and others a formal mechanism to anonymously report potential violations of laws, regulations, or policies, or to raise concerns about safety, security, or ethical behavior.

Risk governance and oversight:
INNIO's Executive Board oversees the senior leadership's management of risks. The board meets regularly with the risk management function and senior business leaders to discuss risk factors related to the Group. INNIO's Enterprise Risk Manager provides updates to the Executive Board.

Task Force on Climate-Related Financial Disclosures (TCFD)

INNIO is committed to decarbonizing both our own and our customers' operations, while also reducing emissions in our supply chain through the following four approaches:

- INNIO's Executive Board is responsible for reviewing and approving our vision and strategies for climate change.
- INNIO helps ensure strategies are realized, implements mitigation and adaptation measures, and provides advanced, sustainable technologies to enable our customers to enhance their green competitiveness.
- INNIO's overall corporate risk management incorporates climate change into our core. This includes identifying the relevant climate risks and opportunities as well as quantifying their future financial impact.
- Finally, INNIO assesses the severity and trends of climate change when setting performance indicators and quantitative goals. Progress and status updates toward these indicators are discussed with the Executive Board.

A central commitment for INNIO is to demonstrate transparency and be open with our stakeholders regarding both the risks and opportunities we anticipate. By adopting disclosures from the TCFD framework, we have been aligned with TCFD since the 2021 non-financial reporting cycle.

Climate change governance overview

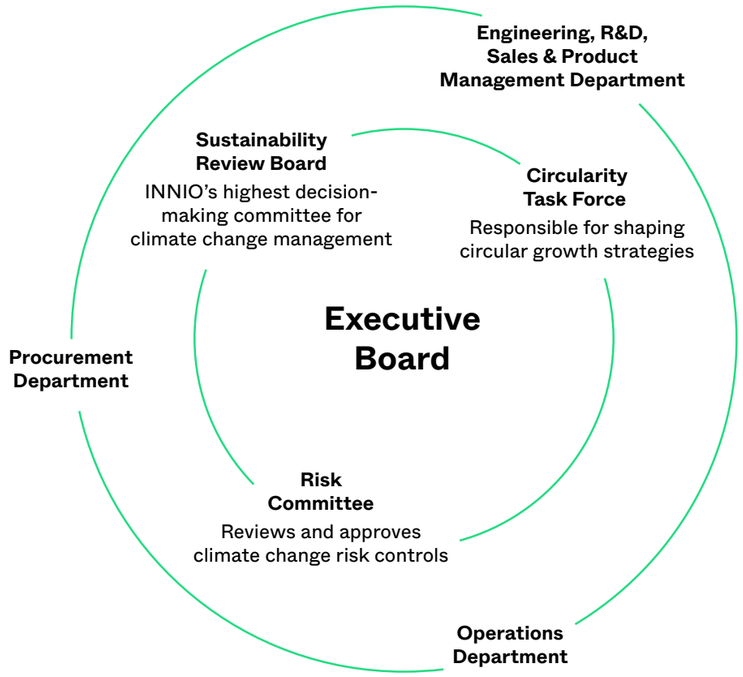
Governance	We have established a cross-functional Sustainability Review Board (SRB), chaired by the Group VP Sustainability. The committee is responsible for approving ESG and climate change visions, strategies, and long-term goals and promoting related actions. The chairman of the SRB reports to the Executive Board monthly.
Strategy	→ Provide energy-efficient technologies to help customers shape a greener future. → Promote responsible operations by adopting key mitigation technologies and increasing the use of renewable energy. → Build a resilient and low-carbon supply chain through extensive collaboration with suppliers.
Metrics & Targets	→ Set climate-related performance indicators and interim quantitative targets to regularly track progress and transparently disclose them to the public. → Set science-aligned GHG reduction targets (including Scope 1, 2, and 3).
Risk Management	→ Climate risk is integrated into the Enterprise Risk Management (ERM) process. → Cross-functional cooperation is needed to assess climate-related risks and opportunities in the value chain; financial impacts must be assessed and countermeasures be formulated.

Table 24

Oversight of climate-related risks and opportunities:
INNIO's overall strategy around climate change management is under the direct supervision of the Executive Board. The Executive Board is responsible for overseeing the Group's comprehensive climate change and sustainable management strategies as well as for delegating responsibilities and goals regarding climate change across the company. The members of the Executive Board receive regular updates from the SRB and employees authorized in climate change matters.

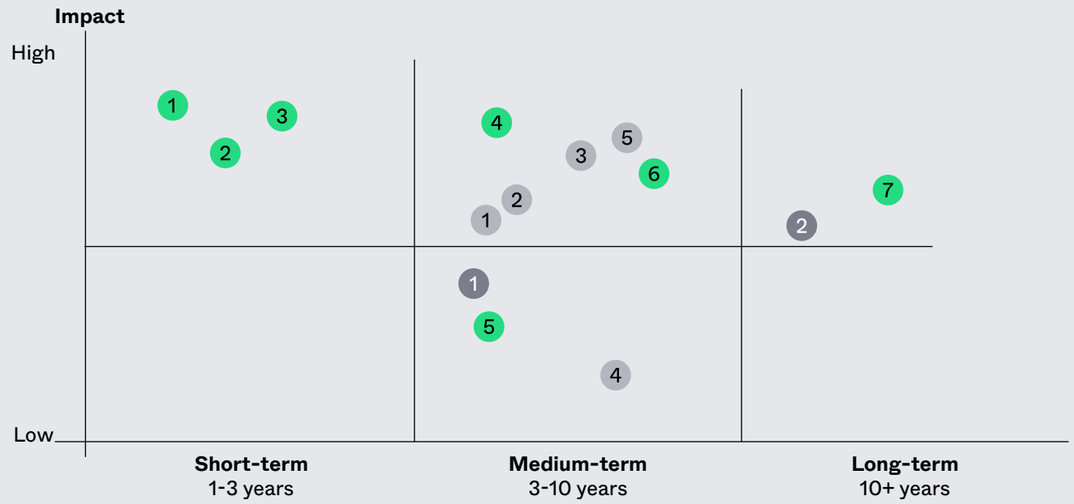
Climate change management responsibility:
The SRB is the Group's top committee responsible for developing strategy, validating goals, and managing the ESG program, including action plans for climate change issues. As described in the Governance section, the SRB is chaired by the VP of Sustainability, and members include executive leaders, subject matter experts, and managers from various departments across the group. The SRB is responsible for identifying climate risks and opportunities and discussing and setting INNIO's climate change strategies and goals.

The chairman of the SRB reports directly to the Executive Board for updates related to the ESG program and climate change every month. INNIO's Risk Committee is responsible for briefing the Executive Board on ESG and climate change risk related to environmental factors INNIO is facing, the focus of the Group's enterprise risk management, and risk assessment and mitigation efforts. To further develop the maturity of the INNIO ESG program, a cross-functional Circularity Task Force was established in late 2021, joined by executive leaders of Product Line Management, Engineering, Procurement, and Service Sales. The task force is responsible for identifying white spaces and extending INNIO's circular growth strategies in line with our ESG goals. INNIO is continuously looking into climate-related financial aspects as part of the overall alignment with emerging ESG frameworks and regulations. Risk scenario and planning analysis also will be included in the EU Taxonomy assessment and implementation moving forward.



