Sustainability Report 2021

TOGETHER
TOWARDS
ZERO
“Any river is really the summation of the whole valley. To think of it as nothing but water is to ignore the greater part.”

— Hal Borland, This Hill, This Valley

A RIVER, FLOW OF POSITIVE CHANGE
The powerful meaning of flow connects perspectives, interdependencies and joint forces of stakeholders, partnering on this journey to protect nature and build a sustainable future. At INNIO, we are determined to share our expertise for innovative, reliable, and environment-friendly energy solutions with a clear vision: to generate energy that will flow towards a sustainable, carbon-neutral future of infinite possibilities.

LEADERSHIP
In this pursuit, we have made solid strides with employees, customers, suppliers, investors, and the society to ride the rapids and strive for the best. We mobilize all positive energy for sustainable management and shared prosperity.

JOIN US ON OUR JOURNEY TOWARDS ZERO EMISSIONS AND PROTECTION OF CLIMATE AND NATURAL RESOURCES.

TOGETHER TOWARDS ZERO
As a part of our sustainability actions, we want to inspire people and other businesses to help build a world of inclusion, common good, and infinite possibilities. To achieve this, we see the need to have valuable discussions with all people, include more voices, and elevate them.

FOR THIS REASON, we have brought in the voices of our employees—asking them to answer three questions:
- What does sustainability mean to you?
- How does INNIO fulfill your sustainability-related standpoint?
- In your opinion, what are the three sustainability-related strengths of INNIO?

Throughout this report you will get to know selected employees and their perspectives, which contribute to our journey and steps ahead of us.
At INNIO, this is how we view sustainability — as an integral part of doing business.

“What makes a river so restful to people is that it doesn’t have any doubt—it is sure to get where it is going, and it doesn’t want to go anywhere else.”

——— Hal Boyle

We, at INNIO, are committed more than ever to our goal of building a sustainable world where all beings thrive.

“Know that the water has wisdom, in its motion through the world, as much wisdom as any of us have. Picture yourself as the water. We are liquid; we innately share water’s wisdom.”

——— Eric Alan, “Meditation Draws Its Power From the Water,” The Oregonian Meditation

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SCOPE, MATERIAL TOPICS, AND BOUNDARIES

INNIO’s 2021 Sustainability Report is a non-financial disclosure published annually. The first and most recent Sustainability Report 2020 was published in September 2021. This 2021 disclosure was prepared in accordance with the standards of the Global Reporting Initiative (GRI) core option and the Sustainability Accounting Standards Board (SASB). It also includes an initial analysis in line with the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations Framework. The report also serves as our Communication on Progress (COP) for the UN Global Compact (UNGC). Through our non-financial reporting, we describe our management and performance of environmental, social, and governance (ESG) issues. Our disclosures focus on the topics that have been deemed most material to our business and stakeholder groups during INNIO’s materiality assessment performed in mid-2021. INNIO’s alignment with the United Nations Sustainable Development Goals (UN SDGs) is based on the GRI and the UNGC’s Business Reporting on the UN SDGs.

This report mainly covers data from 2021. Wherever possible, it also presents a series of data over three years (2019, 2020, and 2021) to make the information transparent, relevant, and comparable. 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 2021. For the assurance report, please see page 130. The data presented in the report is consolidated at Group level and covers 100% of business operations and 90% of global locations. This boundary applies to all material topics, unless clearly indicated otherwise for a particular material topic in the text of this Sustainability Report.

All of the health, safety, and environmental data, including greenhouse gas (GHG) data for Scope 1, Scope 2, and Scope 3, cover the INNIO Group using the financial control approach.
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A MESSAGE FROM OUR PRESIDENT AND CEO

Dear Stakeholders,

My journey as President and CEO of INNIO started only a few months ago, but at INNIO our approach to becoming a more sustainable business began much earlier. We have always been ahead of our time in energy innovation, challenging ourselves to push the boundaries of innovation and make a difference to our business, our customers, and the planet.

ENERGY TRANSITION IN ACTION

As a leading energy provider, we are guided by a clear purpose—ENERGY SOLUTIONS, EVERYWHERE, EVERY TIME. Over the years we’ve made a significant contribution to the development of new, green technology. Thirty years ago we began to decarbonize the engine sector with engines running on 100% biogas, and a decade later we installed our first engine running on 100% hydrogen. Today, our product portfolio of engines is capable of operating on carbon-neutral fuels up to hydrogen-rich fuels. With our solutions such as our ‘Ready for H’ technology and ‘myPlant’ AI digital solutions, we are helping our customers make real progress to reduce their carbon intensity. Together, we’re building our customers’ resilience across many industries so they can move confidently towards a low carbon future.

The energy challenges of the future are complex, but we know natural gas will continue to be part of the energy mix for decades to come. With the energy transition happening all around us, even regions and industries that are difficult to decarbonize are urgently reducing emissions and adapting to shifting regulatory requirements. We work together with our customers to ensure they have access to essential power generation to meet new demand, implemented a decarbonization program in our supply chain, and conducted a carbon footprint assessment for value chain emissions.

Since joining INNIO, I’ve seen incredible resilience and drive across the organization to become a more sustainable business. We have accelerated our ambition to decarbonize our own products and operations, as well as those of our customers. In 2021, we pledged all Jenbacher engines are ready for up to 20% vol. hydrogen and for future conversion to 100% hydrogen on site. In addition, we pledged that our engines would be manufactured with more than 90% recycled, remanufacturable, or reclaimed material inputs by 2025. We also have committed to lowering our emissions by 50% at our production and office sites by 2030. This year, I’m pleased to say we’ve pushed our boundaries even further, with the use of green hydrogen to power the operations at our Jenbach location in Austria. It is an extraordinary milestone for INNIO. We are on our way to revolutionizing how we operate and test our engines, while using our knowledge in the development of this green technology to reduce the carbon footprint of our customers around the world.

BUILDING ON OUR COMMITMENTS FOR THE FUTURE

ENERGY SOLUTIONS, EVERYWHERE,
EVERY TIME.

SUSTAINABILITY AND ESG

Our employees are an important part of this journey. This year, we built INNIO’s Diversity, Equity, & Inclusion (DEI) network across the organization to focus on our people by promoting inclusion and employee well-being with new employee resource groups, volunteering, partnerships, and policies. The energy challenges of the future are complex, but we know natural gas will continue to be part of the energy mix for decades to come. With the energy transition happening all around us, even regions and industries that are difficult to decarbonize are urgently reducing emissions and adapting to shifting regulatory requirements. We work together with our customers to ensure they have access to essential power generation to meet new demand, implemented a decarbonization program in our supply chain, and conducted a carbon footprint assessment for value chain emissions.

Last year we became signatories of the Science Based Targets initiative and the United Nations ‘Race to Zero’ campaign, and INNIO Jenbacher was recognized by EcoVadis with a Gold Medal rating for our contributions towards sustainable growth in 2021, placing us among the top 1% of our industry peers. Thanks to our efforts in 2021, Sustainalytics has ranked INNIO number one out of more than 500 and the lowest risk within the ‘machinery’ industry group.*

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TOGETHER TOWARDS ZERO

INNIO’s sustainability journey and our pioneering role in the energy transition have genuinely inspired me. Now more than ever, we are focused on collaboration and working together towards net zero. Not only are we strengthening our European and international partnerships with industry organizations and experts, but we are working across the sector to improve, innovate and make a difference. I’m proud that INNIO is at the leading edge of the energy transition, where we are continually pushing and exploring the boundaries of what’s possible.

DR OLAF BERLIEN | President and CEO, INNIO

* Rating took place in February 2022
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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, INNIO offers 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. We are 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 3,500 experts provides life-cycle support to the more than 54,000 delivered engines globally through a service network in more than 80 countries.

INNIO has received recognition by ESG rating agencies for our sustainability efforts. The rating of 11-“Low risk level” from Sustainalytics* ranks the INNIO Group number one in the Machinery industry, and INNIO Jenbacher received the Gold Medal from EcoVadis.

PURPOSE, VISION & MISSION

Our corporate purpose is simple: ENERGY SOLUTIONS. EVERYWHERE, EVERY TIME. Since our products play such a significant role in providing energy solutions to the world, our sustainability vision is to lead transformation by providing truly sustainable and reliable solutions for the growing energy demand of a carbon-free world.

Our sustainability model is based on strong leadership ownership, collaboration, innovation, and impact. We continuously aim to improve both our own and our customers’ performance and the performance of our supply chain by integrating sustainability in the overall procurement process and circular economy. INNIO’s employees are personally engaged in our day-to-day corporate sustainability efforts, helping create a truly vibrant, diverse, and sustainable company in which they thrive. Furthermore, we work in a harmonized approach with our stakeholders to leverage our company efforts and develop joint solutions to our common challenges.

* Rating took place in February 2022
VALUE CHAIN

With our intensive collaboration and innovation support across all stages of the value chain, INNIO’s business model goes beyond being a traditional engines manufacturer. At a company level, INNIO is committed to maximizing the reuse of limited resources in our operations, products, and supply chains, and we incentivize others to do

Sourcing
The principal raw materials for producing INNIO’s engines are metals (Figure 2). We collaborate with top-tier raw material suppliers—and all the way up to their upstream supply chain—to produce and deliver top-quality materials and help ensure transparent ethical and operational standards. We make sure that any recycled input material used in our technology is top quality, with no compromises in performance compared with products made from virgin materials.

Manufacturing
Our Jenbacher and Waukesha energy solutions are engineered, manufactured, and tested for quality at our sites in Jenbach, Austria, and Welland, Canada. Our advanced manufacturing sites follow a sustainable production model, using either renewable energy from the grid or our advanced digital energy management system, which drives a high energy recovery rate in the form of electricity and heat generated from our test benches and engineering labs. Produced thermal and electrical energy is fully utilized for our production processes, and potential surpluses are directed to either a communal heating network or the grid. Our smaller sites and offices use an electricity mix from the grid, and some use natural gas in their engineering labs.

Distribution and services
INNIO Group as an original equipment manufacturer (OEM) distributes our energy solution systems through a wide network of international authorized distributors or contracts directly with end users in more than 100 countries on six continents.

End-of-life and product longevity
At INNIO, we implement reuse methodology at an early stage of the design phase of our single components, their groups, and complete units. We systematically are expanding the portfolio of parts and components that can be reconditioned to meet our “like-new” and 100% quality requirements and thus can be used in multiple life-cycles. We also closely collaborate with our network of authorized distributors and end users to promote responsible, sustainable resource use. Our key platform in this respect is INNIO’s remanufacturing program (reUp). Through our five-step remanufacturing process (Disassembly & Cleaning, Inspection, Machine & Assembly, Testing & Painting, and Packing & Testing), INNIO reduces waste, lowers greenhouse gas production, and decreases the need for raw materials.

In addition to the remanufacturing process, our engines also are continually upgraded to the latest technological standards. Among other things, this includes improvements in efficiency, which ultimately leads to lower gas consumption.


SUSTAINABILITY STRATEGY & GOALS

Sustainability, with its primary pillars of environmental, social, and governance (ESG), plays a central role at INNIO. We recognize that the growth of global economies and the industrialization that has accompanied this growth are directly impacting the future of our planet. We agree with 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 degree Celsius. We took steps to study risks and opportunities resulting from the climate challenges and formalized our sustainability ambitions, establishing short-, mid-, and long-term ESG goals. These will set the direction for INNIO to realize opportunities and mitigate risks during the transition to a sustainable future.

In 2021 we advanced our ESG planning process and grouped our sustainability priorities and goals into three strategic focus areas that capture our most material impacts and opportunities: “Low Carbon and Circular Products,” “Resilient Supply Chain and Manufacturing,” and “Responsible Operations and Social Responsibility.” All three pillars are underpinned by good governance and sound, transparent ethical and compliance standards such as our Code of Conduct, Human Rights, Anti-Corruption, and Trade Compliance guidelines, to name just a few. We also took a closer look at the time span we believe is necessary to achieve these goals. Action for a greener future is taking place now, and we identified specific areas where we can contribute as early as 2022, with others taking place over the next one to seven years. The goal selection and definition process were closely aligned with the material topics that we identified in 2021, recognizing the critical role INNIO plays as an enabler of the energy transition and contributor to a low carbon and sustainable future. Together with our stakeholders, INNIO as an engineering and technology manufacturing company develops and provides products that enable our customers to secure reliable, affordable, and decentralized energy while supporting decarbonization of technologies and the environment. In parallel, we are proud of our standards in maintaining lean, efficient, circular, and responsible supply chains and production activities. All of the above is a joint success of our employees and their commitment to innovation, customer orientation, and the passion to build a sustainable future.

It is our overarching goal to contribute to a greener tomorrow, aligned with the Climate Scenario of 1.5°C, by improving our own activities across defined sustainability pillars and areas where we can make a positive impact on the environment and climate, our employees and societies, and help ensure transparency in operations and governance.

Creating INNIO’s Sustainability Review Board (SRB) was a first step in bringing leaders from across the company on a joint agenda of creating INNIO’s sustainability strategy.

“We can’t change the past, but each and every one of us can shape the future.”

“Zita Baumann
Product Development Engineer,
INNIO Jenbacher

“We can’t change the past, but each and every one of us can shape the future.”

“Our generation aims to act, behave and develop in a way that grants future generations around the globe the same or even better quality on earth—for peace, human rights, safety, independence, and wealth. To me, that is what sustainability stands for. It is my personal motivation for each day, and I am glad it goes along with the key values of my company, INNIO Jenbacher. The team can work in a safe and fair environment, combining the experience and knowledge of all generations, bringing highly efficient and reliable engine technology hand in hand with the development of new paths for the future. We can’t change the past, but each and every one of us can shape the future. With diversity, the reUp program, and a broad product portfolio for alternative fuels, INNIO is acting now—for all of us and the next generations.”

Zita Baumann
Product Development Engineer,
INNIO Jenbacher
INNIO’s three pillars of sustainable goals, as presented in Figure 3, also are linked with nine out of 17 United Nations Sustainable Development Goals (UN SDGs). The goals, together with the respective UN SDGs, are integrated into our organizational culture and daily operations, as well as our collaborations with external stakeholders.

Specific strategies and corresponding initiatives to achieve INNIO’s ESG goals are discussed in the third part of this report. It also is our aim to actively monitor a subset of specific internal and process-related indicators to continue to adjust actions towards our ESG goals and ambitions.

**SUSTAINABILITY STRATEGY & GOALS**

**LOW CARBON AND CIRCULAR PRODUCTS**

*2022*

- New sold engines available with “Ready for H₂” option can run up to 20% vol. hydrogen¹
- All Type 4 series engines available for 100% H₂ operations
- Next flagship customer project(s) will be commissioned with 100% hydrogen operation
- Sustainable stewardship & technology advocacy—regular workshops with distributors to promote ESG engagement

*2025* +

- All Jenbacher products will be available with a 90% reduction in methane emissions compared to today’s regulatory limits (44 BlmschV)
- All new products and/or components are made with materials that are in total (>90% weight) reusable, re-manufacturable, reclaimed, or recycled

**RESILIENT SUPPLY CHAIN AND MANUFACTURING**

*2023*

- Suppliers covering 80% of spend to perform a reputable ESG rating—by 2023 direct suppliers, by 2025 indirect suppliers

*2030*

- 50% reduction in Scope 1 and Scope 2 GHG emissions (vs. 2020 base), fully implemented
- Suppliers covering 80% of direct and indirect spend to commit to net zero by 2050

**RESPONSIBLE OPERATIONS & SOCIAL RESPONSIBILITY**

*2022 & 2025*

- Zero serious injuries for all employees and contractors
- Continuous engagement and social support to communities

*2025* +

- 25% increase of identified diversity groups across functions compared to 2020 baseline
- Maintain high employee engagement of >85%
- Further develop people leadership diversity

**ALL OF INNIO’S GOALS ARE UNDERPINNED BY GOOD GOVERNANCE, BUSINESS ETHICS, AND TRANSPARENCY**

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¹ Defined in accounting protocol as either sold with the capacity to run on 100% hydrogen or that can be upgraded at a reasonable cost

² Based on publicly available studies e.g. The Sustainability Institute, erm.com
LEADING THE INDUSTRY THROUGH COLLABORATIVE ACTION

It is our fundamental mission to play a significant role in creating a resilient, inclusive, near-zero carbon future. For this reason, we commit to robust international coalitions, work with different organizations, and participate in programs that promote sustainability and low carbon technology. In 2021, we upheld this ambition by joining the UN Race to Zero and UN Business Ambition for 1.5°C campaigns.