Graph 33

Short-, medium-, and long-term risks and opportunities



Graph 34

Physical Risks	Transition Risks	Opportunities
1 Extreme variability in weather patterns (flooding, heat waves, storms, etc.)	1 Carbon taxes	1 Provision of time- and energy-efficient products
2 Rising temperatures and/or extreme precipitation	2 Climate policies & regulations	2 Provision of emergency backup power
	3 Market sentiment	3 Digital solutions contributing to higher efficiency
	4 Potential employee sentiment	4 Provision of CO_2-neutral power solutions
	5 Emerging technology and innovation	5 Increased manufacturing resilience against natural disasters
		6 Increased renewable energy programs in manufacturing
		7 Enhanced company reputation

Table 25

Climate risks & opportunities

Physical Risks/Opportunities	Potential Financial Impact	Key Response Strategy
→ Extreme variability in weather patterns (flooding, heat waves, storms, etc.) → Rising temperatures and/or extreme precipitation	→ Extended periods of extreme weather events (short-term) or rising temperatures (long-term) can lead to production or sourcing disruption, bringing increased operating costs.	→ We evaluate water stress risks for the Company's manufacturing sites, and we consider the establishment of climate change-related risk adaptive measures. (Table 12, page 118) → INNIO continuously designs and invests in the development of products that are time- and energy-efficient as well as resilient to extreme weather conditions.
→ Provision of time- and energy-efficient products → Provision of emergency backup power → Increased manufacturing resilience against natural disasters	→ Meeting customers' demands for time- and energy-efficient products translates to incremental revenues. → Strengthening climate resilience and lowering the risks of operational disruption can lead to reduced indirect operating costs and financial losses.	

Climate risks & opportunities

Transition Risks/Opportunities	Potential Financial Impact	Key Response Strategy
→ Carbon taxes → Climate policies and regulations	→ Energy transition policies, pollution control regulation, policies on resource conservation, and public subsidies potentially could cause restrictions on manufacturing capacity expansion and increase operating costs.	→ INNIO continuously invests in research and development of energy-efficient products that can enable our customers to comply with existing and future climate policies and regulations. INNIO is one of the first OEMs offering hydrogen-ready engines and digital solutions for real-time monitoring and performance optimization. → INNIO already has established concrete renewable energy programs, and we plan to further accelerate renewable energy development in manufacturing. → INNIO's energy solutions provide versatile application and flexibility of fuels for near-zero emissions. → INNIO promotes climate-friendly corporate actions through our products and operations and adheres to transparent disclosures of our sustainability efforts.
→ Emerging technology and innovation → Digital solutions contributing to higher energy efficiency → Provision of CO_2-neutral power solutions → Increase of renewable energy programs in manufacturing	→ Potential decrease in revenues due to competition from energy storage innovation systems → Incremental revenues resulting from increased demand for INNIO's CO_2-neutral power and digital myPlant solutions	
→ Market sentiment → Potential employee sentiment	→ People's awareness (including investors, consumers, etc.) and expectations concerning climate change are increasing, creating a shift in their behavior, preferences, and decisions. Failing to meet stakeholders' expectations and company perceptions could harm INNIO's reputation.	
→ Enhanced company reputation	→ Attraction of best talent, reduced costs, and potentially increased revenues	

Table 26

“ The more sustainable we are, the healthier we are. With my team, I promote the consumption of fresh products with low environmental impact, eliminating plastic packaging and reducing transportation and food waste. Regionality, seasonality, and quality are my three fundamental goals for achieving a good, healthy, and sustainable canteen.”

Paolo Tinello
Head of INNIO Jenbacher Canteen

INNIO's climate change strategies:

Provide energy-efficient technologies to help customers shape a greener future. At INNIO, we recognize the importance of using our position as a global energy provider to help drive a sustainable, carbon-free future. We see carbon-free technology as a key element of sustainable development as it meets the needs of our present society while safeguarding the needs of future generations. Our Jenbacher and Waukesha product lines are designed and manufactured to last for multiple lifetimes. Furthermore, recycled input materials correspond to 56% of our products. INNIO aims to increase this percentage each year, as seen on page 67, Graph 11. In doing so, circularity will be promoted and driven throughout the life cycles of INNIO's products. We are committed to continued investment in research and development, which will enable our customers to transition to a resilient, carbon-free future using a long-term energy solution such as distributed and decentralized power and heat. In 2021, INNIO introduced our "Ready for H_2" product portfolio for our Jenbacher engines, enabling customers to use the fuel of the future in various options today.

Promote responsible operations by adopting key mitigation technologies and increasing the use of renewable energy. INNIO has a long-standing commitment to advanced green manufacturing and aspires to be a global leader in low-carbon production. For many years, our headquarters in Jenbach has followed a sustainable production model in which all test benches are integrated and controlled with our future-oriented myPlant energy management system for self-supply of electricity and heat as well as with grid connection for electricity feed-in to the public grid. In 2022, INNIO began operating our PV infrastructure at our Jenbach site. This increase will continue to significantly impact our energy savings. Since 2021, INNIO's headquarters in Jenbach has taken another significant step toward our goal of Scope 1 and 2 near-zero emissions by investing in the hydrogen network to supply green hydrogen for our test benches and engineering labs. Through a cooperation between INNIO and the Tyrolean energy supplier TIWAG, we are building an electrolysis facility, which will convert electricity from renewable energy sources into green hydrogen. The produced hydrogen will be used at our main operating site in Jenbach. Overall, our INNIO360 Energy Lab at our Jenbach headquarters features a fully integrated microgrid, PV systems, battery storage, a Jenbacher CHP system, a small hydropower plant, a power-to-heat hot water storage tank, and an entire energy supply chain controlled by our myPlant digital platform. It also will incorporate green hydrogen beginning in 2025.

Additionally, construction of our Welland site used sustainable design strategies, including low-emitting materials, proper air quality and thermal comfort, and energy-efficient building envelopes, equipment, and lighting systems. More than 90% of the energy used at our facility in Welland is from renewable or climate-neutral sources.[10] Furthermore, the factory's initiative included the deployment of digital communication throughout the facility, reducing waste. These considerations enable our production site in Welland to use a smaller amount of more efficient energy, thus reducing greenhouse gas emissions. For all our facilities, the Group has considered the establishment of climate change-related risk adaptive measures. These measures could help us successfully prevent potential operating losses from climate change and achieve no interruption to our operating activities.

[10] Source: https://www.oeb.ca/ontarios-energy-sector/overview-energy-sector#:~:text=Ontario%20System-Wide%20Electricity%20Supply,Contracted%209%25%2023.3%25%2055.3%25

INNIO's adaptive measures against potential physical climate risks

Physical climate risk	Adaptive measures
Extreme heat	INNIO, given the location of our main facilities, is currently not exposed to extreme heat scenarios.
Wildfires	INNIO, given the location of our main facilities, is currently not exposed to wildfires.
Droughts	In 2020 we assessed all of our facilities' water stress risk using the Aqueduct Water Risk Atlas. None of INNIO's sites operate in areas with high water stress.
Flooding	INNIO installed measures, such as protection walls and pumping systems, to prevent high water impact.
Strong winds	INNIO's facilities are built to high construction standards using durable materials to ensure sufficient protection against strong winds and potential disintegration or structural damage of buildings or adjacent infrastructure.