This means that through collaborative action and integrating pioneering approaches to our business activity, we intend to become a net-zero carbon company across our value chain. INNIO also is part of other initiatives, and we collaborate closely with different organizations, promoting sustainability and innovative technology, among others. INNIO has received recognition by ESG rating agencies for our sustainability efforts. The rating of “Low risk level” from Sustainalytics* ranks the INNIO Group number one in the Machinery industry, and INNIO Jenbacher received the Gold Medal from EcoVadis.

INITIATIVES & COLLABORATIONS

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

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” 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.

INNIO is committed to set science-based emissions reduction targets in line with the Paris Agreement 1.5°C emissions scenario as part of our relentless commitment to reduce carbon emissions.

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

INNIO Jenbacher is in the top 1% of industry peers.

The INNIO Group is number one of the more than 500 companies in the Machinery industry.*

* Rating took place in February 2022
STAKEHOLDER ENGAGEMENT & MATERIALITY ASSESSMENT

Stakeholder engagement

Transparency, exchange of perspectives, and collaboration on meaningful issues are prerequisites for cultivating lasting relationships and building trust. Therefore, we consider stakeholder engagement an integral part of our organization’s sustainable strategy setting and growth, helping to define a clear purpose to achieve agreed outcomes. INNIO regularly engages with a wide range of stakeholders and business partners to integrate different perspectives, understand global trends, gain insights to mutual expectations, mitigate risks, and explore opportunities. Engaging with INNIO’s stakeholders enables us to learn from our partners’ diverse perspectives and strengthen relationships, leading to informed business decisions and tangible positive impact for the environment. INNIO considers 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 company’s strategy and goals achievement.

As illustrated in Figure 4, our stakeholders include suppliers, existing and potential customers, partners, investors and lenders, current and potential employees, regulators, other organizations, local communities and the society, and sustainability experts and advisors.

“Together we can create a future worth living!”

“I take life and the topics that affect life seriously, I take responsibility. That’s why I’ve been working for many years to ensure that sustainability reaches the heart of our society. You think you are too small to make a difference? Then try to sleep at night when there is a mosquito in the room or try to eat something in the garden in summer when there is a wasp around...

As small as they are, they are a piece of the big picture, and they make their contribution. No one is too small! And without an intact ecosystem, there can be neither an intact economy nor prosperity.

INNIO also is a piece of this big picture and makes its contribution. Sustainability is anchored in all INNIO strategies and is therefore a fixed component of INNIO’s entrepreneurial activities. With our INNIOvations and projects, we do make a difference. INNIO always finds ways to let others participate and thus bring prosperity to the world.

Together we can create a future worth living!”

Antje Suitner  Lead Infrastructure Specialist, INNIO Jenbacher
Our engagement with stakeholders typically is conducted either online via video conferencing or personally through subject matter webinars, workshops and training sessions, interviews and 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 towards ongoing stakeholder dialogue. An informative outline on the frequency and type of discussions with stakeholders as well as how the Executive Board receives information from our key stakeholders and how the Board engages with them are set out in Table 1.
STAKEHOLDER ENGAGEMENT & MATERIALITY ASSESSMENT

ADDRESSING KEY TOPICS AND STAKEHOLDER INTERESTS IN 2021

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<th>Key topics raised in 2021</th>
<th>Responses from INNIO</th>
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<td>CLIMATE CHANGE AND CO₂ SCIENCE-BASED TARGETS</td>
<td>The INNIO Group set a list of sustainability goals and disclosed ESG information and data according to international reporting standards such as the GRI (Global Reporting Initiative) and SASB (Sustainability Accounting Standards Board) in its last Sustainability report. In 2021, INNIO, together with external consultants, held a Climate Risk &amp; Opportunity workshop to identify an initial set of climate risks and opportunities according to the TCFD (Task Force on Climate-related Financial Disclosures) framework. Furthermore, we expanded our Scope 3 carbon emissions and committed to the Science Based Targets Initiative in September 2021.</td>
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<td>SUSTAINABLE SUPPLY CHAIN &amp; CONFLICT MINERALS</td>
<td>The conversation around responsible businesses cannot exclude sustainable procurement for accountability, transparency, and socio-environmental reasons. For industries like ours, this includes paying close attention to the procurement of its 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 surveyed our suppliers to determine the origin of 3TG in our supply chains starting from calendar year 2020. In addition to the survey, INNIO required 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 Miners Initiative (RMI).</td>
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<td>COMPANY’S PRIMARY ENERGY USE THAT COMES FROM RENEWABLE ENERGY SOURCES</td>
<td>Reflecting stakeholders’ expectations for INNIO to be an example in innovation for a green future, in 2020 INNIO set goals to reduce emissions by 50% from our own operations until 2030 at the latest. At our headquarters in Jenbach, Austria, we are upgrading our Energy Center with a photovoltaic (PV) plant and an intelligent energy storage system, optimized with our microgrid control. In the microgrid, all test benches are integrated and controlled with our future-oriented multifunctional energy management for self-supply of electricity and heat as well as connection for electricity feed-in to the public grid. The new PV system spans almost 2,000 square meters. The plan for such issues as natural disasters and cyber-attacks and ensured the availability of materials and parts. Due to responsive management, the pandemic’s impact on INNIO has been very limited. Corporate health care providers provided evidence-based information to all our employees on the spread of COVID-19 and on preventive measures. Our dedicated medical doctors at our sites regularly tested our employees and helped infected people find the best possibilities for treatment. We also organized on-site vaccination campaigns, providing the option to employees, their family members, and relatives to get the vaccine. Furthermore, at INNIO we recognize that the COVID-19 virus is not only harmful to the immune system and body, but also to mental health. Some examples are isolation due to working from home, uncertainty that leads to anxiety, and other mental health problems. For this reason, through our Health We Care (HWC) program, we continued to offer support and virtual sessions on physical training and healthy nutrition, among others.</td>
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| COVID-19 RESPONSE | Since its first appearance, the spread of COVID-19 required a great deal of effort from all of us to help our society and the economy best cope with its impact. INNIO has emergency preparedness plans for such issues as natural disasters and cyber-attacks and was thus well prepared for the COVID-19 pandemic. INNIO’s COVID-19 emergency plans were very effective. We moved quickly and implemented a full scope of countermeasures. This allowed us to continue operations without any closures at our main production facilities in Jenbach and Weinfelden. We also reacted proactively to the challenges of global supply chain slowdowns and ensured the availability of materials and parts. Due to responsive management, the pandemic’s impact on INNIO has been very limited. Corporate health care providers provided evidence-based information to all our employees on the spread of the infection and on preventive measures. Our dedicated medical doctors at our sites regularly tested our employees and helped infected people find the best possibilities for treatment. We also organized on-site vaccination campaigns, providing the option to employees, their family members, and relatives to get the vaccine. Furthermore, at INNIO we recognize that the COVID-19 virus is not only harmful to the immune system and body, but also to mental health. Some examples are isolation due to working from home, uncertainty that leads to anxiety, and other mental health problems. For this reason, through our Health We Care (HWC) program, we continued to offer support and virtual sessions on physical training and healthy nutrition, among others. |

Our materiality assessment

Our most recent materiality assessment was conducted with the participation of INNIO’s C-suite, Executive, and Senior Management teams, including customer- and supplier-facing functions, engineering and product development, procurement, the Sustainability Review Board (SRB), external ESG experts, and industry-independent executives. It was held in the form of a workshop in April 2021 to cover the reporting period of 2020-2021 and 2021-2022. INNIO plans to perform 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 check on our focus areas in our strategy, initiatives, and ESG reporting.

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 towards 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

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<th>VALUE CHAIN</th>
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<td>Technology and innovation</td>
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<td>Collaborating with customers for the long term</td>
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Table 2

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<td>¹ ”Upstream” boundaries are raw materials, equipment, and related services purchased by the INNIO Group</td>
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<tr>
<td>² ”Downstream” boundaries are the use of INNIO’s products by customers or end users</td>
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GOVERNANCE

Governance is the way in which we make sure that INNIO is true to our purpose, culture, and strategy. For this reason, we have committed to continuously improve the way we do business. Sustainability governance, including climate change mitigation and adaptation, are integrated into the INNIO Group’s enterprise governance structure. ESG aspects are regularly accounted for in business considerations and decisions and are part of INNIO’s day-to-day operational and management processes.

Sustainability Review Board

In fulfilling our responsibility as a sound corporate citizen, INNIO established the Sustainability Review Board (SRB), the highest level ESG decision-making center after the INNIO Executive Board. The VP of Sustainability chairs the SRB and reports directly to the Executive Board, which reviews, discusses, and approves INNIO’s ESG goals and strategy and corresponding non-financial disclosures. Functional and department leaders collaborate on ESG topics as part of the SRB. As illustrated in Figure 5, members of the SRB work to evaluate the Group’s core operational capacity, establish mid- to long-term ESG goals aligning with international standards, gain insight into international trends, and build a top-down operational model across the company.

As of today, INNIO’s SRB comprises 16 members, two of whom are female, hailing from eight nationalities. The SRB meets monthly 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 United Nations (UN) COP agenda, GRI, SASB, the UN SDGs, TCFD, Non-Financial Reporting Directive (NFRD), Corporate Sustainability Reporting Directive (CSRD), and others
- Collaborating in sustainability networks to exchange best practices and experiences and increase awareness across businesses and society
- Establishing goals such as those surrounding the environmental impact of INNIO’s own activities and those from the life-cycles of our products, development of climate-neutral products, building a diverse and inclusive workforce, a responsible procurement and circular economy, constant engagement with societies, and other initiatives where INNIO can provide material support and maintain transparent governance and business conduct
- Reviewing initiatives and progress towards identified goals, including review of KPIs, challenges to resolve, risk, and opportunities resulting from changing environment
- Assigning initiatives and work groups for specific projects that enable fulfillment of ESG goals and/or improvement of operational sustainability standards
- Developing awareness campaigns and stakeholder engagement activities among the INNIO workforce or with customers and/or suppliers
- Collaborating on ESG disclosures and progress reports

EXECUTIVE BOARD

INNIO’s GOVERNANCE STRUCTURE

Its role is to lead INNIO to the creation of strong, sustainable financial performance and long-term shareholder value, to review and approve the Group’s strategic plan, and to supervise 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 Services, Head of Transformation

Audit Committee
- 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
- Oversight of INNIO’s key officers in areas of corporate governance
- Evaluation of performance & the characteristics of the Board
- Recommendations of the compensation and reward policy of the executive officers

Information Security Committee
- Oversight of INNIO’s information security affairs
- Coordination and oversight of INNIO’s information security strategy

Diversity, Equity & Inclusion (DEI) Committee
- Creation & modification of DEI Policy
- Oversight, revision, and approval of the diversity, equity and inclusion objectives & activities across the organization
- Communication initiatives to stakeholders
- Evaluation of the effectiveness of ongoing efforts

Risk Committee
- Review and approval of INNIO’s risk appetite
- Evaluation of risk exposure and tolerance
- Identification, monitoring & management of financial & non-financial risks, including ESG risk
- Review and evaluation of the Group’s practices with respect to risk assessment and risk management

Ethics & Compliance Committee
- Oversight of ethical and compliant business conduct
- Governance of Compliance Management Systems (CMS)

SUSTAINABILITY REVIEW BOARD (SRB)

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

Alignment on a monthly basis with the Executive Board

Circularity Task Force
Responsible for identifying circular white spaces and building INNIO’s circular growth strategies

Group functions responsible for sustainability focus areas

Human Resources
Employees attraction, retention, development, training; diversity & inclusion

Legal & Compliance
Compliance with business ethics and anti-corruption policies

Finance & ESG
Coordination of overall ESG activities & strategic direction of the Group

Operations
Environment, Health & Safety-related topics; carbon and energy efficiency of operations; water & waste management; innovation; relationships with local communities

Engineering, R&D, Sales & Product Management
Certiﬁcation of the product portfolio; innovation

Procurement
Sustainable sourcing, supplier compliance with environmental & social-related requirements; human rights due diligence

Figure 5
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. The leaders of business functions overview 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 these risks are properly managed. Additional responsibilities of the Risk Committee as well as from other committees are illustrated in Figure 5.

The Group’s Risk Committee, chaired by Group VP Accounting and consisting of the management of key functions of the Group, meets at least twice a year. Members of the Risk Committee are executive leaders from different functions of the Group, and the Committee reports directly to the Executive Board. The Committee’s 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 the 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.

Executive Compensation
INNIO’s Nomination & Remuneration (N&R) Committee, which consists of five core members, is responsible for determining the Executive Board’s remuneration, including the structure of the remuneration system and the actual target achievement. The Executive Board remuneration consists of fixed and variable remuneration elements, such as long-term incentive plans and bonuses. INNIO acknowledges the importance of ESG topics and is assessing their inclusion regarding individual performance and goals in the near future.

Taking into consideration various stakeholders’ feedback during the past year, the N&R Committee analyses to put a stronger emphasis on ESG and, more specifically, climate-related topics. Some of the ESG criteria under discussion for the remuneration policy include concrete sustainability projects such as absolute and intensity carbon reduction measures, diversity, and health & safety targets.

INTEGRATED MANAGEMENT SYSTEM
INNIO’s dedicated EHS team, which is under the direct leadership of the VPs of Operations, is responsible for monitoring and managing environmental and health & safety aspects, including energy use, carbon emissions, water use and discharge, the use of raw materials, waste management, biodiversity, and ecosystem protection, as well as EHS trainings and health & safety considerations. Environment-related risks also are part of INNIO’s company-wide risk management system, while clearly defined risk policies and responsibilities across the company ensure the control and mitigation of these risks.

INNIO tracks environmental performance in all relevant areas using a suite of indicators that are regularly validated, analyzed, and reported.

INNIO’s Integrated Management System (IMS) is based on best practices and meets the ISO 14001, ISO 50001, ISO 9001, and ISO 45001 standards for a comprehensive and consistent approach in handling environmental aspects. Through the IMS, the EHS team helps ensure compliance with applicable environmental and health & safety laws and regulations, identification of legal and other requirements, and alignment with internationally accepted best practices. INNIO’s target is to always achieve 100% environmental compliance for all our operational sites. For this reason, INNIO also conducts internal audits at the local level—at least once a year—that help determine possible gaps with respect to the system and internal and external standards. All INNIO operational sites have been certified to ISO 14001, ISO 50001, ISO 9001, and ISO 45001 standards, representing 100% of factory employees. In addition, the Jenbacher GmbH holds certification according to OHSAS 18001.
WHY DO WE NEED AN ENERGY TRANSITION?

Emissions are at all-time high

The Intergovernmental Panel on Climate Change (IPCC) recommends limiting global warming to 1.5°C. To do that, global CO₂ emissions should decline by 45% by 2030 in comparison to 2010 and reach net zero by 2050. Despite many pledges and efforts by governments to tackle climate change, CO₂ emissions from the energy industry remained near their all-time peak in 2021, rising 60% since the UN Framework Convention on Climate Change first was signed in 1992.

Phasing out coal is crucial for the energy transition

Taking into account all electricity and heat generated via fuel combustion, coal plants produced more than 70% of the associated CO₂ emissions. Coal-to-gas switching reduces emissions by 50% when producing electricity and by 33% when providing heat. Thus, replacing coal-fueled power generation with cleaner natural gas technology that is ready for hydrogen and low carbon fuels could deliver immediate large-scale emission reductions. INNIO is leading development of such low-emission technologies, enabling decarbonization for our customers worldwide.

**Source**

1. www.iea.org/reports/global-energy-review-2021/co2-emissions

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**Graph 1: CO₂ MITIGATION CURVES: 1.5°C**

- Constant emissions for nine years will use up the remaining carbon budget
- Sharing mitigation in 2019 will require monumental mitigation rates
- Sharing mitigation in 2050 would have required a mitigation rate of about 4%/yr

**Graph 2: CARBON EMISSIONS W/O CARBON CAPTURE**

- g/kWh COAL
- g/kWh GAS TURBINE
- g/kWh GAS ENGINE & CHP

- Avoided CO₂ by replacing a gas boiler
- GER Grid Electricity
- Fuel decarbonization

**Source**

1. @robbie_andrew, Data: GCP, Emissions budget from IPCC SR1.5
2. "CO₂ emissions from electricity and heat generation by energy source, World" www.iea.org/reports/global-energy-review-2021/co2-emissions
The needs of the energy transition

Closing the ambition gap
In 2021, many developed countries announced new 2030 emission reduction targets broadly aligned with net zero by 2050. Although some progress has been made, there is still what the IEA refers to as the ‘ambition gap’—what still needs to be done to get to net zero. The ambition gap represents 12 gigatons (Gt) of CO₂ emissions that must be addressed by 2030. That would require increased annual investment of USD 1 trillion in clean power generation and electricity infrastructure as well as a rapid scaling up of low carbon fuels based on hydrogen or bioenergy.