Table 27

We are determined to continue using the best available technology to reduce GHG emissions. Regarding our own operations and in particular the impact on Scope 1 and 2 GHG emissions, we aim to decarbonize our emissions with our own future-proof technology and low-carbon manufacturing. INNIO plans to do so in three ways. First, we are increasing our energy efficiency through the adoption of new energy-saving measures. At the same time, we are advancing the use of renewable energy in our operations. In addition, INNIO continues to invest in research and development to fully use our flexible solutions and successively expand our near-zero technologies for our own operations as well as those of our customers.

Build a resilient and low-carbon supply chain through extensive collaboration with suppliers. The GHG equivalent of purchased goods in 2022 accounted for approximately 64% of Scope 3 (excluding LCA). By expanding the use of recycled and reclaimed materials and optimizing upstream transportation, INNIO is able to promote a more sustainable, less carbon-intensive supply chain. To accomplish this, we have set ambitious targets for ourselves. To further strengthen this commitment, INNIO began a partnership with EcoVadis, a global leader in third-party evaluations of business sustainability performance. This collaboration aims to assess the sustainability performance of INNIO's suppliers through proactive ratings and evaluations using EcoVadis' methodology. So far, this assessment has enabled us to gain a clearer view of INNIO's suppliers, evaluate them, and promote responsible business practices throughout the supply chain. Additionally, we also continue to gain important insights into challenges and collaboration opportunities to jointly decarbonize the value chain. To formalize joint commitments between INNIO and our suppliers, we have requested that suppliers set ESG-related and carbon-reduction goals. By the end of 2022, more than 75% of our top 200 suppliers have committed to a 50% reduction in their GHG emissions by 2030. Our goal for 2023 is to increase this number, and we also plan to go one step further and request net-zero commitments by 2050. We plan to further engage with suppliers to achieve these sustainable targets.

Risk management:
In addition to the conventional risk types—such as financial risks, operational risks, legal risks, and strategic risks—the management of non-financial risks is becoming increasingly important. ESG, including climate and regulations, data protection, and information or cybersecurity, play a significant role within the spectrum of enterprise risks. Physical and transitional climate risks that could represent negative consequences to operations and financial results are included as potential ESG risks.

In 2021, INNIO performed our first Group-wide climate risk and opportunity workshop under the TCFD agenda. With participation from the Engineering, Commercial, Procurement, Manufacturing, Accounting, Risk, ESG, and HR teams, an external advisory team presented the group with questionnaires and perspectives for functional review and scenario planning. Traditional risks associated with the energy sector include regulatory uncertainties, emission taxation, uncertainty around stimulation for large-scale hydrogen infrastructure adoption, and acute weather events potentially disrupting INNIO's supplier operations. Opportunities identified include increased demand for efficient energy solutions run on low-carbon fuel, backup power, and flare capturing. The outcomes of this initial TCFD alignment workshop, along with potential climate change risks and opportunities, was reported to the Executive Board by the chair of the SRB. In 2022, we used the findings of this workshop to update our approach. We agreed to continue working to evaluate the identified climate change risks and opportunities and the assessment of their impact on the company. Through our risk identification and management mechanism, we will develop future heat maps and risk matrices to identify the probability ranges and the related impact of the identified risks, including significant climate change risks. Furthermore, we will define the risk level and prioritization of risk controls as well as the implementation of risk management strategies according to the Group's risk appetite. INNIO's risk management approach is described in the respective chapter.

Targets and metrics:
In 2022 INNIO continued to implement benchmark practices for calculating and reducing our Scope 1, 2, and 3 GHG emissions. To be more specific, we further expanded the data inputs for our GHG footprint calculation, including additional components in our Scope 3 emissions, and refined methodology across some of the data points. In 2022, we conducted our second Scope 3 life-cycle analysis and reviewed the goal definition based on our learnings and observations. We redefined targets and metrics that will help us measure and disclose our progress in achieving our sustainability goals. We understand that this is an iterative process that requires close supervision with a focus on meaningful and impactful efforts toward INNIO's sustainability goals.

As a result of our implementation of tangible initiatives and projects, we continue to reduce our GHG emissions across Scopes 1, 2, and 3. In 2022, INNIO reduced 1,470 tCO_2e (Scope 1) in comparison to 2021. This corresponds to an overall reduction of around 6,666 tCO_2e since our baseline year of 2020. Concurrently, for indirect emissions (Scope 2) caused by energy consumption, there has been a reduction of 1,212 tCO_2e metric tons since 2021, and a 2,042 tCO_2e reduction since 2020. In the last year alone, we have reduced our indirect emissions (Scope 3[11]) by a significant amount of approximately 644,247 tCO_2e. INNIO strives to continue reducing our environmental impact and maintain this reduction trend moving forward into 2023.

Future plans:
We will continue analyzing risks and opportunities to be able to realize our commitment to the 1.5°C scenario. To improve ongoing measurements and data quality for our scenario planning, we are in the process of an ESG software implementation focused on data consolidation and management. This will help us shift from reactive to proactive analytics, thus allowing us to reduce the time between seeing data and making a decision (i.e., moving away from an annual toward a quarterly data collection process).

[11] using LCA for a single reporting year only

EU Taxonomy

In response to the Action Plan on Sustainable Finance, which was adopted by the European Commission, INNIO took initial steps to perform preparation for the analytics of portions of our own eligible activities in three main categories: turnover, capital expenditure (CapEx), and operating expenditure (OpEx). As of the time of this report, INNIO, as a privately owned company, is not under the regulatory conditions to report on EU Taxonomy Regulation. However, we are taking steps to study the requirements, apply proposed methodology to our business model, and prepare for future reporting once it becomes mandatory to companies in scope.

The EU Taxonomy Regulation requires information on how and to what extent a company's activities are associated with environmentally sustainable economic activities. The European Commission adopts Delegated Acts that determine the conditions under which an economic activity is environmentally sustainable. The Climate Delegated Act defines individual technical screening criteria per economic activity for the first two environmental objectives of climate change mitigation (Annex I) and climate change adaptation (Annex II). The economic activities of Annex I and Annex II of the Climate Delegated Act were supplemented by additional economic activities related to gas and nuclear power in March 2022.

INNIO manufactures gas engines for power generation under the product brand Jenbacher as well as engines for gas compression under the product brand Waukesha. INNIO's engines can be powered by renewable as well as non-renewable fuel types. In the context of energy generation, the Climate Delegated Act refers to the definition of "energy from renewable sources" in Article 2 (1) of Directive (EU) 2018/2002. Accordingly, "energy from renewable sources" or "renewable energy" means energy from renewable non-fossil sources, namely wind; solar (solar thermal and solar photovoltaic); geothermal energy; ambient energy; tide, wave and other ocean energy; hydropower; biomass; landfill gas; sewage treatment plant gas; and biogas. In addition, INNIO equipment can be operated and/or upgraded to hydrogen operation, which can be classified as renewable, provided it is generated through a climate-neutral or renewable process.