Future policies target clean power as the most attractive investment option
Numerous climate actions also emerged in 2021 ahead of the 26th UN Climate Change Conference or COP26, now referred to as the Glasgow Climate Pact (GCP). Policymakers around the world acted together to mitigate climate risks and accelerate the adoption of clean energy technologies. The resulting policies should ensure an orderly transition towards an emission-neutral future, while maintaining energy security.

In 2021, the EU’s green policymaking made headlines with its ‘Fit for 55’ package. It aimed to reduce net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels, and promote hydrogen by creating favorable conditions for hydrogen market development (as specified in the EU Hydrogen Strategy from July 2020). These initiatives align with INNIO Jenbacher’s strategy to have our entire product portfolio ready for 100% hydrogen by 2025. Moreover, the role of natural gas in decarbonization was highlighted in the EU Taxonomy for sustainable investment, which classified electricity generation and high-efficiency cogeneration as vital natural gas activities for the energy transition.

Clean hydrogen plays an important role in reaching net zero by 2050
For years, hydrogen has played an important role in most energy transition plans. In the last few years, as many countries intensified their decarbonization efforts, hydrogen became the focal point of national targets and strategies, and its use is expected to increase rapidly in coming years. A pillar of the goal of decarbonization to reach net zero by 2050, hydrogen is a CO₂-free gas when burned only with oxygen. In power generation, hydrogen is one of the leading options for storing renewable energy. Hydrogen also can be transformed into ammonia, making it easier to transport and store. The natural gas industry is looking at hydrogen as a promising solution for greening the gas system and extending the life of existing infrastructure. However, despite tremendous progress, opportunities for hydrogen in power generation are limited by the immature clean hydrogen production and distribution infrastructure.

The need for a flexible and balanced energy supply
Also an important pillar of decarbonization, renewables are perhaps the fastest way for power generation to reach the ambitious climate goals of achieving net zero by 2050. The increasing penetration of renewables is driving a growing trend towards decentralization. In addition, more variable and flexible balancing of the energy supply capacity is required. The share of renewables in global electricity generation should reach 88% in the IEA’s goal of reaching net zero emissions (NZE) 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, and demand response would be used to manage distribution and grid stability. The engine power plants of tomorrow will need to cater to higher demand peaks and longer periods of under- and over-supply due to weather variations. Although such dispatchable units run for relatively few hours in the year (between 250 and 1,500 operating hours), they will be necessary to provide a stable and resilient grid supply. Commercially, those hours are by far the most valuable hours to supply electricity. The need for flexible balancing capacity, according to Bloomberg⁹, should increase from around 300 GW today to 2,600 GW by 2050.

That is why I love to work for INNIO. We know our menu to eat the elephant.”

“Sustainability means ‘Kaizen’ to me. This Japanese term, meaning ‘change for the better’ or ‘continuous improvement’, involves a step-by-step approach. Such a clear vision is necessary to ‘eat the elephant.’ Our goal is to attain global liberty, equality, health, and wealth while safeguarding our environment for all upcoming generations.

At INNIO, we have the vision. And we have an execution plan for each of us as individuals as well as for our products, technologies, customer solutions, infrastructure, and supply chains.

That is why I love to work for INNIO. We know our menu to eat the elephant.”

Dr Andreas Kunz Chief Technology Officer, INNIO Group

Source
⁹ Bloomberg/NREL: 2021, grey scenarios, page 77 fig. 22
THE TRANSITION IN ACTION

As the transition gains pace, our ambition is to build and create long-term value for our customers with both our cutting-edge energy solutions and our commitment to ESG and sustainability. As a leading provider of renewable gas and hydrogen-rich solutions and services, we are uniquely placed at the heart of this changing landscape with highly efficient and reliable energy solutions backed by the latest green and digital technology in the sector.

INNIO Action

Our solutions immediately unlock Scope 1 and 2 emissions reductions and further reduce the carbon intensity of customers’ products by blending natural gas with cleaner alternatives, such as biogas and green hydrogen, for power & heat generation and gas compression on a global scale.

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 are ahead of the curve with our ‘Ready for H₂’ technology. Additionally, INNIO supports the installation of one of the largest CO₂ neutral gas engine fleets globally. More than 9 GW already has been installed to provide clean energy for our customers.

CASE STUDY 01
Powering carbon-negative plants with wood gas

The use of biomass for decentralized production of heat and power is increasingly gaining importance. INNIO and SynCraft, an Austria-based industry leader in wood power plants, have delivered and commissioned projects in six European countries as well as Japan. Not only do these highly innovative power plants align with nature, but they have a real climate-positive effect as well.

Renewable resources such as wood can be compared to wind or solar. Always available, wood can, with the right technology, be gasified and transformed into heat and electricity. With INNIO Jenbacher engines and SynCraft power plants, wood is not produced for energy production. Instead, the residues from sustainably managed forests can be transformed into electricity, heat, natural gas substitute, and—in the future—perhaps even hydrogen.

Wood gas power plants achieve total efficiency values of up to 92% and provide an additional highly attractive and sustainable product: Compared to typical wood gas projects that produce ash, SynCraft’s new and innovative system produces biochar. The overall system is capable of releasing only part of the CO₂ that originally is stored through the forest. Some of it remains as useful green carbon, thus making SynCraft’s system climate-positive.

One of the world’s largest engine-powered wood gas plants can be found in Frauenfeld, Switzerland. Powered by Jenbacher engines, the plant owned by Bioenergie Frauenfeld will have a total electrical output of 4 MW in its final stage. This highly innovative and jointly optimized plant will be fed with 25,000 metric tons of sawn wood, windthrown trees, or damaged wood that will be converted to sustainable energy for a nearby sugar factory and the town of Frauenfeld.

A similar-sized project, begun recently for the Croatian-based furniture producer TERSA, turns 3,000 tons of waste wood into 3 million kWh of power, 4.5 million kWh of heat, and 400 tons of biochar, storing up to 1,200 tons of CO₂ equivalent per year. The plant’s total efficiency is well above 92%.

INNIO Action

We recently supported coal-to-gas switching in 5 large German cities—decarbonizing ~400 MW of energy.

We bring 90 years of experience in converting alternative fuels into power.

We have a ready-installed fleet of ~9,000 units operating with CO₂ neutral fuels (~9 GW of energy).
CASE STUDY 02
Meeting new demands for a shifting society

When phasing out coal, five German cities and municipal utilities are already relying on energy solutions with INNIO Jenbacher engines: Cottbus, Pforzheim, Ulm, Saarbrücken and Kiel—with its 190 MW coastal power plant.

Fernwärme Ulm GmbH, also known as FUG, is a 100-year-old municipal utility that provides the German city of Ulm with a reliable supply of district heating. Early on, FUG recognized the growing trend—not to mention the necessity—of moving to less impactful ways of generating heat, and it took appropriate and decisive action to transform its energy production. An important step was to decommission two coal-fired boilers, which were replaced by a biomass-fueled thermal power plant in 2013. Now, the last coal boiler has been exchanged for two INNIO Jenbacher cogeneration plants, which were located in the area previously used to store stockpiles of coal. The installation of the new plants in 2022 marks the successful completion of FUG’s bid to phase out coal, thus ensuring that the city of Ulm has a secure, efficient, and environmentally responsible district heating supply for the years ahead.

Since the early 1990s, FUG has relentlessly worked to lower emissions, reducing them by around 80%. The integration of two Jenbacher cogeneration plants plays a key role in shifting the traditional utility’s focus and setting it on a course to deliver on a sustainable and dependable heat supply.

Figure 7

City of Ulm / CHP plant powered by INNIO, main contributor to Ulm’s energy system

Ulm, Germany
Kiel is home to one of the most technologically advanced and flexible combined heat and power (CHP) plants in Europe. Centered on 20 INNIO Jenbacher engines, the plant has been generating electricity and district heating for more than 73,000 Kiel households since the start of the 2019/2020 heating period—while also making a significant contribution to grid stabilization in northern Germany.

The electricity-led operation of the coastal power plant and its simultaneous use of generated heat have helped the plant set new standards in fuel utilization, achieving an overall efficiency of more than 92%. And, pairing the plant’s power-to-heat technology with a 60-meter-high heat storage facility has enabled the decoupling of the electricity and heat supply, delivering additional flexibility. Compared with the preceding coal-fired power plant, the new technology has helped reduce CO₂ emissions by 70%—the equivalent of removing nearly 1 million tons of CO₂, or 500,000 cars, from the road annually.

What’s more, INNIO is working with Stadtwerke Kiel to make sure that the coastal power plant can become even more climate-friendly by using greener gases with a higher hydrogen content in the coming years. Because Jenbacher engines can already operate on hydrogen, they are poised to take advantage of these greener energy sources as they become more readily available.

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**ENERGY TRANSITION IN ACTION**

**CASE STUDIES**

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**Kiel, Germany**

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### WE INCREASE THE LIFE-CYCLE OF OUR SOLUTIONS AND REDUCE ENVIRONMENTAL IMPACT

**INNIO Action**

- We are investing tens of millions of dollars in gas engine technologies to make them more efficient, more flexible, and cleaner, providing carbon-reducing enhancements for installed assets that will lead to long-term investment security.
- We hold 1,400 patents with 500 of our engineers working on those technologies across the globe.
- We save over 1,100 metric tons of CO₂ through our reUp program annually.
- Our energy solutions can be managed and operated with our myPlant platform, evaluating more than 900 billion data points annually.

**INNIO Action**

- Our reUp program creates value for our clients, with lower operating costs as well as reduced environmental impact through reuse and rework of materials. We are committed to making our products from materials that are either recycled, reclaimed, or reused.

**INNIO Action**

- Using the latest AI technology, our myPlant Optimization solution is designed to be predictive, providing real-time intelligence for better reliability, maintenance planning, facility production, and optimization, while actively tracking sustainability goals.

**“We bring clean energy to the world today and tomorrow.”**

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**Jason Padilla**

VP Product Management & Marketing, INNIO Waukesha

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“Sustainability is the driver of the energy transition. As we develop the landscape of resources, we need cleaner technology, diverse ideas and leadership, and innovation to supply power reliably, safely, and responsibly. It is equally important that we tackle today’s emissions challenges while building the path to renewable and clean energy sources.

INNIO stands for innovation; we constantly challenge the status quo to develop solutions that deliver on our ESG promises. We bring together problem solvers and technology leaders who want to be at the cutting edge of the energy transition, leaning into more than 100 years of engineering advancements. INNIO is genuinely committed to sustainable energy. We bring clean energy to the world today and tomorrow.”
CASE STUDY 03
Lowering GHG emissions from installed assets

While it is imperative to focus on new technologies that produce energy with a much lower greenhouse gas (GHG) footprint, it is also critical to manage the CO₂e emissions from industrial assets that are currently operating globally, including tens of thousands of INNIO Waukesha engines. By upgrading these gas engines to the latest versions, customers can reduce the CO₂e footprint by about 15% (on a normalized power basis) in a short duration. For example, if a customer upgrades an existing VHP 7042GL engine to the VHP 7042GSIS5 engine version, the customer would see the CO₂e emissions from the engine drop by 16% annually (as illustrated in Figure 8). On a per engine basis, this is equivalent to taking about 250 gasoline driven cars from the roads16. Buoyed by the success of the initial Series 2 lean burn (LB) to Series 5 rich burn stoichiometric (GSI) upgrade, a key customer in Alberta, Canada, teamed up with INNIO Waukesha to execute similar upgrades of 10 other INNIO Waukesha engines in the fleet in 2020/21. This resulted in a reduction of at least 10,000 tons of CO₂e annually from the customer’s coal bed methane (CBM) production operations. The customer was able to leverage a recent Canadian grant program to implement the project, creating a positive impact not just for their organization but also for the communities that are affected by the extraction of these critical natural resources.

**Assumptions**

1. 4,880 hp for 7042OL, 7042OLSIS4, 7042OLSIS5; 8,760 hrs/yr
2. Source

Figure 8

**Technology Upgrades for Reduced Emissions**

- **Scenario 1.1**
  - 000 TYP of CO₂e
  - 7042OL: 7.3, 7.3, 6.0
  - 7042OLSIS4: 5.9, 6.7, 6.7
  - 7042OLSIS5: 6.1, 6.1

- **Scenario 2.1**
  - 000 TYP of CO₂e
  - 7044G4SIS4: 8.1, 5.6, 5.6
  - 7044G4SIS5: 7.4, 6.7, 6.7

Based on normalized 4,880 hp

-226 to -252

“Sustainability means to me that, as human beings, we must adapt our daily life to maintain an ecological balance and preserve our planet for future generations. It is our generation’s duty to initiate the changes necessary to transform our economy, strengthen our society, and allow our environment to recover.

INNIO has always aimed to meet the highest expectations with regard to its products and manufacturing facilities, but since we put sustainability at the center of our strategy I am thrilled by the even better ideas and changes we are initiating. In my opinion, INNIO has made the right decisions. We are developing sustainable products for our clients, our employees are empowered to execute projects that add value to our environmental goals, and the company is taking a strong position in its social responsibility.”

Markus Strömich-Jenewein
Director Commercial Strategy, INNIO Jenbacher
LOW CARBON AND CIRCULAR PRODUCTS

This chapter covers the material topics of technology and innovation, analytics and digital solutions, collaborating with customers for the long term, and the circular economy and value chain. These areas create an innovative value proposition for end users and 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—all without harming the environment and while avoiding stranded assets or investments.

TECHNOLOGY AND INNOVATION

Why it matters to us:
At INNIO, we understand that reliable green or carbon-free technology is needed to meet society’s growing demand for electricity and heat while, at the same time, achieving the global goal of carbon-neutrality by the middle of the century. Innovation, including the application of novel or transferable technologies, is important in creating efficient and sustainable outcomes. Developing industry-leading technology and innovations will be central to INNIO’s success, the well-being of communities, and the transition towards a decarbonized or near-zero future.

Our aspiration:
INNIO is committed to continuing to invest in research and development to enable our customers to flexibly move to a resilient, carbon-free future while providing long-term energy solutions, such as distributed and decentralized power and heat.

Key performance indicator:
Coverage of H₂-ready fleet

Management approach:
INNIO’s engineering organization, led by the Chief Technology Officer (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.

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

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 H₂’ product portfolio for our Jenbacher engines, enabling customers to use the fuel of the future in various options today. In 2021, INNIO had approximately 250 MW of pilot engine installations that utilized hydrogen as a fuel, and 29% of INNIO’s order intake was designated to operate on low carbon fuels such as biogas, wood gas, or sewage gas.

Energy efficiency product improvements
Energy efficiency improvements and avoided energy demand would close almost 20% of the ‘ambition gap’ in IEA’s net zero emissions (NZE) goal by 2030. INNIO Jenbacher’s high-efficiency cogeneration (also known as combined heat and power or CHP) technology has been contributing to decarbonization with its ability to run not only on natural gas but also on low carbon fuels and bioenergy. And INNIO continues to pursue the principle of Efficiency First, which conveys our desire to simultaneously achieve greater efficiency and lower emissions. With that goal, we were able to gain more than 12 percentage points of electrical efficiency over the last 30 years.
End-use emission reductions
Electricity generation equipment and a parallel onsite boiler for heat production was a typical setup for decades in many countries. CHP equipment generates electricity and captures heat at the same moment, reaching overall efficiency of over 90%. INNIO’s data shows that by using CHP technology, our customers can reduce CO₂ emissions and primary energy consumption by more than 30% compared to conventional electricity and heat generation. As the fuel mix decarbonizes, cogeneration reduces emissions cost-effectively by displacing more energy and carbon-intensive technologies.

INNIO Jenbacher equipment is ready for hydrogen
INNIO is actively pursuing different ways to use hydrogen in our engines to increase power system flexibility. INNIO Jenbacher has been operating 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 Jenbacher can make a substantial impact on reducing CO₂ 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. Like natural gas, hydrogen is ideally suited for CHP applications and can provide heating and cooling while achieving a fuel utilization rate of more than 90% and reducing primary energy demand by more than 30%. In the short term, hydrogen can be blended with natural gas in H₂-ready engines. In 2021, INNIO introduced such engines, which were configured to enable operation on natural gas blended with up to 25% hydrogen. INNIO’s strategy is to have our entire product portfolio ready for 100% hydrogen by 2025+. INNIO’s Type 4 product line was already available to operate on 100% hydrogen in 2021.

INNIO ‘READY FOR H₂’ PORTFOLIO

<table>
<thead>
<tr>
<th>Electrical output range (kWe)</th>
<th>H₂ in</th>
<th>NG/H₂</th>
<th>Pure H₂</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generator Output @ 50 Hz &amp; NG fuel</td>
<td>pipeline gas</td>
<td>engine</td>
<td>engine</td>
</tr>
<tr>
<td>0</td>
<td>1,000</td>
<td>2,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Type 9</td>
<td>J920 FleXtra</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type 6</td>
<td></td>
<td>J812, J818, J820, J824</td>
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<tr>
<td>Type 4</td>
<td></td>
<td></td>
<td>J412, J418, J420</td>
</tr>
<tr>
<td>Type 3</td>
<td></td>
<td></td>
<td>J312, J318, J320</td>
</tr>
<tr>
<td>Type 2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Subject to required modifications for the certification of the fuel gas components—a modification of the maintenance schedule for such components may be required.
INNIO looks at all process steps where we can save resources, reduce emissions, and improve social conditions.

"For me, sustainability is the process of living within the limits of available physical, natural, and social resources in ways that allow the living systems in which humans are embedded to thrive in perpetuity.

INNIO looks at all process steps where we can save resources, reduce emissions, and improve social conditions. I’m proud to work for a company that puts so much effort into employee awareness, new products, and processes to further sustainability."

Beate Trojer  Director Assembly, INNIO Jenbacher

"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.

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

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 CO₂ and nearly 8 Mt of methane (240 Mt CO₂-eq). A key contributor to this global problem, routine flaring occurs when there is no off-taker or transport pipeline for natural gas that is produced as a by-product of crude oil production (stranded gas). Key to eliminating routine flaring is monetizing the stranded gas through new business models. Governments globally are working at local, provincial, and federal levels to tackle this problem. INNIO Waukesha is working with both our customers and government bodies to develop solutions that

Carbon-neutral fuels and bioenergy
In the early 1990s, INNIO began to decarbonize by installing gas engines that could generate power from biogas, a 100% carbon-neutral fuel. Today, we have one of the largest installed bases running on biogas. INNIO engines, generating about 5.5 GW of electricity, are installed around the globe, producing 44 TWh of electricity and providing enough electricity and heat for about 12 million households annually. One of the most common dispatchable and reliable renewable energy sources, biogas can be used for distributed power and heat generation at the point of use. INNIO’s product portfolio is ready for a renewable future that includes low carbon fuels and hydrogen.

SUPPORTING ENERGY VALUE CHAIN

RENEWABLE ENERGY PRODUCTION

ENERGY CONVERSION FGD & CHP

ENERGY STORAGE

HYDROGEN USAGE

Figure 11
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 Waukesha engines makes it the right choice for customers in these distributed power generation applications. So far, INNIO Waukesha has installed more than 100 MW in flare gas-to-power applications globally. In one such flare gas-to-power case, implemented under Saskatchewan’s methane action plan (MEP), INNIO Waukesha engines will use 15 MW of electricity to power 8,000 Saskatchewan homes under a 20-year power purchase agreement between the INNIO Waukesha customer and the local community. This low carbon baseload electricity generation will reduce CO₂ emissions by 100,000 metric tons annually.¹⁵

ANALYTICS AND DIGITAL SOLUTIONS

Why it matters to us:
We embed sophisticated analytics and digital solutions in our product and service offerings. These tools enable customers’ high accuracy in asset management, reduce downtime, optimize operating costs, and extend the life-cycle of their equipment. We do this by predicting when maintenance will be required and analyzing data for optimum energy output and highest efficiency to constantly improve sustainability performance.

Our aspiration:
Through our myPlant digital platform, we aim to disperse sustainability solutions to our customers by adding ESG-related key performance indicators (KPIs). These KPIs will be easily accessible to our customers, helping them create their own ESG report and accelerate their sustainability journey.

Key performance indicators:
- Number of connected assets

Management approach:
INNIO’s Digital Product organization, responsible for our myPlant remote applications, constantly works to improve solutions that enhance our customers’ digital experience and sustainable value proposition. INNIO’s overall digital strategy supports the Group’s Quality Policy, which describes our commitment to deliver affordable and reliable solutions to our customers. Our organization regularly aligns with the Executive Board in terms of strategy, goals, and progress. The digital value proposition is threefold: expanding myPlant’s performance, optimization, and maintenance products. The myPlant Performance Solution increases engine reliability and performance through real-time monitoring. myPlant Optimization is designed to optimize our customers’ earnings and simplify their operational life, and myPlant Maintenance focuses on operational excellence and service productivity. Through extensive collaboration with our customers, we try to ensure that we provide and adjust our digital solutions according to their needs. Furthermore, with our dedicated INNIO Customer Portal, our customers can immediately communicate with our employees to answer and solve their questions and requirements.

Responsibility within INNIO:
Chief Digital Officer—Digital Department

Progress and status:
With extensive collaboration and a focus on our customers’ needs, we moved forward to expand INNIO’s energy solutions platform with a comprehensive portfolio of digital products. Our myPlant advanced digital solutions offer real-time monitoring, predictive, and prescriptive analytics for engines, optimizing performance and reducing possible unplanned downtime through our service network in more than 100 countries. In 2021 the number of assets connected to myPlant was 9,747, an increase of 10% compared to 2020, when the number of connected assets was 8,897.

We also use the intelligent smart field technician dispatch function to plan both service events and our service technicians’ assignments. With this functionality, planned and unplanned maintenance are merged, reducing the number of site visits. In 2021 alone, more than 600 trips to customer sites (circa 30,000 km of travel) or 6,000 kg of CO₂ could be avoided for end users served directly by INNIO technicians. In the meantime, 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, including areas such as design of new and existing components, procurement, and collaboration with suppliers, and we offer products with a positive circular impact to end users. This means, for example, optimizing resource/material use through an extended lifetime, reclaiming products for reuse, or recycling products and components. Product life-cycle planning that maximizes circularity is critical to effective value chain management and planning.

Our aspiration:
Our goal is for 90% new products or components to 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

Management approach:
INNIO designs our products so they are reusable and can have multiple life-cycles. Through our Jenbacher and Waukesha reUp programs, and our dedicated remanufacturing specialized team, used engines and parts are returned to like-new condition. This saves resources and reduces environmental impact through material reuse while helping to increase efficiency and energy savings. We set internal goals for our reUp programs, and we aim to continuously find ways to increase circularity. Our goal of having >90% reused, recycled, or reclaimed materials by 2030 is handled by the Procurement team through extensive collaboration with suppliers and our high-quality data collection process. Finally, the INNIO Sustainability Review Board agreed to create a Circularity Task Force to systemize a framework of activities across critical business functions that would increase visibility, measurement, and accountability to continuously increase our circular activities.

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

Progress and status:
In 2021, our Jenbacher product line alone upgraded a total of almost 400 engines (in the field as well as in the workshop), which should lead to a reduction of more than 10,000 tons of CO₂ annually, based on the average operating hours of past years.

As of 2021, our Jenbacher Remanufacturing program alone saved about 100 tons of CO₂ and 150 tons of materials. This program gives an engine and all its parts a new, longer life, returning used components to like-new conditions.

Source:
Customers who buy a Jenbacher Remanufactured product get the same OEM quality and product reliability—all with a smaller environmental impact. At present, 53% of our material inputs are recycled, renewable, or reclaimed.

Remanufacturing and reuse 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 logistic and remanufacturing centers that perform high-quality OEM remanufacturing activities. In our approach to decarbonize this process, we are establishing reuse workshops in various global locations, closer to end users, to decrease the up and downstream transportation footprint.

INNIO’S PLAN TO ACHIEVE MORE THAN 90% PERCENTAGE OF RECYCLED, REMANUFACTURABLE, OR RECLAIMED MATERIALS BY 2030

Accelerating circularity through recycled materials
To achieve the goal established in 2020 of “100% material inputs that are recycled, renewable or reclaimed,” we initiated a comprehensive and detailed framework that enables us to find the baseline of the current percentage of recycled materials. We also used this framework to calculate the percentage of recycled materials for 2019 and 2020. 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 towards our 2030 goal (Graph 4). 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, identify and mitigate challenges on our journey to building a robust path towards the circular economy. We are also adding recycling audit 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
As an original equipment manufacturer, we are determined to always deliver safe, high-quality products. At the same time, we continuously work on exploring ways to reduce our products’ environmental impact throughout their life-cycle. To earn and maintain the trust of our customers through the provision of top quality and safe equipment, INNIO has set the company-wide goal of zero product defects and recalls.

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. With respect to U.S. manufactured equipment, INNIO aligns with the National Fire Protection Association (NFPA), the Canadian Standards Association (CSA), the UL standards, and other guidelines. INNIO’s overall product offerings, new product introductions (NPIs), research & development (R&D), and safety are governed by the Chief Technology Officer, who is also a member of the Executive Board.

"...I believe that INNIO truly inspires all of us to strive towards a sustainable future of infinite possibilities."

Panagiota Batiou Sustainability analyst, INNIO Group

The Product Safety Board, which includes INNIO’s Vice Presidents of Quality, Product and Services, meets each week. This body governs all of product safety, from NPI to the Residual Risk Summary. Policies, instructions, operating procedures, safety instructions, and safe operation handbooks are managed as part of INNIO under a business process modeling tool. 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.
RESILIENT MANUFACTURING AND SUPPLY CHAIN

In this chapter, we will take a deep dive into INNIO’s work on energy and emissions, resource management, and a sustainable supply chain.

ENERGY AND EMISSIONS

Why it matters to us:
INNIO consumes energy—mainly natural gas and renewable sources—in the production and testing of our energy solutions before they are distributed to our customers, as well as in our engineering labs. Effective management of our energy consumption is important to reduce the environmental cost of our operations, mitigate the climate effects of greenhouse gas (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 intend to become the global leader in highly energy efficient, near-zero eco-friendly operations. While minimizing our impact, we hope to emphasize that these issues are of significant importance to both INNIO and our stakeholders.

Key performance indicators:
Scope 1, 2, and 3 GHG emissions (in tons of CO₂e)

Management approach:
INNIO’s Executive Board reviews and sets the direction to support the goal of reducing CO₂ emissions from our own activities (GHG Scope 1 and 2) by 50%. Our goal is to do this by 2030, but we have a strong desire to accelerate this process and meet the goal by 2028. A number of projects and initiatives have been identified for different operational locations to actively pursue emissions reductions year by year. Updates on progress will be provided monthly to the Executive Board.

Important areas related to INNIO’s environmental impact are documented by INNIO’s Integrated Management System and the corresponding Environmental Policy. Companywide governance is monitored by the site’s Environmental Management teams to ensure compliance with standards and regulations. Regular reports on initiatives, goal setting and monitoring of relevant performance KPIs and environmental indicators are regularly appraised by the facility leadership teams and presented quarterly to the Executive Board for discussion and approval.

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 & Waukesha – Product Management & Marketing Department (parts of Scope 3 emissions)

Progress and status:
Through advanced technologies and manufacturing, environmental protection and energy efficiency have become main features at our production sites as the company continues our pursuit of ambitious environmental and carbon reduction targets. By expanding innovative, energy-saving measures, installing smart, renewable equipment, and adding components for energy conservation, INNIO’s 2021 total energy consumption was approximately 650,000 GJ, coming from two resources—natural gas and hydropower. The energy consumption coming from renewable energy sources—hydro—increased by more than 60% compared with 2020.

The year 2021 was an important milestone in INNIO’s GHG-related efforts. INNIO carried out an extension in our GHG inventory—based on the Greenhouse Gas Protocol—including all relevant components for Scope 1, 2 and 3 emissions. Furthermore, INNIO conducted a life-cycle emissions assessment (LCE), a cradle-to-grave analysis. This technique assessed the environmental impacts associated with all the stages of a product’s life, from raw material extraction through materials processing, manufacture, distribution, use, and remanufacturing. The LCE exercise helped us 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 taking tangible actions, INNIO has effectively reduced approximately 7,000 metric tons of direct and indirect CO₂e emissions (Scope 1 and 2) in comparison to 2020 (Graphs 5 and 6). In 2021, INNIO also committed to the Science Based Targets initiative (SBTi) and joined the Race to Zero initiative, a global campaign established by the UN Framework Convention on Climate Change (UNFCCC) to bring together global leadership for a healthy, resilient, and zero-carbon future.

Graph 5

Graph 6
We will be paying close attention to science-based targets (SBTs) and continue working on projects and initiatives in line with IPCC emissions reduction scenarios criteria. We estimate that a continuous share increase of renewable sources combined with responsible use of energy in our operations and offices will further reduce our Scope 1 and 2 emissions and will be a main contributor to cutting Scope 1 and 2 emissions by 50% by no later than 2030.

Reducing emissions across our value chain INNIO aspires to become a leading example of low carbon manufacturing. The company conducts annual carbon footprint assessments and performs yearly reviews of the overall effectiveness of carbon reduction in collaboration with third-party consultants.

For many years, INNIO has been continuously following 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. At the end of 2018, the site in Welland was constructed in accordance with green building best practices for high energy efficiency in the production process. Additional actions include an extensive assessment regarding the percentage of raw materials used as input in our materials by INNIO's Procurement team as well as an increased focus on extending our local procurement practices. This year, INNIO also invested a large amount of capital in renewable energy products by integrating a photovoltaic plant and battery storage system in our headquarters to further reduce our operations’ Scope 1 and 2 GHG emissions.

We estimate that a continuous share increase of renewable sources combined with responsible use of energy in our operations and offices will further reduce our Scope 1 and 2 emissions and will be a main contributor to cutting Scope 1 and 2 emissions by 50% by no later than 2030.

Reducing emissions across our value chain INNIO aspires to become a leading example of low carbon manufacturing. The company conducts annual carbon footprint assessments and performs yearly reviews of the overall effectiveness of carbon reduction in collaboration with third-party consultants.

INNIO’S GHG REDUCTION PRACTICES

<table>
<thead>
<tr>
<th>Scope 1</th>
<th>Scope 2</th>
<th>Scope 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct GHG Emissions</td>
<td>Indirect GHG Emissions (From Purchased Energy)</td>
<td>Indirect GHG Emissions (Value Chain)</td>
</tr>
</tbody>
</table>

- **ISO 50001 energy management and third-party audits**
  100% of production sites are ISO 50001 certified (energy management system)

- **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 for self-supply of electricity and heat as well as with grid connection for electricity feed-in to the public grid.

- **Renewable energy programs to reduce carbon emissions**
  Installation of a nearly 2,000-square-meter photovoltaic plant with a total output of 350 kWp, corresponding to CO2 savings of 180 tons per year beginning in 2022.

- **Green building production**
  The company that constructed our site in Welland undertook initial LED 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.

- **Renewable energy purchase**
  Our two biggest sites in Jenbach and Welland use renewable energy from the grid.

- **Promoting 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.

- **Conducted a life-cycle emissions assessment**
  Through this assessment we aimed to assess the environmental impacts of our products, helping facilitate a strategy for emissions reductions.

- **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.

Indirect emissions (Scope 3) of upstream and downstream value chains mainly involve the use of manufactured products and sourcing of raw materials. As such, 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 comparison with 2019, the factor of purchased goods has decreased by 30% (Graph 7). Emissions from Scope 3 components such as upstream and downstream transportation and waste remained approximately the same. In 2021 we saw a geographical shift in our supplier base moving closer to INNIO’s operations, which will yield a positive trend on our upstream transportation footprint going forward. See Appendix for our GHG Emissions Inventory.
In 2021, life-cycle emissions (LCE) were added to the overall GHG disclosure. We stated emissions for one year of all sold products based on statistical and average data of the previous year’s hours of operation in line with INNIO’s sustainable growth strategy and low carbon and circular product goal. We expect that the average annual LCE of products sold will continuously decrease. This likely will be driven by use 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.

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 also aim to continuously increase the energy efficiency of our operations through technical improvements and process optimization.