INNIO is analyzing our activities based on the above criteria and methodology. The analysis is supported at present by external advisory (Big 4) to help with interpretation of certain methodology aspects and for alignment of future procedures.

Key performance indicators

Financial Information	Availability of Information	Unit	2022	2021	2020
Net sales	Group level	EUR (in millions)	1,651	1,426	1,331

Board Effectiveness	Availability of Information	Unit	2022	2021	2020
Average board meeting attendance	Group level	Rate (%)	88	93	n/a
Minimum required attendance			57	57	n/a
Average board tenure		Months	27 (range 15-45 months)	15 (range 3-33 months)	n/a

Compliance	Availability of Information	Unit	2022	2021	2020
Significant fines and non-monetary sanctions for non-compliance with law and/or regulations in the social and economic area	Group level	No.	0	0	0
Total monetary value of significant fines		EUR	0	0	0
Total non-monetary sanctions		No.	0	0	0
Cases brought through dispute resolution mechanism			0	0	0

Cybersecurity	Availability of Information	Unit	2022	2021	2020
Number of security incidents	Group level	No.	2	0	n/a

Supply Chain Management	Availability of Information	Unit	2022	2021	2020
Supplier Environmental Assessments					
Percentage (%) of new suppliers that were screened using environmental criteria	Group level	Rate (%)	100	100	100
Number of suppliers assessed for environmental impacts		No.	109	173	323
Number of suppliers identified as having significant actual and potential negative environmental impacts			6	8	6
Significant actual and potential negative environmental impacts identified in the supply chain			17	14	15
Percentage (%) of suppliers identified as having significant actual and potential negative environmental impacts—improvements were agreed upon as a result of assessment		Rate (%)	100	100	100
Percentage (%) of suppliers identified as having significant actual and potential negative environmental impacts—relationships were terminated as a result of assessment and an explanation related to the termination was provided			0	0	0
Supplier Social Assessments					
Percentage (%) of new suppliers that were screened using social criteria	Group level	Rate (%)	100	100	100
Number of suppliers assessed for social impacts		No.	109	173	323

Supply Chain Management	Availability of Information	Unit	2022	2021	2020
Number of suppliers identified as having significant actual and potential negative social impacts	Group level	No.	5	8	5
Significant actual and potential negative social impacts identified in the supply chain			12	25	17
Percentage (%) of suppliers identified as having significant actual and potential negative social impacts—improvements were agreed upon as a result of assessment		Rate (%)	100	100	100
Percentage (%) of suppliers identified as having significant actual and potential negative social impacts—relationships were terminated as a result of assessment and an explanation related to the termination was provided			0	0	0

Workforce[12]	Availability of Information	Unit	2022	2021	2020
Full-time equivalent (FTE)			3,991	3,689	3,354
Employee headcount	Group level	No.	4,173	3,903	3,599
Permanent			3,885	3,678	3,411
Temporary			288	225	188
Male			3,446	3,252	2,998
Permanent			3,213	3,061	2,837
Temporary			233	191	161
Full-time			3,327	3,113	2,734
Part-time			119	139	103

Workforce[12]	Availability of Information	Unit	2022	2021	2020
Female	Group level	No.	727	651	601
Permanent			672	617	574
Temporary			55	34	27
Full-time			558	498	467
Part-time			169	153	107
By region (and employment contract)					
Europe			3,381	3,228	2,938
Permanent			3,110	3,020	2,764
Temporary			271	208	174
Asia			69	64	66
Permanent			57	52	53
Temporary			12	12	13
America			722	610	593
Permanent			717	605	592
Temporary			5	5	1
Other			1	1	2
Permanent			1	1	2
Temporary			0	0	0

[12] Workforce data includes all INNIO employees, excluding contractors. INNIO's workforce is not subject to any seasonal variations.

Workforce[12]	Availability of Information	Unit	2022	2021	2020
Race					
Asian	**Employees located in the U.S and Canada**	No.	**30**	47	n/a
Black or African American			**21**	10	n/a
Hispanic or Latino			**50**	36	n/a
White			**535**	284	n/a
Indigenous or native			**2**	1	n/a
Other: two or more			**7**	4	n/a

New Employee Hires	Availability of Information	Unit	2022	2021	2020
Total number of new employee hires	**Group level**	No.	**680**	346	444
By gender					
Male	**Group level**	No.	**529**	272	329
Female			**151**	74	115
By age group					
< 30 years	**Group level**	No.	**263**	127	120
30–50			**334**	175	278
> 50 years			**83**	44	46
By region					
Europe	**Group level**	No.	**461**	220	296
Asia			**12**	5	15
Americas			**207**	120	132

[12] Workforce data includes all INNIO employees, excluding contractors. INNIO's workforce is not subject to any seasonal variations. The data regarding race self-identification was provided voluntarily from the employees in U.S. and Canada.

Employee Turnover	Availability of Information	Unit	2022	2021	2020
Total number of employee turnover	**Group level**	No.	**427**	402	559
By gender					
Male	**Group level**	No.	**336**	305	452
Female			**91**	97	107
By age group					
< 30 years	**Group level**	No.	**107**	82	95
30–50			**231**	229	254
> 50 years			**89**	91	210
By region					
Europe	**Group level**	No.	**316**	290	233
Asia			**8**	6	7
Americas			**103**	104	319
Other			**0**	2	0

Health and Safety	Availability of Information	Unit	2022	2021	2020
Number of fatalities as a result of work-related injury	Group Level	No.	0	0	0
Rate of fatalities as a result of work-related injury			0	0	0
Number of fatalities as a result of work-related ill health			0	0	0
Number of high-consequence work-related injuries (excluding fatalities)			1	0	0
Rate of high-consequence work-related injuries (excluding fatalities)			0.06	0	0
Rate of recordable work-related injuries[13]			0.94	0.99	0.92
Number of identified near misses			74	104	61
Near miss frequency rate (NMFR)			2.05	3.12	2.01
Lost-Time Injuries frequency rate (LTIFR)[13]			4.71	4.94	4.61
Lost- Time Injury Rate (LTIR)[13]			0.94	0.99	0.92

Training and Development	Availability of Information	Unit	2022	2021	2020
Total number of training hours provided to employees	Group level	No.	115,535	105,785	n/a
Average hours of training that the organization's employees have undertaken[14]			29	29	n/a
Percentage of total employees who received a regular performance and career development review		Rate (%)	access 100, executed 97	access 100, executed 97	n/a

Non-discrimination	Availability of Information	Unit	2022	2021	2020
Total number of incidents of discrimination	Group level	No.	0	0	0

Environmental Compliance	Availability of Information	Unit	2022	2021	2020
Total monetary value of significant fines for non-compliance with environmental laws and/or regulations	Group level	EUR	0	0	0
Total number of non-monetary sanctions for non-compliance with environmental laws and/or regulations		No.	0	0	0
Cases brought through dispute resolution mechanisms			0	0	0

[13] Currently, the health & safety data do not include contractors. The main work-related injuries for 2022 were contact with sharp objects, soreness, and slips.