To be more specific, in our headquarters in Jenbach—which accounts for approximately 58% of our total energy consumption—we use an advanced energy management system that drives high-energy recovery from the electricity produced during testing to power our operations. The produced thermal and electrical energy is fully utilized for the production process, while any surplus is provided to the communal heating network or the grid. Furthermore, in our two production sites—in Jenbach and in Waukesha—the electricity purchased from the grid is renewable or climate neutral, while other smaller sites and offices use an electricity mix from the grid.

As illustrated in Graph 8, the largest amount of energy consumption comes from INNIO’s headquarters in Jenbach, where production of our engines takes place, and our site in Waukesha, where the main contributor for its energy consumption is the engineering lab. In 2021, with full support from the Executive Board and management team, INNIO was able to increase our investments related to modernization of our sites. For instance, related to renewable energy programs, a photovoltaic plant and a battery storage system were installed. INNIO is committed to expanding the use of renewable energy in our total energy consumption mix through the adoption of additional sustainable activities.

RESOURCES 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:

Overall, one of INNIO’s environment-related goals is to reduce as much as possible our total water consumption. In comparison to previous years, our water withdrawal—and therefore our water consumption—increased, but we are determined to consume water responsibly and intensify our efforts to control and reduce its use.

As described in our Environmental Policy, INNIO’s waste-related goals include both hazardous and non-hazardous waste. Beginning with the supply chain, INNIO promotes resource reduction in our upstream and downstream activities. In addition, INNIO aims to achieve source optimization and minimization by adjusting raw materials usage parameters at the source and technical solutions for process technology.

We aim to further contribute to the circular economy by continuously increasing the recycling rate of waste as well as the preparation of waste for reuse. INNIO’s goal is to recover more than 80% of non-hazardous waste in its operations by 2030. Finally, even though hazardous waste is only a fraction of INNIO’s waste generation, we are determined to eliminate it by implementing measures such as reducing chemicals at the source.

Key performance indicators:

Waste generated (in tons), water withdrawal (in megaliters)

Management approach:

INNIO’s VPs of Operations and their Operations teams are responsible for the sustainable management of our operating procedures. The team sets internal and external environmental goals—some of which are described in INNIO’s Environmental Policy—and 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 are in alignment with international standards and local laws and regulations.

INNIO’s water and waste management is covered by INNIO’s Integrated Management System (IMS) and is ISO 14001 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 fully compliant with applicable laws, regulations, and standards. Management approach, KPIs and goals are monitored and communicated regularly, at least quarterly, to the members of the Executive Board, who provide feedback.

Together with all other environmental risks, water-related risks are also part of INNIO’s group-wide enterprise risk management process, while 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 9, INNIO’s total water withdrawal in 2021 was around 1,060 megaliters, and most of that was groundwater. In 2021, INNIO generated a total of 11,567 tons of waste with the waste recycling, reuse and recovery rate reaching 85%. Non-hazardous waste constitutes most of the waste generated.
INNIO uses international tools and indexes to conduct high-level water risk assessments on an annual basis. We use this publicly available tool annually to assess water supply, effluent water quality, and regulatory/reputation risks. Results from these water risk assessments are used for assessing 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’S ANNUAL WATER WITHDRAWAL (MEGALITERS)

<table>
<thead>
<tr>
<th>Year</th>
<th>Groundwater</th>
<th>Third-party water</th>
<th>Water withdrawn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>854</td>
<td>1,072</td>
<td>1,926</td>
</tr>
<tr>
<td>2020</td>
<td>854</td>
<td>1,072</td>
<td>1,926</td>
</tr>
<tr>
<td>2021</td>
<td>854</td>
<td>1,072</td>
<td>1,926</td>
</tr>
</tbody>
</table>

### INNIO’S WRI WATER-RELATED RISK ASSESSMENT

<table>
<thead>
<tr>
<th>WRI Water Risk Index</th>
<th>Quantity</th>
<th>Quality</th>
<th>Regulation &amp; Reputation</th>
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</thead>
<tbody>
<tr>
<td>Water stress, depletion, seasonal or interannual variability, drought risk &amp; flood risk</td>
<td>Water stress</td>
<td>Coastal erosion, untreated water bodies</td>
<td>Drinking water quality &amp; sanitary conditions, ESG Risk Index</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INNIO’s Water Risk Assessment</th>
<th>Water Stress</th>
<th>Flood Risk</th>
<th>Water Quality Risk</th>
<th>Regulatory Risk</th>
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<tbody>
<tr>
<td>Water Assessment Results</td>
<td>Low Risk</td>
<td>Medium Risk</td>
<td>High Risk</td>
<td></td>
</tr>
</tbody>
</table>

100% of facilities assessed

### INNIO’S WASTE MANAGEMENT PROCEDURE

#### Upstream
- Policies on waste for suppliers
- Requirements for documentation of hazardous and non-hazardous substances in products and materials supplied to INNIO
- Quality requirements and guidelines to suppliers
- Audits

#### Onsite waste management
- ISO 14001 certification & renewal every three years
- Internal audits (at least annually)
- Waste output tracking
- Internal waste reduction goals
- Waste separation procedure
- Intelligent software system for proper treatment of waste

#### Outsourced waste treatment
- Monthly waste collection for outsourced waste treatment according to local laws and regulations
- Documentation in internal software system
- Regular reporting to local authorities

### WASTE-RELATED INFORMATION (TONS)

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-hazardous waste</th>
<th>Hazardous waste</th>
<th>Waste diverted from disposal</th>
<th>Waste diverted to disposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>~8,660 tons (~87% of total waste)</td>
<td>~750 tons (~7% of total waste)</td>
<td>~9,000 tons (~85% of total waste)</td>
<td>~1,200 tons (~10% of total waste)</td>
</tr>
<tr>
<td>2020</td>
<td>~8,660 tons (~87% of total waste)</td>
<td>~750 tons (~7% of total waste)</td>
<td>~9,000 tons (~85% of total waste)</td>
<td>~1,200 tons (~10% of total waste)</td>
</tr>
<tr>
<td>2021</td>
<td>~8,660 tons (~87% of total waste)</td>
<td>~750 tons (~7% of total waste)</td>
<td>~9,000 tons (~85% of total waste)</td>
<td>~1,200 tons (~10% of total waste)</td>
</tr>
</tbody>
</table>

#### Recycling
- ~8,300 tons (representing 84% of waste recycling rate)

#### Reuse
- ~320 tons (representing 1% of waste recycling rate)

#### Other recovery operations
- ~1,500 tons (representing 15% of waste recycling rate)

#### Notes
- All of these figures have been calculated as figures from “waste diverted from disposal.”
- Waste recycling rate = Waste for recycling, reused and/or other recovery operations / waste generated.
Sustainable Supply Chain

Why it matters to us:
INNIO aspires to attain the highest standards in supplier relations, manage risk, and promote best practices throughout the supply chain. We aim to decrease the environmental and social impact of our supply chain by requiring that our suppliers uphold high standards in environment, human rights, and health & safety.

Our aspiration:
We foster strong, long-standing relationships with our suppliers through a standardized performance evaluation system.

Key performance indicators:
Percentage (%) of new suppliers screened using environmental and social criteria

Responsibility within INNIO:
VP Procurement—Sourcing Department

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 top direct material suppliers through proactive ratings and evaluations using EcoVadis’ methodology. In less than six months after its introduction in mid-2021, suppliers representing more than 40% of the direct material spending were rated. The team engages regularly with our strategic suppliers to further increase the rating completion percentage. So far, this assessment has enabled us to gain a clearer sustainability standing of our suppliers, which is helpful in identifying key ESG issues and promoting an agile interaction with our suppliers and responsible business practices throughout the supply chain.

Finally, the Sourcing team’s newest program, introduced in September 2021, requires a green building certification or energy class of “D” or better from all new INNIO office space landlords. In this way, we ensure we only use and rent high energy efficiency performance spaces. Currently, the team is working on expanding this process of requiring green building certifications from existing landlords as well, an exercise that will be completed by mid-2022.

Compliance
INNIO’s Procurement Department applies its specialized expertise and due diligence to ensure sourcing of the highest quality materials in our advanced manufacturing process, while simultaneously retaining strict compliance with applicable legal requirements, norms and standards in areas of environmental protection, health & safety, human and labor rights, and overarching transparency in procurement value chain.

The department established a dedicated functional compliance and sustainability team tasked with maintaining and development of operational frameworks, supply chain audits, contribution to the overall company-wide circularity process, as well as proactive sustainability and compliance-focused trainings.
As illustrated in Graphs 11 and 12, in 2021, we assessed 100% of INNIO’s new direct material suppliers, only eight of whom were identified as having potential negative environmental- or social-related impacts. In these cases, INNIO’s Sourcing team performed eight dedicated Level 3 ESG audits, which revealed 14 environmental and 25 socially significant issues. All cases are documented in the team’s dedicated auditing tool. The identified issues covered waste disposal and chemical storage as well as issues related to employee safety and noise. Our assessments did not identify any incidents of non-conformities in living wages, maximum allowed working hours, and child or forced labor. For all identified cases, we required our suppliers to close the identified issues within 30 days from the issue identification date.

### Table 7

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1</td>
<td>“Standard screening”, which applies to all of our regular (no “spot-buy”) suppliers, no matter how small the purchase. Before working with INNIO, these suppliers (as well as the suppliers in scope of the control levels 2 and 3) are required to review, agree, and sign the Supplier Integrity Commitment Declaration, through which they commit to following the 10 Principles of the UN’s Global Compact.</td>
<td></td>
</tr>
<tr>
<td>Level 2</td>
<td>Entails a mandatory vendor prescreen self-assessment that is conducted before INNIO will work with direct and indirect (environmental, logistics, and real estate) suppliers. In the vendor prescreen, Level 2, suppliers are asked to provide EHS, environmental, and energy management information. The vendor prescreen is reviewed by the Compliance team in INNIO’s Procurement department to decide whether to approve or reject the supplier onboarding. In some cases, additional information is required from the supplier beyond that provided in the vendor prescreen process. All vendor prescreen responses are stored in dedicated databases, along with the suppliers’ contact information.</td>
<td></td>
</tr>
<tr>
<td>Level 3</td>
<td>An in-depth and onsite audit performed by INNIO’s Supplier Quality Engineer when the supplier’s country Corruption Perception Index is above a baseline level. The dedicated ESG audit is also a regular process for suppliers in specific countries and occurs every three years. It contains 75 questions that cover four sections: EHS (Environment, Health &amp; Safety), Labor, Security, and Intellectual Property. The audit records are stored in INNIO’s audit tools.</td>
<td></td>
</tr>
</tbody>
</table>

### NEW SUPPLIERS SCREENED WITH ENVIRONMENTAL CRITERIA

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Suppliers Assessed</th>
<th>Number of Suppliers Identified as Having Significant Actual or Potential Negative Environmental Impacts</th>
<th>Percentage (%) of New Suppliers that were Screened Using Environmental Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>173</td>
<td>6</td>
<td>40%</td>
</tr>
<tr>
<td>2020</td>
<td>923</td>
<td>6</td>
<td>100%</td>
</tr>
<tr>
<td>2019</td>
<td>62</td>
<td>7</td>
<td>40%</td>
</tr>
</tbody>
</table>

### Graph 11

**Sourcing conflict-free minerals**

As an official member of the Responsible Minerals Initiative (RMI), INNIO supports sourcing conflict-free raw materials as a practice of humanitarianism and compliance with social transparency and ethics. All INNIO suppliers must adhere to our publicly available Conflict Minerals Policy, which requires our suppliers to source conflict-free raw materials. INNIO also has adopted a series of compliance measures based on industry best practices, including a conflict minerals program that ensures that we constantly collect smelters and other relevant information from more than 75% of the targeted suppliers (with high RMI relevance).

Furthermore, to help ensure due diligence as per the existing regulations and standards, INNIO follows the RMI process and template. INNIO’s conflict minerals due diligence assessment, begun in 2020, showed only seven questionable smelters out of more than 700. For the questionable smelters, the respective suppliers were requested to provide evidence on their due diligence actions, which eventually will result in 100% compliant smelters.

### Local sourcing

INNIO’s production is primarily located in Jenbach, Austria, and Welland, Ontario, Canada. Our procurement can be divided into several categories, including equipment, spare parts, raw materials, and other goods. To build a more effective supply chain, and achieve GHG reductions, INNIO actively seeks to expand our local procurement practices. Local procurement reduces the distance with our suppliers, leading to GHG emissions reductions and lower transportation costs. At the same time, we have been cooperating with suppliers who follow sustainable practices in their production processes and who can provide the required proportion of recycled input materials. For instance, for some of the heaviest parts of the Jenbacher units, INNIO has gradually transitioned from suppliers located in Asia to suppliers located in Europe, a measure that will contribute to a substantial upstream transportation CO2 reduction.

To support the sustainable development of the local supply chain and continue reducing our upstream transportation GHG emissions, we aim to continue identifying new local suppliers and collaborate on limiting the carbon footprint of procurement activities.
RESPONSIBLE OPERATIONS AND SOCIAL RESPONSIBILITY

This chapter covers the material topics of employee experience, diversity and inclusion, health & safety, and community engagement.

EMPLOYEE EXPERIENCE

Why it matters to us:
Our employees are the driving force behind our company. We look to attract the best talent and provide fulfilling careers so that our employees stay and develop with us. Training, development, employee engagement, and inclusive workplace are all essential to the employee experience.

Our aspiration:
We want to ensure operational excellence through increased focus on our employees. We are determined to continue to grow stronger together with them. We focus on strategic talent attraction, retention, and development opportunities through competitive compensation schemes, benefits, and extensive trainings, according to corporate and individual employee needs. Together with our employees, we plan their career paths, and we encourage internal transfers, allowing the right people to gravitate towards the right positions.

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

Responsibility within INNIO:
Chief Human Resources Officer—HR Department

Management approach:
The HR Department, under the direct leadership of the Chief Human Resources Officer, is responsible for setting internal and external employee-related targets, developing or revising INNIO’s DEI Policy and Labor & Human Rights Policy, as well as engaging with employees from all departments and providing trainings that enable our employees to thrive in their jobs and careers. Through regular and clearly structured employee practices (including hiring, retention, compensation, and promotion practices), we aim to ensure a working environment of inclusion and constantly enhanced employee engagement.

Progress and status:
In 2021, INNIO’s global business continued our success and sustainable growth, and we acknowledge that this positive development is driven by our employees, their commitment, and innovative engagement.

In 2021 INNIO’s employees participated in 105,785 hours of training, meaning that each employee received, on average, 29 hours of training. Furthermore, as illustrated in Figure 12, in 2021, the average number of trainees participating in each of INNIO’s Corporate Lectures (five in total) was approximately 100, and more than 1,600 trainings from our e-training platform were started. Also in 2021, 45 trainees completed INNIO’s “First Wave Leadership Program” and 32 the “Talent Development Journey.” We are determined to continue supporting all of our employees in their development activities in 2022! Since many of them are still working from home, we will be introducing a variety of eTrainings and live online trainings to support them with their remote work.

Learning & development:
Learning and development are vital to our employees and to INNIO. They ensure employee skillsets can grow and evolve to support the employee’s personal path as well as the organization’s long-term strategy and growth. Thus, INNIO promotes lifelong learning in a variety of ways. Employees are encouraged to engage in learning activities that align with the company’s growth and organizational needs as well as their own personal and professional development. INNIO promotes our continuous learning and development strategy through goal setting, regular performance feedback, and promotion of internal rotational opportunities. In addition, we encourage employees to foster their own professional and personal development through our various training pills.

Our training goal is to always provide the best training options that will allow employees to see ahead and plan a fulfilling career path. In addition, our product-related training goals are to expand our training portfolio, including more products. We would like to update some of the training programs and add new digital features, such as virtual reality training that will enable trainees to interact with simulated, real-world INNIO energy solutions. Finally, responding to the high demand of local training, one of our short-term goals is to expand INNIO’s regional training by creating new Training Centers in some districts of Asia.

INNIO’s learning platform is accessible to INNIO employees, contractors, and external stakeholders such as distributors and customers, and is hosted by INNIO’s Global Training Center team. INNIO’s digital learning platform, and external subject matter experts on a need basis.

INNIO has two major pillars for training. One is the “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 learn from renowned external trainers and coaches or directly from their colleagues in cross-functional teamwork sessions.

The second pillar covers “Technical Product Training” for the Waukesha and Jenbacher product portfolios and is aimed at internal employees as well as distributor and customer operations and maintenance personnel. Product training typically is carried out at a global Product Training Center with a strong focus on hands-on activities, in-class exercises, live online training, and e-training programs. Completion is granted upon passing of an exam and rewarded with 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. In 2021, the corporate lectures emphasized sustainability, diversity, energy transition, and product development, to name a few examples.

INNIO’S 2021 TRAINING NUMBERS

<table>
<thead>
<tr>
<th>Activity</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training hours provided to employees</td>
<td>105,785</td>
</tr>
<tr>
<td>Average training hours per employee</td>
<td>29</td>
</tr>
<tr>
<td>Corporate lectures with average of 100 participants</td>
<td>5</td>
</tr>
<tr>
<td>New leaders completing the “First Wave Leadership Program”</td>
<td>45</td>
</tr>
<tr>
<td>Talents completing the “Talent Development Journey”</td>
<td>32</td>
</tr>
</tbody>
</table>

Figure 12

The completion target for the mandatory annual trainings, which include topics such as Legal & Compliance, Health & Safety, and prevention of corruption, is 100%. In 2021, the completion rate of these trainings reached about 95%. In 2021, more than 77,000 training hours for our Jenbacher and Waukesha products focusing on technical product expertise were accomplished, training approximately 7,200 people, including INNIO’s workforce, distributors, system integrators, and customers.
Sustainability means maintaining the delicate balance of our ecosystem by preserving our Earth’s biosphere while fulfilling the needs of our fast-growing human population. Sustainability is not just a corporate responsibility but also an individual responsibility; it is not a one-off activity but a way of life that requires commitment from every individual. I am thrilled to be part of INNIO, which emphasizes sustainability in all of our business decisions. INNIO is clearly an industry leader when it comes to innovative products that generate significantly lower gas emissions while supporting the ever-growing energy demands of the world.”
According to Table 8, the percentages of INNIO’s total number of employees by gender and region remained the same. In 2021, INNIO’s total number of employees surged by 8% in comparison to 2020 with the additions of the Energas/EPS group of companies in Germany and the ECI Distribution/PowerUp group in Austria.

### Race Demographics for North America

<table>
<thead>
<tr>
<th>Race</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>49.9%</td>
</tr>
<tr>
<td>Black</td>
<td>18.5%</td>
</tr>
<tr>
<td>Hispanic/Latino</td>
<td>18.5%</td>
</tr>
<tr>
<td>Asian</td>
<td>6.3%</td>
</tr>
<tr>
<td>Native</td>
<td>1.8%</td>
</tr>
<tr>
<td>Other</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

In 2021, INNIO initiated a voluntary self-identification program in North America, with which employees provided information about their race. About 67% of employees in the U.S. and Canada participated in the program. As illustrated in Graph 13, most participants are White, while the other participants are of Latino, Asian, African American, Indigenous, or more than one origin.

In 2020 and 2021, gender diversity in corporate functions was at 45%, with some functions being above 50%. Although gender diversity within the industrial functions such as operations was below 20%, we focus on nationality diversity profile within these functions to reflect our customer base. Overall, INNIO employs 76 nationalities.
INNIO will continue working towards DEI goals and ambitions to improve by 25% across different areas of the company and diversity categories through 2025. We will pursue specific diversity objectives, closely aligned with functions and opportunity to create meaningful impact to the entire organization, the ecosystem, and our stakeholders. We will focus on distinct employee groups and diversity dimensions (age, gender, nationality, and minorities) when implementing diversity initiatives. 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 talents and increase diversity levels within leadership roles.
- Regional Sales & Services 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 biggest organization we pay a great deal of attention to national diversity. This gives us both a multi-national resilient work force and a way to attract candidates from various adjacent countries. We want to grow minority groups to increase the diversity of our leadership structure.

A key diversity driver will be to thoughtfully include under-represented workgroups in any people-related initiatives such as:

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

Progress will be measured on 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.

**Inclusion**

We are accelerating efforts to ensure that each and every employee can experience INNIO as an inclusive workplace. The responsibility to prioritize inclusion involves all of us. To support this effort, we strongly encourage all employees to complete “Unconscious Bias” training on an annual basis.

At the end of 2021, we also introduced monthly group roundtables, which we believe is an effective and efficient method for improving employee engagement and inclusion. These small, cross-functional group conversations provide direct exposure to and interaction with key influential senior leaders and facilitate open discussion.

Finally, we encourage our employees and associates to SPEAK UP! anytime they are aware of potential violations or 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, whenever merited.

For 2021, INNIO has not faced any discrimination or harassment cases.

**Pay Gap Analysis**

We believe that to intensify our diversity and inclusion efforts and be able to achieve our internal and external goals, conducting a pay gap analysis by gender or race is key. For this reason, we conducted a thorough pay gap assessment, and we voluntarily report on our results.

In 2021, our annual compensation review was extended to include a pay equity analysis. For the first time, the analysis was performed with all employees in the U.S. and Canada, across gender and race categories. The analysis was conducted for salaries, without taking into consideration bonuses, since they are equal for all eligible employees.

Although the analysis did not reveal any significant gender pay gaps, it enabled us to adjust the compensation for a few individuals to close gaps identified within a competitive range. The data is presented in Table 9 for unadjusted gender pay gap figures. This means that these figures present the average differences in pay without adjusting for various factors such as type of occupation, education, and experience that influence the pay gap.

Overall, the pay gap ranges between 4% and 11% for Levels 2 through 6. The main driver for the pay gap is the high tenure of highly experienced male employees at the top of each hierarchy level. A more significant gap of 34% is identified in the “Other” classification. This group includes hourly, office administrative roles and highly tenured, manufacturing, and engineering lab technician roles.

Since the result was such, we conducted a deeper compensation review for every sub-group of this category. The review did not reveal any gender pay gaps.

Overall, we know that closing the gender pay gap requires time and continuous diligence and data analysis. We are determined to continue this process and expand it for the entire organization.

We aim to report on our results periodically and close the gender pay gap as appropriate. Making progress requires commitments from many different angles. INNIO’s DEI Committee aims to accelerate improvement and regularly reports to the Executive Board about this topic.

**GLOBAL PROPORTION OF MEN AND WOMEN WHO RECEIVED A BONUS IN 2021**

<table>
<thead>
<tr>
<th>Level</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1</td>
<td>45%</td>
<td>41%</td>
</tr>
<tr>
<td>Level 2</td>
<td>66%</td>
<td>34%</td>
</tr>
<tr>
<td>Level 3</td>
<td>89%</td>
<td>11%</td>
</tr>
<tr>
<td>Level 4</td>
<td>83%</td>
<td>17%</td>
</tr>
<tr>
<td>Level 5</td>
<td>86%</td>
<td>34%</td>
</tr>
<tr>
<td>Level 6</td>
<td>55%</td>
<td>41%</td>
</tr>
</tbody>
</table>

Table 10

**GENDER BASE PAY GAP**

**per management level for 2021 of employees located in the U.S. & Canada**

<table>
<thead>
<tr>
<th>Level</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level 2</td>
<td>11.6%</td>
<td></td>
</tr>
<tr>
<td>Level 3</td>
<td>6.68%</td>
<td></td>
</tr>
<tr>
<td>Level 4</td>
<td>7.57%</td>
<td></td>
</tr>
<tr>
<td>Level 5</td>
<td>6.5%</td>
<td></td>
</tr>
<tr>
<td>Level 6</td>
<td>4.59%</td>
<td></td>
</tr>
</tbody>
</table>

Table 9

**Table 10**

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. We support women in technical training at the early pre-professional stage, providing intense education and industry-ready skills. Women made up 8% of the people in INNIO’s technical skills-related apprenticeship programs in 2021. This was highly influenced by the gap of cancelled promotional events during the COVID-19 pandemic.

Finally, 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, or specific trainings, as well as initiatives to increase work-life flexibility. Diversity in managerial roles was at 12% in 2021.

---

**Table 9**

Unadjusted US benchmark is 0.90

**Table 10**

The difference between the base pay rate for all men and the base pay rate for all women per organizational level.
Recruitment
To ensure our recruitment practices reflect our commitment to promoting equal opportunities for everyone, we pay close attention at every step of our hiring process. The first step we follow is to reduce bias in our job descriptions. 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 because that could bias a candidate against applying.

Finally, 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. We also train our HR recruiting team and hiring managers against unconscious bias.

To ensure our recruitment practices reflect our commitment to promoting equal opportunities for everyone, we pay close attention at every step of our hiring process. The first step we follow is to reduce bias in our job descriptions. 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 because that could bias a candidate against applying.

NEW Hires
by gender, age group, and region for 2021 and 2020

<table>
<thead>
<tr>
<th>Gender</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>79%</td>
<td>74%</td>
</tr>
<tr>
<td>Female</td>
<td>21%</td>
<td>26%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 30 years</td>
<td>37%</td>
<td>27%</td>
</tr>
<tr>
<td>30-50 years</td>
<td>50%</td>
<td>63%</td>
</tr>
<tr>
<td>&gt; 50 years</td>
<td>13%</td>
<td>10%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>64%</td>
<td>67%</td>
</tr>
<tr>
<td>Americas</td>
<td>35%</td>
<td>30%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Table 11

Table 11 details a slight change between 2020 and 2021 in terms of gender across new employee hires. In particular, the new female hires proportion decreased but still remains more than 20% (higher than the total company population). With an increase of age clusters below 30 years and above 50 we were able to improve our age diversity. Turning to the regions, our global footprint increased as the number of new hires in the Americas region increased to 35% (+5% points).

Employee retention and promotion
At INNIO, we work hard not only to attract the best talent but also to retain it. We hire people who are passionate about providing innovative solutions, and once they are here, we want them to stay. We believe people thrive when their perspectives are valued, their work has a purpose, and they have opportunities to grow. For this reason, we make sure we provide challenging and meaningful work to our employees. At INNIO, employee development opportunities and succession processes are based on merit. This means that we have a clear structured promotion path as well as a pipeline of promotion-eligible candidates, and this process is communicated to all employees. In this way, we aim to increase transparency, create continuity, increase morale, and offer motivation to people looking to move up in the organization.

To ensure talent mobility and long-term growth, we believe that a natural employee turnover rate should not exceed 5%-10%, not considering external factors such as economical 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 12, the Group’s total employee turnover rate in 2021 was at 10%, which is in line with what we believe to be a healthy turnover rate. In 2020, the rate was at 16%, driven by several factors such as efforts to optimize and scale the business post M&A separation from a large industrial conglomerate—including business needs calibration, shifts in geographical business segmentation, presence and streamlining of corporate oversight—together with market conditions such as COVID-19.
HEALTH & SAFETY

Why it matters to us:
High health & safety standards are a paramount prerequisite and 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 has been seeking to create a strong corporate culture where employees are fully engaged and committed to making INNIO a healthier and safer place to work. Our health & safety goal of zero serious injuries and zero fatalities for all our 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 Environment, Health & Safety (EHS) Committee, chaired by INNIO’s site leaders and VP Operations, reports to the Executive Board on a quarterly basis, providing 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 is responsible for supporting the implementation 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 as well as process safety procedures, internal audits, and dedicated, thorough and mandatory health & safety trainings and emergency preparedness simulations.

Progress and status:
As illustrated in Table 13, for many consecutive years, fatalities remained zero. Furthermore, according to Graph 14, in 2021, the rate of recordable work-related injuries was 0.75%. Those 25 recordable work-related injuries were minor, without implications or, in some cases, resulting only in some days of medical leave.

HISTORICAL HEALTH & SAFETY DATA

<table>
<thead>
<tr>
<th>Year</th>
<th>Number &amp; rate of fatalities as a result of work-related injury</th>
<th>Number of fatalities as a result of work-related ill health</th>
<th>Number &amp; rate of high-consequence work-related injuries (excluding fatalities)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2020</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2019</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 13

HISTORICAL INCIDENTS

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of work-related injuries in operations</th>
<th>Number of work-related injuries in services</th>
<th>Rate of recordable work-related injuries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>1.25</td>
<td>0.75</td>
<td>0.75</td>
</tr>
<tr>
<td>2020</td>
<td>132</td>
<td>25</td>
<td>1.87</td>
</tr>
<tr>
<td>2019</td>
<td>8</td>
<td>8</td>
<td>0</td>
</tr>
</tbody>
</table>

Graph 14

We adhere to the highest standards to provide our employees and contractors a safe workplace, and we implement mitigation measures to prevent accidents. For this reason, all of our production sites have been certified to ISO 45001, covering 100% of our factory workers. 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 the health & safety mitigation measures. Health & safety risks are incorporated into our overall enterprise risk management process and are directly reviewed by the top management of the company.

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 (Figure 15).

ENVIRONMENT, HEALTH & SAFETY MANAGEMENT ASPECTS

As illustrated in Figure 16, the EHS industrial field service division supports the leadership and EHS team in setting annual EHS goals and objectives, implements risk inspections and regular safety observation visits and walk throughs to the production facilities, and ensures that all workers and contractors adhere to INNIO’s EHS guidelines and regulations.

Finally, 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 immediately report incidents, accidents, and unsafe conditions through a dedicated hotline to the EHS representative.
The hotline is proactively communicated to all employees, contractors, and site visitors through workshops, online sessions, and emergency simulations such as building evacuation.

### Health & Safety Initiatives

**Employees’ Health & Safety Committee**

For INNIO Jenbacher, the employees’ works committee acts independently, represents the interests of the workforce (employees and workers), 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. Part of the works committee" is the occupational safety committee. Furthermore, the INNIO Waukesha 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. Some of the objectives of the committee are to evaluate and recommend strategies that will prevent or resolve workplace health & safety concerns as well as to provide ongoing dialogue between senior management and employees on health & safety issues. The committee is composed of 15 members, three management and 12 workers representing their team. Every worker member is chosen through an election process, annually, within their own team. Committee members meet on a monthly basis and occasionally at other times as recommended by the committee.

**Safety and security training for all Jenbach site visitors**

INNIO provides an advanced electronic check-in system that helps us ensure the security of visitors. In this next-generation entry protocol, 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 provides 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 in the U.S and Canada, the Health We Care initiative is designed to support and motivate employees to live healthier lives through healthy leadership, individual or team sporting activities, health prevention, healthy nutrition, and mindfulness. The initiative also provides employees with information about trends in workplace health through dedicated digital newsletters.

### Process Safety

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).

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**INNIO’s Internal Control**

### For Health & Safety

**INNIO’s Executive Board**

- Oversees overall EHS management

**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 walk throughs

**All Departments**

- Implement the H&S-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 (incl. emergency preparedness & building evacuation simulations)

As illustrated in Figure 17, 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 are regularly trained 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, a coherent approach to risk management, proactive communication to employees and contractors of the hazard management process, the assurance of competent and adequate resources, maintenance and verification of critical safety measures, internal and external audits, investigation and analysis of incidents, 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. We have dedicated persons who 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” by supporting the communities who live alongside and work with us while positively contributing to society’s progress overall. 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.” While doing this, we believe employee engagement can further be increased. As illustrated on the next page, INNIO’s employee outreach efforts can be categorized in five areas that are seen 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 is critical to our success. In our community engagement goals, we incorporate our corporate values, and we aim to drive the esprit de corps. Through “INNIO Volunteers,” INNIO emphasizes our philanthropic efforts in five focus areas of support: educational, individual, environmental, local business, and medical. Our short-term plans include the creation of an official, company-wide Engagement Committee that will further help enhance our community engagement efforts.

**Progress and status:**

In 2021, about 40,000 EUR donations were made through “INNIO’s volunteers.” In 2022, we plan to formalize INNIO’s efforts with the formation of a company-wide engagement initiative, including representation from all employee groups. The initiative will function in an advisory capacity and seek input from all employees as we plan, schedule and promote events to drive inclusion, engagement, and impact.
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 labor and employment laws, 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 in all places 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:
Commitment to the highest ethical standards is embedded at all levels of the company and applies to all employees and business partners. We are committed to continuously improve 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:
INNIO’s Code of Conduct (CoC) explains what conduct is expected of all employees and the potential consequences if they do not adhere to it. Through our comprehensive rules and systems, as well as 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. Finally, we make sure we constantly communicate with our stakeholder groups, and we take their views into consideration for our business decisions.

Progress and status:
In 2021, we formulated INNIO’s Labor & Human Rights Policy and a human rights framework to ensure comprehensive human rights actions. INNIO’s mandatory online training courses include topics such as ethics and anti-corruption, avoidance, and reporting of conflicts of interest, data privacy, and personal data protection, among others. In 2021, the completion rate of these trainings reached approximately 95% of all INNIO employees. INNIO’s strong security management system enabled us to avoid security incidents in 2021. In 2021, INNIO had zero fines and non-monetary sanctions for non-compliance.