The numbers of hours worked for 2022 is 7,221,715.

The rate or recordable work-related injuries was calculated as such: (Number of recordable work-related injuries/ Number of hours worked) x 200,000.
The number of hours worked was calculated as such: 38.5 working hours per week x (52 weeks in one year - 5 weeks of holidays).
The 38.5 working hours per week is based on our sector-specific collective agreements.

The full-time equivalent (FTE) in 2022 was 3,991.

NMFR = [number of close calls (near misses; near hits) identified x 200,000]/ Number of hours worked for all employees
LTIFR = (Number of lost-time injuries) / (Total hours worked in accounting period) x 1,000,000
LTIR = (Number of lost-time injuries) / (Total hours worked in accounting period) x 200,000

[14] Average training hours per employee = Total number of training hours/full-time equivalent

INNIO uses environmental, energy, and occupational health & safety law compliance management tools, integrated into our Integrated Management System. These software-based tools provide the list of relevant EHS legal obligations the company must comply with, formulated as task, as well as changes in the law and a comparison of the previous and new legal situation. In this way, compliance with environmental, health & safety laws is reassured.

Materials	Availability of Information	Unit	2022	2021	2020
Total material usage	**Group level**	Tons	**48,526**	44,292	44,077
Material by type (weight or volume):					
Metals	**Group level**	Tons	**45,248**	41,301	41,100
Wood			**752**	686	683
Paper			**140**	128	127
Sand			**87**	80	79
Chemicals			**1,013**	925	920
Others			**1,285**	1,173	1,167
Percentage of recycled input materials used to manufacture the organization's primary products and services		Rate (%)	**56**	53	53

Energy	Availability of Information	Unit	2022	2021	2020
Total energy consumption	**Group level**	GJ	**637,275**	640,509	793,422
Consumption from non-renewable sources			**585,046**	613,018	761,536
Natural gas			**543,914**	570,480	752,189
Others			**41,132**	42,538	9,347
Consumption from renewable sources			**86,276**	63,135	62,353
Hydropower			**83,773**	63,135	62,353
Biogas			**453**	n/a	n/a
Photovoltaics			**1,785**	n/a	n/a
Others			**264**	n/a	n/a
Electricity consumption			**189,994**	159,008	156,353
Heat consumption			**100,052**	113,941	131,498

Energy	Availability of Information	Unit	2022	2021	2020
Cooling consumption	**Group level**	GJ	**0**	0	0
Steam consumption			**0**	0	0
Electricity sold			**32,665**	35,644	30,467
Heat sold			**1,382**	n/a	n/a
Cooling sold			**0**	0	0
Steam sold			**0**	0	0

Total energy consumption within the organization = Non-renewable fuel consumed + Renewable fuel consumed - Electricity and heating sold

GHG Emissions	Availability of Information	Unit	2022	2021	2020
Scope 1 and Scope 2 Emissions					
Stationary combustion	**Group level**	CO_2-e (metric tons)	**29,257**	30,727	35,923
Scope 1 emissions intensity			**0.60**	0.69	0.82
Scope 2 emissions (market-based)			**4,638**	5,850	6,680
Scope 2 emissions (location-based)			**7,380**	7,759	8,408
Scope 2 emissions intensity			**0.09**	0.13	0.15
Scope 1 and Scope 2 emission intensity			**0.70**	0.83	0.99
Scope 3 Emissions					
Purchased goods	**Group level**	CO_2-e (metric tons)	**71,632**	66,438	66,997
Capital goods			**6,468**	n/a	n/a
Fuel indirect (grey energy)			**10,365**	10,871	12,895
Upstream raw material transport			**7,150**	6,526	6,494
Waste			**3,056**	1,170	2,365
Business travel			**754**	280	332
Employee commuting			**4,414**	2,956	2,544
Upstream leased assets			**3,716**	3,076	n/a
Downstream product transport			**4,204**	2,104	1,718
Life-cycle emissions—use of sold products (reporting period only)			**5,567,559**	6,230,144	5,009,263
Life-cycle emissions—use of sold products			**55,930,076**	61,188,060	61,623,540

The energy-related data for our four main facilities (Jenbach, Kapfenberg, Waukesha, Welland) comes from bills and on-site calculations and is used to calculate both Scope 1 and 2 emissions. Estimates are used where primary data is not available and are based on employee headcount. We used the conversion factors from the U.S. Environmental Protection Agency (EPA). INNIO reports Scope 3 emissions for all relevant categories. In the reporting year, emission calculation for Capital Goods was added for the first time based on the expenditure on machinery as well as equipment and by using an average emission factor. INNIO identified 2020 as the base year for our GHG emissions (Scope 1, Scope 2, and Scope 3), since 2020 was the first year that INNIO conducted a comprehensive GHG carbon footprint assessment. With better data availability, the following recalculations have been conducted: Scope 2 market-based and location-based for 2020 as well as emissions for Purchased Goods, Upstream Raw Material Transport and Life Cycle Emissions – Use of Sold Products for 2020 and 2021 using the same methodology as for the reporting year 2022.

GHG Emissions Reductions	Availability of Information	Unit	2022	2021	2020
Scope 1 and Scope 2 emissions reductions	**Group level**	CO_2-e (metric tons)	**2,682**	6,963	n/a

Spills	Availability of Information	Unit	2022	2021	2020
Number of recorded significant spills	**Jenbach, Kapfenberg Waukesha and Welland**	No.	**0**	0	0
Oil spills			**0**	0	0
Fuel spills			**0**	0	0
Spills of wastes			**0**	0	0
Spills of chemicals			**0**	0	0
Others			**0**	0	0

Waste	Availability of Information	Unit	2022	2021	2020
Total waste generated	**Group level**	Tons	**11,327**	11,567	11,122
Total hazardous waste			**775**	743	849
Total non-hazardous waste			**10,552**	10,824	10,273
Total weight of waste diverted from disposal			**10,510**	10,347	10,062
Hazardous waste			**775**	742.63	849
Non-hazardous waste			**9,734**	9,604	9,213
Total weight of waste directed to disposal			**818**	1,220	1,060
Hazardous waste			**0**	0	0
Non-hazardous waste			**818**	1,220	1,060

Primary data is used to calculate waste generation where INNIO operates. Estimates are used where primary data is not available. Waste generated is based on data from invoices and/or vendor/third party reports. In the absence of actual data, estimations and assumptions are used based on this source for commercial offices and based on employee headcount.

Water	Availability of Information	Unit	2022	2021	2020
Total water withdrawal	**Group level**	mL	**1,049**	1,065	1,072
Sources of water withdrawal:					
Groundwater	**Group level**	mL	**906**	915	922
Third-party water			**144**	150	150
Total water discharge			**1,019**	1,030	765
Sources of water discharge:					
Groundwater	**Group level**	mL	**906**	915	660
Third-party water			**113**	115	105
Total water consumption			**30**	35	308

Primary data is used to calculate water withdrawal, discharge, and consumption where INNIO operates, and in some cases estimations where primary data is not available. Water withdrawals are based on data from utility bills from our largest sites. Estimates are used based on employee headcount.

Environmental Certifications for Operations	Availability of Information	Unit	2022	2021	2020
ISO 14001	**Group level**	Yes/No	**Yes**	Yes	Yes
ISO 50001			**Yes**	Yes	Yes
ISO 9001			**Yes**	Yes	Yes
ISO 45001			**Yes**	Yes	No

04

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GRI & UN SDGs Index

GRI Standard	Disclosure	Location	UN SDG
GRI 2: General Disclosures 2021	**2-1 Organizational details**	pp. 3, 10, 12	
	2-2 Entities included in the organization's sustainability reporting	100% operational cover; 99% coverage of INNIO's workforce	
	2-3 Reporting period, frequency and contact point	pp. 2, 17	
	2-4 Restatements of information	Due to better data availability and calculation model adaptions, recalculations of GHG emissions for following categories and years have been conducted (see pp. 176-177): → Scope 2/location- and market-based for 2020-2021: In previous reprting periods the diffentiation between the two Scope 2 approaches have not been applied accordingly therefore dedicated figures for both approaches have been added accordingly with this report. → Scope 3/Purchased Goods 2020-2022: The adjustment of the calculation model has resulted in more accurate figures. → Scope 3/Upstream Transport 2020-2022: The adjustment of the calculation model has resulted in more accurate figures. → Scope 3/Use of Products 2020-2022: Besides the GHG emissions figures for use of products of sold engines only for the respective reporting years, according to GHG Protocol figures for the full life cycle of sold engines have been added (see p. 111) There are recalculated Health & Safety rates [Rate of recordable work-related injuries, Lost-Time Injuries frequency rate (LTIFR), and Lost- Time Injury Rate (LTIR)] available for the years 2020-2022 because with this reporting cycle actual data of two new sites within INNIO Group, Energas and PowerUp, have been integrated with the effect of higher rate numbers in total but still with a decreasing trend (see p. 172)	
	2-4 Restatements of information	Due to continuous improvements in data quality, the illustration of waste-related data for the years 2020-2022 has been restrucured and streamlined compared to the report from the previous year with the effect of less granularity regarding detailed disposal methods. However, for the next reporting cycle, it is planned to provide more details on disposal methods (see p. 177)	
	2-5 External assurance	pp. 200-203	
	2-6 Activities, value chain and other business relationships	pp. 16, 24	
	2-12 Role of the highest governance body in overseeing the management of impacts	p. 28	
	2-13 Delegation of responsibility for managing impacts	pp. 28-32	
	2-14 Role of the highest governance body in sustainability reporting	pp. 28-30	
	2-16 Communication of critical concerns	a. pp. 130, 146, 153 b. zero instances of critical concerns	
	2-22 Statement on sustainable development strategy	pp. 17, 20-24	
	2-23 Policy commitments	pp. 26-35, 68-91, 122-124, 144-153 www.innio.com	16
	2-24 Embedding policy commitments	pp. 26-35, 68-91, 122-124, 144-153	
	2-25 Processes to remediate negative impacts	pp. 144-146	
	2-26 Mechanisms for seeking advice and raising concerns	pp. 28, 144-147	16

GRI Standard	Disclosure	Location	UN SDG
GRI 2: General Disclosures 2021	2-27 Compliance with laws and regulations	zero instances	16
	2-28 Membership associations	pp. 34-35	
	2-29 Approach to stakeholder engagement	pp. 38-43	
	2-30 Collective bargaining agreements	69%	8
GRI 3: Material Topics 2021	3-1 Process to determine material topics	pp. 43-44, 198-199	
	3-2 List of material topics	p. 44	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	p. 145 (Reporting on 205-1a. only)	
	205-3 Confirmed incidents of corruption and actions taken	p. 145, zero instances	
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	zero instances	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	p. 174	
	301-2 Recycled input materials used	p. 174	8, 9, 12
GRI 302: Energy 2016	302-1 Energy consumption within the organization	p. 174	7, 8, 12, 13
GRI 303: Water and Effluents 2018	303-3 Water withdrawal	p. 178 (sub-disclosures 303-3 c. and d. are not relevant to INNIO and have therefore been excluded)	6
	303-4 Water discharge	p. 178 (sub-disclosures 303-4 c. and d. are not relevant to INNIO and have therefore been excluded)	6
GRI 303: Water and Effluents 2018	303-5 Water consumption	p. 178 (sub-disclosures 303-5 b. is not relevant to INNIO and has therefore been excluded)	6
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	p. 176	3, 12, 13, 15
	305-2 Energy indirect (Scope 2) GHG emissions	p. 176	3, 12, 13, 15
	305-3 Other indirect (Scope 3) GHG emissions	p. 176	3, 12, 13, 15
	305-4 GHG emissions intensity	p. 176	13, 15
	305-5 Reduction of GHG emissions	p. 177	13, 15
GRI 306: Waste 2020	306-3 Waste generated	p. 177	3, 6, 12, 15
	306-4 Waste diverted from disposal	p. 177 (subdisclosures 306-4 b., c., and d. are not reported)	3, 6, 12, 15
	306-5 Waste directed to disposal	p. 177 (subdisclosures 306-5 b., c., and d. are not reported)	3, 6, 12, 15
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	p. 167	
	308-2 Negative environmental impacts in the supply chain and actions taken	p. 167	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	pp. 170-171	5, 8, 10

GRI Standard	Disclosure	Location	UN SDG
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	pp. 136-138	8
	403-2 Hazard identification, risk assessment, and incident investigation	pp. 136, 137, 139 & 140	
	403-4 Worker participation, consultation, and communication on occupational health and safety	p. 139	
	403-5 Worker training on occupational health and safety	pp. 138-139	8
	403-6 Promotion of worker health	p. 139	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	p. 138	
	403-9 Work-related injuries	p. 172	3, 8, 16
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	p. 173	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	zero incidents	5, 8
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	zero incidents	
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	zero incidents	

GRI Standard	Disclosure	Location	UN SDG
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	p. 168	
	414-2 Negative social impacts in the supply chain and actions taken	p. 168	
GRI 415: Public Policy 2016	415-1 Political contributions	p. 148	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	p. 108	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	zero incidents	
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	zero incidents	
	417-3 Incidents of non-compliance concerning marketing communications	zero incidents	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	zero incidents	