Code of Conduct
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.

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 other languages. It is important to us that employees internalize these rules and values. For this reason, all 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. Every new and existing employee must complete these trainings and subsequently refresh their knowledge on an annual basis.

Monitoring and review of compliance procedures:
INNIO’s established Compliance Management System (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 for 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.

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. 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.

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 with regards to 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 partners who share the same understanding of and commitment to our ethical standards. The Group’s Compliance organization assures that internal policies and standards are aligned with regulatory changes.
Corruption prevention
Before we engage with new business partners, INNIO conducts exhaustive due diligence assessments. Such assessments involve the potential business partner and its 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 (KYC) and know-your-supplier (KYS) process. 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.

Whistleblower programs—SPEAK UP!
We expect from 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 partners—to report these incidents in SPEAK UP!, our dedicated whistleblower 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 fully 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 the highest confidentiality.

Data protection and information security
Data protection under the standards of GDPR and other applicable jurisdictions and the protection of confidential information including but not limited to proprietary business information are commitments from the INNIO Group to our stakeholders, including customers, employees, and providers of capital. The Group’s Chief Information Security Officer (CISO) and the Information Security Team together with the Legal Team and the external Data Protection Officer oversee data privacy, information security, policy formulation and implementation, risk management, and security audits. The Information Security Team together with the Legal Team meets regularly to review and resolve guidelines and policies and carry out adequate measures. The Executive Board, which is responsible for monitoring our corporate information security and cybersecurity management mechanisms, receive reports and updates on a regular basis.

State-of-the-art technologies and services are used to achieve the expected high level of internal and external security. In addition, organizational measures are implemented such as annual mandatory security awareness training, data privacy trainings, 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 block intrusion attempts. Some of these tools include adaptive security appliances such as firewalls, anti-virus, intrusion protection and 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. Additionally, INNIO has multi-factor authentication (MFA) deployed for all employees to further prevent intrusion attempts. In relation to data privacy the Group has implemented a data privacy lifecycle management.

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 also runs a weekly vulnerability Review Board where vulnerability status across all estates is reviewed by the Board to ensure remediation is happening and to assist with any issues faced.

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 its 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; be 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. This report breaks down among others from the consolidated financial statements 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 described also 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 22-23 of the report.

Respecting & 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 own operation and raising awareness, promoting best practices, and empowering 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 (ILO), 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.

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In 2021, more than 95% of INNIO’s employees had completed Code of Conduct training, which includes human rights policies and procedures. We are determined to focus on human rights topics and offer more training programs in the future.

INNIO conducts due diligence in compliance with international standards and regulations that helps us evaluate the effectiveness of our processes, identify and assess actual or potential adverse human rights impacts that may occur through our own activities or are directly linked to our business relationships, and integrate the findings in our overall corporate processes. In 2021, INNIO commissioned a third-party organization (the Corporate Sustainability Navigator Benchmarking Report) to conduct an assessment. The results of the assessment showed that our processes are effective, and no human rights issues occur. Overall, for many years in a row, no human rights issues have occurred through our operations or business relationships.

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 members of the Executive Board. To be more specific:

- The HR team is responsible for managing human rights topics that have 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 around these topics, and reports directly to the Chief Human Resources Officer (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.

INNIO’s Human Rights Governance

Table 14

<table>
<thead>
<tr>
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<th>Stakeholder engagement</th>
<th>Transparency &amp; reporting</th>
</tr>
</thead>
<tbody>
<tr>
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<td>- Human rights due diligence through dedicated teams (HR, Supply Chain, Legal &amp; Compliance)</td>
<td>- High level of transparency about progress &amp; challenges around human rights topics</td>
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<td>- Human rights integration at all levels of the company</td>
<td>- Labor &amp; human rights training for all employees</td>
<td>- Annual reporting about action plans &amp; due diligence results</td>
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<td>- Policies and processes in place to ensure human rights are embedded throughout INNIO’s value chain</td>
<td>- Best practice and experience sharing with business partners to increase effectiveness of processes</td>
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INNIO’s HUMAN RIGHTS FRAMEWORK

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INNIO is committed to decarbonizing our own and our customers’ operations as well as 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.
- We help ensure strategies are realized, we implement mitigation and adaptation measures, and we provide advanced, sustainable technologies to enable our customers to enhance their green competitiveness.
- Climate change is incorporated into INNIO’s overall corporate risk management, including identifying the relevant climate risks and opportunities and quantifying their financial impact in the future.
- We assess the severity and trends of climate change when setting performance indicators and quantitative goals. Progress and status updates towards these indicators are discussed with the Executive Board.

We are equally committed to demonstrating transparency on this journey and to be open with our stakeholders of the risks and opportunities we anticipate on the way. Therefore, as of the 2021 non-financial reporting cycle, INNIO took initial steps to seek alignment towards the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations Framework, and we began adopting its disclosure recommendations. During 2021, we initiated several workstreams to create a group-wide understanding of the climate-related risks and opportunities our business could be exposed to, the risk mitigation processes in place, and opportunities and gaps needing more attention.

The metrics and targets we use to assess and manage climate-related risks and opportunities on our business:

1. **Impacts of climate-related risks and opportunities on our business**
2. **Processes we use to identify, assess, and manage climate-related risks**
3. **The metrics and targets we use to assess and manage climate-related risks and opportunities**

**Overview**

INNIO’s overall strategy around climate change management is under the direct supervision of the Executive Board. To be more specific, 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 Sustainability Review Board (SRB) and employees authorized for 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.

**Governance**

Establish 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.

**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 climate reduction targets (incl. Scope 1, 2 & 3).

The SRB is responsible for identifying climate risks and opportunities on INNIO’s overall strategy around climate change 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.

**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.

**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.

**Figure 19**

Overview of climate-related risks and opportunities

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## Climate Change Governance and Management Framework

### EXECUTIVE BOARD
- Sustainability Review Board
- Risk Committee
- Circularity Task Force

### OPERATIONS DEPARTMENT

### ENGINEERING, R&D, SALES & PRODUCT MANAGEMENT DEPARTMENT

### PROCUREMENT DEPARTMENT

## Short-, Medium-, and Long-Term Risks and Opportunities

### Physical Risks/Opportunities

<table>
<thead>
<tr>
<th>Impact</th>
<th>Risk Description</th>
<th>Potential Financial Impact</th>
<th>Key Response Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Extreme variability in weather patterns (flooding, heat waves, storms, etc.)</td>
<td>Reduced indirect operating costs &amp; financial losses</td>
<td>We evaluate water stress risks for the Company’s manufacturing sites and consider the establishment of climate change-related risk adaptive measures (Table 5, page 66)</td>
</tr>
</tbody>
</table>

### Transition Risks/Opportunities

<table>
<thead>
<tr>
<th>Impact</th>
<th>Risk Description</th>
<th>Potential Financial Impact</th>
<th>Key Response Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Carbon taxes</td>
<td>Energy transition policies, pollution control regulation, policies on resource conservation, and public subsidies potentially could cause restriction on manufacturing capacity expansion and increased operation costs</td>
<td>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 near-time monitoring &amp; performance optimization.</td>
</tr>
</tbody>
</table>

## Table 15

### Opportunities

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>01. Provision of time- &amp; energy-efficient products</td>
<td>Energy transition policies, pollution control regulation, policies on resource conservation, and public subsidies potentially could cause restriction on manufacturing capacity expansion and increased operation costs.</td>
</tr>
<tr>
<td>02. Provision of emergency backup power</td>
<td>Increasing climate resilience and lowering the risks of operational disruption can lead to reduced indirect operating costs &amp; financial losses.</td>
</tr>
<tr>
<td>03. Increased manufacturing resilience against natural disasters</td>
<td>Meeting customers’ demands for time- &amp; energy-efficient products translate to incremental revenues.</td>
</tr>
<tr>
<td>04. Meeting customers’ demands for time- &amp; energy-efficient products</td>
<td>Strengthening climate resilience and lowering the risks of operational disruption can lead to reduced indirect operating costs &amp; financial losses.</td>
</tr>
<tr>
<td>05. Provision of emergency backup power</td>
<td>INNIO continuously designs and invests in the development of products that are time- &amp; energy-efficient as well as resilient to extreme weather events.</td>
</tr>
</tbody>
</table>

### Figure 20

### Figure 21

### Table 15

<table>
<thead>
<tr>
<th>Transition</th>
<th>Key Response Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>01. Provision of time- &amp; energy-efficient products</td>
<td>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 near-time monitoring &amp; performance optimization.</td>
</tr>
<tr>
<td>02. Provision of emergency backup power</td>
<td>INNIO already has established concrete renewable energy programs, and we plan to further accelerate renewable energy development in manufacturing.</td>
</tr>
<tr>
<td>03. Increased manufacturing resilience against natural disasters</td>
<td>INNIO energy solutions provide versatile application and flexibility of fuels for near-zero emissions.</td>
</tr>
<tr>
<td>04. Meeting customers’ demands for time- &amp; energy-efficient products</td>
<td>INNIO has expanded our remanufacturing programs to decrease life-cycle emissions (LCE) and use of resources.</td>
</tr>
<tr>
<td>05. Provision of emergency backup power</td>
<td>INNIO promotes climate-friendly corporate actions through our products and operations and strives to transparent disclosures of our sustainability efforts.</td>
</tr>
</tbody>
</table>
INNIO’s climate change strategies

Provide energy-efficient technologies to help customers shape a greener future

At INNIO, we understand that to meet society’s growing demand for electricity and heat, while at the same time achieving the global goal of carbon-neutrality by the middle of the century, reliable green or carbon-free technology is needed. 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 research and development in the use of low carbon fuels. In 2021, INNIO introduced its ‘Ready for H₂’ product portfolio for our Jenbacher engines, enabling customers to use the fuel of the future in various options today.

Furthermore, INNIO promotes circularity by using more than 50% of recycled materials in our products and by designing and manufacturing all our Waukesha and Jenbacher product lines to last for multiple lifetimes.

INNIO is committed to continue investing in research and development to enable our customers to flexibly move to a resilient, carbon-free future while providing long-term energy solutions such as distributed and decentralized power and heat.

Promote responsible operations by adopting key mitigation technologies & 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 now, 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. Furthermore, in 2021, we installed a new PV system that spans almost 2,000 square meters. It is estimated that this installation can lead to 180 tons of CO₂ savings per year, beginning in 2022. As of 2021, INNIO’s headquarters in Jenbach took another significant step towards Scope 1 and 2 near-zero emissions by investing in the hydrogen network to supply green hydrogen for our test benches and engineering labs.

Additionally, our site in Welland was constructed taking into consideration sustainable design strategies, including low-emitting materials, proper air quality and thermal comfort, and energy-efficient building envelopes, equipment, and lighting systems. Ninety-five percent of the electricity used at our facility in Welland is either renewable or climate neutral, coming from the hydro turbines at Niagara Falls. 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 less and more efficient energy and reduce 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 zero interruption to our operating activities.

INNIO’s adaptive measures against potential physical climate risks

We are determined to continue using the best available technology to reduce emissions of greenhouse gases (GHG). With respect to our own operations and in particular to GHG Scope 1 and 2, we aim towards low carbon manufacturing and decarbonizing our own emissions with our own future-proof technology. We will do this by increasing our energy efficiency through the adoption of new energy-saving measures on one side and by advancing the use of renewable energy in our operations on the other side. We are investing in research and development to fully utilize the flexibility of our solutions and successively expand near-zero technologies in both our own and our customers’ operations.

Build a resilient & low carbon supply chain through extensive collaboration with suppliers

This collaboration aims to assess the sustainability performance of INNIO’s suppliers through proactive ratings and evaluations using EcoVadis’ methodology. So far, this assessment enables us to gain a clearer view of INNIO’s suppliers, evaluate them, and promote responsible business practices throughout the supply chain. On the other side we gain important insights into challenges and collaboration opportunities to jointly decarbonize the value chain.

To formalize joint commitments, INNIO requested that our suppliers set ESG-related and carbon reduction goals. During INNIO’s annual Supplier Conference, the VP of Procurement commended suppliers that have made outstanding sustainability efforts and carbon reduction achievements. The goal was to inspire and assist other suppliers to join in with green actions to share carbon reduction measures and to set ambitious energy conservation goals. INNIO aims to further engage with suppliers and achieve the sustainable target of suppliers committing to 50% GHG reductions by 2030 and committing to net-zero by 2050, conserving approximately 30-40,000 tons of CO₂ annually.
Risk Management
INNIO follows a holistic enterprise risk management approach that integrates financial, operational, and strategic risks as well as potential ESG risks, including physical and transition climate risks that could represent negative consequences to operations and financial results.

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 chair of the SRB reported to the Executive Board the outcome of the initial TCFD alignment workshop and potential climate change risks and opportunities. The Risk Committee agreed to continue work on the evaluation of the identified climate change risks and opportunities and the assessment of their impact on the company.

Throughout our risk identification and management mechanism, the Risk Committee 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, the Committee 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 2021 INNIO continued to implement benchmark practices for calculating and reducing our Scope 1, 2, and 3 GHG emissions. To be more specific, we 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. We also conducted our first 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 in order to focus on meaningful and impactful efforts towards INNIO’s sustainability goals.

By continuing tangible initiatives and implementing projects, INNIO has effectively reduced about 4,000 metric tons of direct CO2e emissions (Scope 1) in comparison to 2019. Indirect emissions (Scope 2), caused by energy consumption, also were curbed in comparison to 2019 by approximately 4,500 metric tons CO2e due to plant efficiencies. Indirect emissions⁶¹ (Scope 3) also have decreased significantly since 2019 by approximately 20,000 metric tons of CO2e.

Future Plans
Our short-term climate change-related plans include the expansion of the climate risks and opportunities assessment including a scenario analysis. Conducting a scenario analysis for two different temperature pathways can help us with the structured exploration of different possible futures and the integration of the potential outcomes into INNIO’s future strategy and financial planning.

We acknowledge that full TCFD scenario planning is an ongoing process, and INNIO will focus on strengthening the efforts in these respects in the following non-financial reporting cycles.

“Sustainability isn’t something that can only be driven by activists.”