SASB Index

Topic	Code	Accounting metric	Category	Unit of Measure	Description, References
Energy Management	RT-EE-130a.1/ RT-IG-130a.1	(1) Total energy consumed	Quantitative	Gigajoules (GJ)	Pp. 116, 174
		(2) Percentage grid electricity	Quantitative	Percentage (%)	
		(3) Percentage renewable	Quantitative	Percentage (%)	
Hazardous Waste Management	RT-EE-150a.1	Amount of hazardous waste generated	Quantitative	Metric tons (t)	Pp. 119-120, 177
		Percentage recycled	Quantitative	Percentage (%)	
		Number of reportable spills	Quantitative	Number	
	RT-EE-150a.2	Aggregate quantity of reportable spills	Quantitative	Kilograms (kg)	
		Quantity recovered	Quantitative	Kilograms (kg)	
Product Safety	RT-EE- 250a.1	Number of recalls issued	Quantitative	Number	INNIO had zero recalls in 2022 and we had no monetary losses as a result of legal proceedings associated with product safety. Please also see p. 108 for product safety
		Total units recalled	Quantitative	Number	
	RT-EE- 250a.2	Total amount of monetary losses as a result of legal proceedings associated with product safety	Quantitative	Reporting currency	
Fuel Economy & Emissions in Use-phase	RT-IG-410a.1	Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	Quantitative	Gallons per 1,000 ton miles	INNIO discloses Scope 3 emissions from products and their life cycles as illustrated on p. 113. We do not measure sales-weighted fuel efficiency, but rather overall mechanical, electrical, and thermal product efficiencies. In addition, and specifically in relation to Code RT-IG-410a.4, we are not manufacturing any diesel equipment. Instead, we direct our investments toward research and development related to reciprocating engines that generate fewer direct emissions. Please also refer to 'Energy transition in action'.
	RT-IG-410a.2	Sales-weighted fuel efficiency for non-road equipment	Quantitative	Gallons per hour	
	RT-IG-410a.3	Sales-weighted fuel efficiency for stationary generators	Quantitative	Watts per gallon	
	RT-IG-410a.4	Sales-weighted emissions of: (1) nitrogen oxides (NOx) and (2) particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy-duty engines, and (d) other non-road diesel engines	Quantitative	Grams per kilowatt hour	
Materials Sourcing	RT-EE-440a.1/ RT-IG-440a.1	Description of the management of risks associated with the use of critical materials	Discussion and analysis	n/a	'Enterprise risk management' section
Remanufacturing Design and Services	RT-IG-440b.1	Revenue from remanufactured products and remanufacturing services	Quantitative	Reporting currency	INNIO's revenues from remanufacturing offerings have been systematically increasing since 2018

Topic	Code	Accounting metric	Category	Unit of Measure	Description, References
Business Ethics	RT-EE-510a.1	Description of policies and practices for prevention of: (1) corruption and bribery and (2) anti- competitive behavior	Discussion and analysis	n/a	“Ethical and Transparent Business” pp. 144-149
	RT-EE- 510a.2	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	Quantitative	Reporting currency (€)	Zero, “Ethical and Transparent Business” pp. 145, 184
	RT-EE-510a.3	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	Quantitative	Reporting currency (€)	Zero, “Ethical and Transparent Business” pp. 184
Employee Health & Safety	RT-IG-320a.1	(1) Total recordable incident rate (TRIR)	Quantitative	Rate	pp. 136-137, 172
	RT-IG-320a.2	(2) Fatality rate	Quantitative	Rate	Zero, pp. 136-137, 172
	RT-IG-320a.3	(3) Near miss frequency rate (NMFR)	Quantitative	Rate	p. 172
Accounting Metrics	RT-IG-000.A/ RT-EE- 000.A	Number of units produced by product category	Quantitative	Number	INNIO Group delivers more than 2GW of newly installed base annually.
	RT-IG-000.B/ RT-EE- 000.B	Number of employees	Quantitative	Number	p. 168

TCFD Index

Disclosure	Reference/ Report section
Governance	
Describe the board’s oversight of climate-related risks and opportunities	Please refer to the ‘Task Force on Climate-Related Financial Disclosures (TCFD)’ section – p. 156
Describe management’s role in assessing and managing climate-related risks and opportunities	
Strategy	
Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Please refer to the ‘Task Force on Climate-Related Financial Disclosures (TCFD)’ section – pp. 157-159
Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	
Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	INNIO is currently working on expanding our TCFD-related practices by including climate-related scenarios in our initial identification of climate risks and opportunities that will further help us assess the resilience of our climate strategy.
Risk Management	
Describe the organization’s processes for identifying and assessing climate-related risks.	Please refer to the ‘Task Force on Climate-Related Financial Disclosures (TCFD)’ and ‘Enterprise risk management’ sections
Describe the organization’s processes for managing climate-related risks.	
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.	

Disclosure	Reference/ Report section
Metrics and targets	
Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Please refer to the 'Sustainability Strategy & Goals', 'Resilient Manufacturing', 'Task Force on Climate-Related Financial Disclosures (TCFD)', & 'Key Performance Indicators' sections
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	
Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	

UN Global Compact Index

Global Compact Principle	Relevant Policies & Commitments	Sustainability Report reference
Principles 1 & 2		
Businesses should support and respect the protection of internationally proclaimed human rights.	Labor & Human rights policy, Supplier Code of Conduct	'Ethical and Transparent Business' section
Businesses should make sure that they are not complicit in human rights abuses.		
Principle 3		
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Labor & Human rights policy, Supplier Code of Conduct	'Sustainable Procurement in Action' and 'Ethical and Transparent Business' sections
Principles 4 & 5		
Businesses should uphold the elimination of all forms of forced and compulsory labor.	Labor & Human rights policy, Supplier Code of Conduct	'Sustainable Procurement in Action' and 'Ethical and Transparent Business' sections
Businesses should uphold the effective abolition of child labor.		
Businesses should uphold the elimination of all forms of forced and compulsory labor.		'Sustainable Procurement in Action' and 'Ethical and Transparent Business' sections
Businesses should uphold the effective abolition of child labor.		
Principle 6		
Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Labor & Human rights policy, Diversity, Equity & Inclusion policy	'Diversity and Inclusion' and 'Ethical and Transparent Business' sections

Global Compact Principle	Relevant Policies & Commitments	Sustainability Report reference
Principle 7		
Businesses should support a precautionary approach to environmental challenges.	Environmental Policy	'Governance', 'Resilient Manufacturing', and 'Resource management' sections
Principle 8		
Businesses should undertake initiatives to promote greater environmental responsibility.	Environmental Policy	'Leading the industry through collaborative action' 'Sustainability Strategy & Goals', 'Energy transition in action', "Sustainable Procurement in Action" & "Resource Management" sections
Principle 9		
Businesses should encourage the development and diffusion of environmentally friendly technologies.	Quality Policy, Environmental Policy	'Energy transition in action' section
Principle 10		
Businesses should work against corruption in all its forms, including extortion and bribery.	Code of Conduct, Supplier Code of Conduct	'Ethical and Transparent Business' section

05

Appendix

Close the circle

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Detailed materiality assessment process

Our materiality assessment can be described in a five-stage process, detailed below:

PHASE 1—Issue identification

We identified an initial, extensive list of 55 potential sustainability topics for analysis. It included issues and topics covered by the sustainability landscape and global frameworks such as the GRI, SASB, industry associations such as the Mechanical Engineering Industry Association (VDMA.com), the Paris Agreement, and the UN SDGs, as well as competitor practices.

PHASE 2—Issue prioritization

INNIO's C-level executives were asked to review each clustered material topic, provide their perspective, and assess each issue's impact on the business and importance to our stakeholders. Their perspectives then were discussed at the materiality workshop, where participants were asked to list the topics that they considered to be most substantial. Each topic was rated "high," "medium," or "low" according to its importance to the participants.

PHASE 3—Internal validation

The outcome of the materiality workshop was the identification of 12 significant areas listed in Table 6, page 44. INNIO's Sustainability team worked with specific functions and stakeholders on reviewing and refining the draft materiality matrix. The matrix was presented to both the senior management team and the SRB, with approval by the INNIO Board of Directors in August 2021.

PHASE 4—Disclosure, transparency, and insights

The outcomes of our materiality analysis help us review our management approach and assess where we can improve and create meaningful impact with respect to the environment and our business. Furthermore, it helped us shape our ESG disclosures and transparency on material topics.

PHASE 5—Reporting on outcomes

We communicate the outcomes of our materiality assessment, the list of material topics, their level of significance, as well as our approach and performance on each material topic to the business and stakeholders.

The objective of conducting a materiality assessment is to assess the changing sustainability landscape, to understand and prioritize the issues that matter to our business and stakeholders, and to help ensure we concentrate our strategy in the right areas. We use our materiality assessment to help us determine which issues to include, set targets for, and report on.

Detailed GHG Emission Inventory

In the previous reporting year, all potential material emission sources of the INNIO Group were analyzed and calculated together with external consultants in accordance with the World Resource Institute Greenhouse Gas Protocol (GHG Protocol), ISO 14064, and PAS 2060 corporate standards. Building on this, the focus in 2022 was on further expanding the data quality.

Based on the standards of the GHG Protocol, INNIO´s corporate carbon footprint is structured in three scopes as shown in Graphs 22, 23 and 24 (pages 112-113). Scope 1 emissions include all direct emissions from a company's activities or from activities under its control, including the combustion of fuels on site. Scope 2 emissions include indirect emissions from the purchase and use of electricity and heat by the company. Scope 3 emissions are defined as all other indirect emissions from activities of the company that originate from sources that the company neither owns nor controls, as well as emissions along the value chain.

The emissions shown on pages 112-113 are demonstrated in tons of CO_2-equivalents and cover more than 98% of the INNIO Group, using the financial control approach. For the calculation, we used actual data, including data provided by suppliers or other value chain partners. In some cases, model-based assumptions were made. To be more specific, in some of our office locations where data was not available, emissions from natural gas, electricity, and waste generation were estimated based on employee headcount at each location.

One of INNIO´s sustainability goals is a 50% reduction of Scope 1 and 2 GHG emissions (vs. 2020 base) by 2030. Therefore, INNIO Group has committed to the SBTi for developing an ambitious CO_2 reduction pathway in accordance with climate science. The reduction pathway also includes Scope 3 GHG emissions. Consequently, in the reporting year, previous Scope 3 calculations for 2020 have been added as illustrated on page 113.

ESG Assurance

INNIO Group Holding GmbH, Jenbach
Independent Assurance Report on the Non-financial Report as of 31.12.2022
22. May, 2023

To the Board of Directors and Supervisory Board INNIO Group Holding GmbH, Jenbach

This English language independent assurance report is a translation provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation nor for any errors or misunderstandings that may derive from the translation.

Independent Assurance Report on the Non-financial Reporting

We have performed an independent limited assurance engagement on the consolidated non-financial report ("NFI report") for the financial year 2022, which has been published as Sustainability Report 2022 of INNIO Group Holding GmbH, Jenbach (referred to as "INNIO" or "the Company").

Conclusion

Based on the procedures performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the NFI report of the Company is not in accordance with the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards) Option "with reference to" in all material respects.

Management's Responsibility

The Company's management is responsible for the proper preparation of the NFI report in accordance with the reporting criteria. The Company the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards) Option "with reference to" as reporting criteria.

The Company's management is responsible for the selection and application of appropriate methods for non-financial reporting (especially the selection of significant matters) as well as the use of appropriate assumptions and estimates for individual non-financial disclosures, given the circumstances. Furthermore, their responsibilities include the design, implementation and maintenance of systems, processes and internal controls that are relevant for the preparation of the sustainability report in a way that is free of material misstatements—whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to state whether, based on our procedures performed and the evidence we have obtained, anything has come to our attention that causes us to believe that the Company's NFI report is not in accordance with the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards) Option "with reference to" in all material respects.

Our engagement was conducted in conformity with the International Standard on Assurance Engagements (ISAE 3000) applicable to such engagements. These standards require us to comply with our professional requirements including independence requirements, and to plan and perform the engagement to enable us to express a conclusion with limited assurance, taking into actcount materiality.

An independent assurance engagement with the purpose of expressing a conclusion with limited assurance ("limited assurance engagement") is substantially less in scope than an independent assurance engagement with the purpose of expressing a conclusion with reasonable assurance ("reasonable assurance engagement"), thus providing reduced assurance. Despite diligent engagement planning and execution, it cannot be ruled out that material misstatements, illegal acts or irregularities within the non-financial report will remain undetected.

The procedures selected depend on the auditor's judgment and included the following procedures in particular:

- Inquiries of personnel at the group level, who are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting thresholds of the Company;
- A risk assessment, including a media analysis, on relevant information on the Company's sustainability performance in the reporting period;
- Evaluation of the design and implementation of the systems and processes for the collection, processing and monitoring of disclosures on environmental, social and employees matters, respect for human rights, anti-corruption as well as bribery and also includes the consolidation of data;
- Inquiries of personnel at the group level, who are responsible for providing, consolidating and implementing internal control procedures relating to the disclosure of concepts, risks, due diligence processes, results and performance indicators;
- Inspection of selected internal and external documents, in order to determine whether qualitative and quantitative information is supported by sufficient evidence and presented in an accurate and balanced manner;
- Assessment of the processes for local data collection, validation and reporting, as well as the reliability of the reported data through a (remotely conducted) survey performed on a sample basis at a site;
- Analytical evaluation of the data and trend of quantitative disclosures regarding the GRI Standards listed in the GRI-Index, submitted by all locations for consolidation at the group level;
- Evaluation of the consistency of the GRI Standards, Option "in accordance with" to disclosures and indicators of the NFI report, which apply to the Company;
- Evaluation of the overall presentation of the disclosures by critically reading the NFI report.

The procedures that we performed do not constitute an audit or a review. Our engagement did not focus on revealing and clarifying of illegal acts (such as fraud), nor did it focus on assessing the efficiency of management. Furthermore, it is not part of our engagement to audit future-related disclosures, prior year figures, statements from external sources of information, expert opinions or references to more extensive external reporting formats of the Company.

Restriction on use
Because our report will be prepared solely on behalf of and for the benefit of the principal, its contents may not be relied upon by any third party, and consequently, we shall not be liable for any third party claims. We agree to the publication of our assurance certificate and NFI report. However, publication may only be performed in its entirety and as a version has been certified by us.

General Conditions of Contract
Our responsibility and liability towards the Company and any third party is subject to paragraph 7 of the General Conditions of Contract for the Public Accounting Professions.

Linz, 22. May, 2023

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft qualified electronically signed: Karl Braun Wirtschaftsprüfer (Austrian Chartered Accountant)

For the INNIO Group Holding GmbH

Dr Olaf Berlien
President &
Chief Executive Officer

Dr Dennis Schulze
Chief Financial Officer

Dr Klaus-Peter Weber
Executive General Counsel &
Chief Compliance Officer

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