― Ryan Ulrich  Inventory Manager, INNIO Waukesha

⁶¹ The Scope 3 emissions reductions between 2021 and 2019 regard the following Scope 3 components: Purchased goods, fuel, indirect, upstream and downstream transportation, waste, and employee commuting. Comparison for business travel and use of sold products is not possible since 2021 is the first year that INNIO included these Scope 3 components in our carbon footprint assessment.
## KEY PERFORMANCE INDICATORS

### SUSTAINABILITY KEY PERFORMANCE INDICATORS

#### Financial Information

<table>
<thead>
<tr>
<th>Availability of information</th>
<th>Unit</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>EUR (in million)</td>
<td>1,426</td>
<td>1,331</td>
<td>1,468</td>
</tr>
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</table>

#### Board Effectiveness

<table>
<thead>
<tr>
<th>Availability of information</th>
<th>Unit</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Board meeting attendance</td>
<td>Rate (%)</td>
<td>93%</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Minimum attendance of members required</td>
<td>Rate (%)</td>
<td>57%</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Board average tenure</td>
<td>Months</td>
<td>15 (range 3-33 months)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

### Compliance

<table>
<thead>
<tr>
<th>Availability of information</th>
<th>Unit</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area</td>
<td>Group level</td>
<td>No.</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total monetary value of significant fines</td>
<td>Group level</td>
<td>€</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total number of non-monetary sanctions</td>
<td>Na.</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cases brought through dispute resolution mechanisms</td>
<td>Na.</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### Cybersecurity

<table>
<thead>
<tr>
<th>Availability of information</th>
<th>Unit</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of security incidents</td>
<td>Group level</td>
<td>No.</td>
<td>0</td>
<td>n/a</td>
</tr>
</tbody>
</table>

### Supply chain management

<table>
<thead>
<tr>
<th>Availability of information</th>
<th>Unit</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage (%) of new suppliers that were screened using environmental criteria</td>
<td>Group level</td>
<td>Rate (%)</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Percentage (%) of new suppliers that were screened using social criteria</td>
<td>Group level</td>
<td>Rate (%)</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Number of suppliers assessed for environmental impacts</td>
<td>No.</td>
<td>173</td>
<td>323</td>
<td>62</td>
</tr>
</tbody>
</table>

---

Data regarding workforce, new employee hires, employee turnover, women in leadership, gender and target nationalities are generated from our HR system. Environmental, Health & Safety (EHS) data regarding accidents, fatalities, near misses, energy consumption, waste generated, water and spills are reported through our Integrated Management System (IMS) based on submitted data from reporting entities within INNIO. Our IMS system meets the ISO 14001, ISO 50001, ISO 9001, ISO 45001 standards, ensuring a comprehensive and consistent approach in handling environmental and health & safety aspects, and is validated via regular (at least annual) internal audits and online trainings. The EHS data have been calculated following GRI methodology.
<table>
<thead>
<tr>
<th>Supply chain management</th>
<th>Availability of information</th>
<th>Unit</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of suppliers identified as having significant actual and potential negative environmental impacts</td>
<td>No.</td>
<td>8</td>
<td>6</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Significant actual and potential negative environmental impacts identified in the supply chain</td>
<td>No.</td>
<td>14</td>
<td>15</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Percentage (%) of suppliers identified as having significant actual and potential negative environmental impacts—improvements agreed upon as a result of assessment</td>
<td>Rate (%)</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Percentage (%) of suppliers identified as having significant actual and potential negative environmental impacts—relationships terminated</td>
<td>Rate (%)</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Number of suppliers assessed for social impacts</td>
<td>No.</td>
<td>173</td>
<td>323</td>
<td>62</td>
<td></td>
</tr>
<tr>
<td>Number of suppliers identified as having significant actual and potential negative social impacts</td>
<td>No.</td>
<td>8</td>
<td>5</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Significant actual and potential negative social impacts identified in the supply chain</td>
<td>No.</td>
<td>25</td>
<td>17</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Percentage (%) of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment</td>
<td>Rate (%)</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Percentage (%) of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated</td>
<td>Rate (%)</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Workforce&lt;sup&gt;33&lt;/sup&gt;</th>
<th>Availability of information</th>
<th>Unit</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
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<tbody>
<tr>
<td>Employee headcount</td>
<td>No.</td>
<td>3,903</td>
<td>3,599</td>
<td>3,023</td>
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<tr>
<td>Full-time equivalent (FTE)</td>
<td>No.</td>
<td>3,889</td>
<td>3,354</td>
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<tr>
<td>Permanent</td>
<td>No.</td>
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<td>3,411</td>
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<tr>
<td>Temporary</td>
<td>No.</td>
<td>225</td>
<td>188</td>
<td>n/a</td>
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<tr>
<td>Male</td>
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<tr>
<td>Permanent</td>
<td></td>
<td>3,252</td>
<td>2,991</td>
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<td>Temporary</td>
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<td>3,061</td>
<td>2,837</td>
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<tr>
<td>Full-time</td>
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<td>191</td>
<td>161</td>
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<tr>
<td>Part-time</td>
<td></td>
<td>3,113</td>
<td>2,734</td>
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</tr>
<tr>
<td>Female</td>
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<td>Permanent</td>
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<td>Temporary</td>
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<td>103</td>
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<tr>
<td>Full-time</td>
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<td>498</td>
<td>467</td>
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<tr>
<td>Part-time</td>
<td></td>
<td>153</td>
<td>107</td>
<td>n/a</td>
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<tr>
<td>By region (and employment contract)</td>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Europe</td>
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<td>Permanent</td>
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<td>3,228</td>
<td>2,938</td>
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<td>2,764</td>
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<td>Americas</td>
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<td>Temporary</td>
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<tr>
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<td>Other</td>
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<td>Permanent</td>
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<td>2</td>
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</tr>
</tbody>
</table>

<sup>33</sup> Workforce data include all INNIO employees, excluding contractors. INNIO’s workforce is not subject to any seasonal variations.
### Workforce

<table>
<thead>
<tr>
<th>Race</th>
<th>Employees located in the U.S. &amp; Canada</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian</td>
<td></td>
<td>47</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Black or African American</td>
<td></td>
<td>10</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Hispanic or Latino</td>
<td></td>
<td>36</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>White</td>
<td></td>
<td>284</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Indigenous/Native</td>
<td></td>
<td>1</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Other: Two or more</td>
<td></td>
<td>4</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

### New employee hires

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Employees located in the U.S. &amp; Canada</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;30 years</td>
<td></td>
<td>127</td>
<td>120</td>
<td>n/a</td>
</tr>
<tr>
<td>30–50 years</td>
<td></td>
<td>176</td>
<td>278</td>
<td>n/a</td>
</tr>
<tr>
<td>&gt;50 years</td>
<td></td>
<td>44</td>
<td>46</td>
<td>n/a</td>
</tr>
</tbody>
</table>

### Employee turnover

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Employees located in the U.S. &amp; Canada</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;30 years</td>
<td></td>
<td>82</td>
<td>95</td>
<td>n/a</td>
</tr>
<tr>
<td>30–50 years</td>
<td></td>
<td>229</td>
<td>254</td>
<td>n/a</td>
</tr>
<tr>
<td>&gt;50 years</td>
<td></td>
<td>91</td>
<td>210</td>
<td>n/a</td>
</tr>
</tbody>
</table>

### Health & Safety

<table>
<thead>
<tr>
<th>Number of fatalities as a result of work-related injury</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate (%)</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

### Key Performance Indicators

#### Employee turnover

<table>
<thead>
<tr>
<th>By region</th>
<th>Group level</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td></td>
<td>290</td>
<td>233</td>
<td>n/a</td>
</tr>
<tr>
<td>Americas</td>
<td></td>
<td>104</td>
<td>319</td>
<td>n/a</td>
</tr>
<tr>
<td>Asia</td>
<td></td>
<td>6</td>
<td>7</td>
<td>n/a</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>2</td>
<td>0</td>
<td>n/a</td>
</tr>
</tbody>
</table>

#### Lost-time injury rate (LTIR)

<table>
<thead>
<tr>
<th>By region</th>
<th>Group level</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td></td>
<td>0.75</td>
<td>1.12</td>
<td>1.87</td>
</tr>
<tr>
<td>Americas</td>
<td></td>
<td>3.1</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Asia</td>
<td></td>
<td>3.75</td>
<td>5.6</td>
<td>n/a</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>0.75</td>
<td>1.12</td>
<td>1.87</td>
</tr>
</tbody>
</table>

---

33 The data regard the race self-identification provided voluntarily from the employees in US and Canada.
34 Currently, the health & safety data do not include contractors. The main work-related injuries for 2021 were contact with sharp objects, soreness, and slips. The numbers of hours worked for 2021 is 6,475,546.
35 The rate or recordable work-related injuries was calculated as such: (Number of recordable work-related injuries / Number of hours worked) * 200,000. The number of hours worked was calculated on such: 38.5 working hours per week * (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 2021 was 3,689.
36 NMFR = [number of close calls (near misses; near hits) identified * 200,000] / Number of hours worked for all employees
37 LTIFR = Number of lost-time injuries / (Total hours worked in accounting period) x 1,000,000
38 LTIR = Number of lost-time injuries / (Total hours worked in accounting period) x 200,000

---

The data regard the race self-identification provided voluntarily from the employees in US and Canada.
Currently, the health & safety data do not include contractors. The main work-related injuries for 2021 were contact with sharp objects, soreness, and slips. The numbers of hours worked for 2021 is 6,475,546.

The rate or recordable work-related injuries was calculated as such: (Number of recordable work-related injuries / Number of hours worked) * 200,000. The number of hours worked was calculated on such: 38.5 working hours per week * (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 2021 was 3,689.

NMFR = [number of close calls (near misses; near hits) identified * 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
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 tasks, 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.

Average training hours per employee\(^{39}\): Average training hours per employee\(^{39}\)

Percentage (% of total employees who received a regular performance and career development review:

Total number of employees provided to employees:

Total number of incidents of discrimination:

Non-discrimination

Environmental Compliance\(^{40}\)

Total monetary value of significant fines for non-compliance with environmental laws and/or regulations:

Total number of non-monetary sanctions for non-compliance with environmental laws and/or regulations:

Cases brought through dispute resolution mechanisms:

Materials

Total material usage:

Materials by type:

Percentage (% of recycled input materials:

Total energy consumption:

Consumption from non-renewable sources:

Natural gas

Consumption from renewable sources:

Hydro

Electricity consumption\(^{41}\):

Heat consumption:

Cooling consumption:

Steam consumption:

Electricity sold:

Steam sold:

Total energy consumption:

Consumption from non-renewable sources:

Natural gas

Consumption from renewable sources:

Hydro

Electricity consumption\(^{41}\):

Heat consumption:

Cooling consumption:

Steam consumption:

Electricity sold:

Steam sold:

GHI emissions\(^{40}\):

Scope 1 emissions:

Stationary combustion:

Scope 1 emissions intensity (CO\(_2\)e/tons of materials):

0.69 0.62 0.60

Scope 2 emissions (market-based):

Scope 2 emissions (location-based):

Scope 2 emissions intensity (CO\(_2\)e/tons of materials):

0.13 0.17 0.18

Scope 3 emissions\(^{42}\):

Use of products:

Purchased goods:

Fuel indirect (grey energy):

\(^{39}\) Average training hours per employee = Total number of training hours / Full-time equivalent

\(^{40}\) 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 tasks, 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.

\(^{41}\) Electricity consumption includes only electricity purchased and consumed. Electricity consumed from own generation is included in fuel consumption.

\(^{42}\) The energy-related data for our four main facilities (Jenbach, Kapfenberg, Waukesha, Welland) come from bills and onsite calculations based on the GRI methodology. For our offices, we made assumptions based on employee headcount. We used the conversion factors from the U.S. Environmental Protection Agency (EPA). Furthermore, we apply the corresponding emission factors to calculate emissions. INNIO reports Scope 3 emissions for all relevant categories. INNIO calculates emissions for both Scope 1 and 2 emissions. Estimates are used where primary data is not available and are based on employee headcount.
<table>
<thead>
<tr>
<th>GHG emissions</th>
<th>Availability of information</th>
<th>Unit</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upstream raw materials transport</td>
<td>Group level</td>
<td>Tons of CO₂e</td>
<td>4,760</td>
<td>3,519</td>
<td>4,793</td>
</tr>
<tr>
<td>Waste</td>
<td></td>
<td></td>
<td>1,170</td>
<td>1,718</td>
<td>1,816</td>
</tr>
<tr>
<td>Downstream product transport</td>
<td></td>
<td></td>
<td>2,104</td>
<td>1,804</td>
<td>2,531</td>
</tr>
<tr>
<td>Upstream leased assets</td>
<td></td>
<td></td>
<td>3,076</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Employee commuting</td>
<td></td>
<td></td>
<td>2,956</td>
<td>3,978</td>
<td>4,544</td>
</tr>
<tr>
<td>Business travel</td>
<td></td>
<td></td>
<td>280</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GHG emissions reductions</th>
<th>Availability of information</th>
<th>Unit</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1 &amp; Scope 2 emissions reductions</td>
<td>Group level</td>
<td>Tons of CO₂e</td>
<td>6,963</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Spills</th>
<th>Availability of information</th>
<th>Unit</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of recorded significant spills</td>
<td></td>
<td>No.</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Oil spills</td>
<td></td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Fuel spills</td>
<td></td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Spills of wastes</td>
<td></td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Spills of chemicals</td>
<td></td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Waste</th>
<th>Availability of information</th>
<th>Unit</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total waste generated</td>
<td>Group level</td>
<td>Tons</td>
<td>11,567</td>
<td>10,222</td>
<td>11,903</td>
</tr>
<tr>
<td>Waste diverted from disposal</td>
<td></td>
<td></td>
<td>9,915</td>
<td>10,038</td>
<td>8,536</td>
</tr>
<tr>
<td>Hazardous waste diverted from disposal</td>
<td></td>
<td></td>
<td>742</td>
<td>849</td>
<td>620</td>
</tr>
<tr>
<td>Hazardous waste for recycling</td>
<td></td>
<td></td>
<td>108</td>
<td>137</td>
<td>81</td>
</tr>
<tr>
<td>Non-hazardous waste diverted from disposal</td>
<td></td>
<td></td>
<td>8,589</td>
<td>8,242</td>
<td>9,206</td>
</tr>
<tr>
<td>Non-hazardous waste for recycling</td>
<td></td>
<td></td>
<td>8,179</td>
<td>7,980</td>
<td>8,437</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Water</th>
<th>Availability of information</th>
<th>Unit</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total water withdrawn</td>
<td>Group level</td>
<td>Megaliters (mL)</td>
<td>1,065</td>
<td>1,072</td>
<td>804</td>
</tr>
<tr>
<td>Sources of water withdrawn:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Groundwater</td>
<td></td>
<td></td>
<td>915</td>
<td>922</td>
<td>667</td>
</tr>
<tr>
<td>Third-party water</td>
<td></td>
<td></td>
<td>150</td>
<td>150</td>
<td>137</td>
</tr>
<tr>
<td>Total water discharge</td>
<td></td>
<td></td>
<td>1,030</td>
<td>765</td>
<td>576</td>
</tr>
<tr>
<td>Sources of water discharge:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Groundwater</td>
<td></td>
<td></td>
<td>915</td>
<td>660</td>
<td>490</td>
</tr>
<tr>
<td>Third-party water</td>
<td></td>
<td></td>
<td>115</td>
<td>105</td>
<td>86</td>
</tr>
<tr>
<td>Total water consumption</td>
<td></td>
<td></td>
<td>35</td>
<td>308</td>
<td>229</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Environmental certifications for operations</th>
<th>Availability of information</th>
<th>Unit</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISO 14001</td>
<td>Group level</td>
<td>Yes/No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>ISO 50001</td>
<td></td>
<td></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>ISO 9001</td>
<td></td>
<td></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>ISO 45001</td>
<td></td>
<td></td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

---

44 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.

45 Primary data is used to calculate water withdrawal, discharge and consumption where INNIO operates, and in some cases estimates where primary data is not available. Water withdrawal is based on data from utility bills from our largest sites. Estimates are used based on employee headcount.
04

114 Appendix 1: Enterprise Risk Management
116 Appendix 2: Detailed Materiality Assessment Process
117 Appendix 3: GHG Emissions Inventory
Effective risk assessment and management are essential aspects of our success. Besides the conventional risk types—such as market and financial risks, operational risks, and strategic risks—the management of non-financial risks is becoming increasingly important. Environmental, social, and governance (ESG), including climate and regulatory, 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, and evaluation and quantification of such risks occurs to provide comprehensive direction to mitigate potential exposures and safeguard value for the company, our employees, customers, suppliers, and financial stakeholders.

The purpose of holistic risk management is to address risk areas throughout the organization in a structured bottom-up review cycle, allowing for objective monitoring and control of various elements in the best interest of the organization without the potential conflict of interests coming from other business priorities.

Risk Identification & Risk Management
The identification of risks occurs through continuous monitoring of INNIO’s internal and external environment. We use structured risk identification techniques like workshops, continuous interviews with senior management, subject matter experts, and executives, as well as surveys and analyses of historical data. 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 following the TCFD Framework.

Regarding the risk management process, we use a bottom-up and top-down approach, providing a comprehensive risk profile of the organization. To be more specific, INNIO’s risk management process comprises five intertwined components.

Risk Identification and Assessment
INNIO’s risk management function is responsible for the identification of risks and issues that might affect our ability to achieve established goals and objectives. The goals and objectives of the departments and individual employees generally are aligned with the goals of the entire organization.

Strategy & Target-Setting
INNIO’s Executive Committee 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 Control & Communication
INNIO’s risk management function is responsible for the identification of risks and issues 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, reduced, shared, 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 & Revision
To ensure that risks are effectively assessed and appropriate risk responses and controls are in place, we perform regular assessments and internal reviews of our risk management processes. Our risk management function and business unit management monitor the effectiveness of the risk mitigation activities and report the results of the assessment to the Executive Board and other senior leaders.

Risk Control & Communication
Appropriate communication channels are in place to help ensure that business leaders and employees are informed about the risks that fall into their area of responsibility. To ensure ownership of the identified risk, INNIO’s leadership team meets with the Executive Board and the Risk Committee on a regular basis.

INNIO’s Code of Conduct and other formal policies are in place providing 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 report anonymously potential violations of laws, regulations, or policies, or to raise concerns about safety, security, or ethical behavior.

Risk Governance & Oversight
INNIO’s Executive Board oversees the senior leadership’s management of risks. The Board meets regularly with the Risk Committee and other senior business leaders to discuss risk factors related to the Group.
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.

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 Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), industry associations such as the Mechanical Engineering Industry Association (VDMA.com), the Paris Agreement, and the United Nations Sustainable Development Goals (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 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 3, page 29. INNIO’s Sustainability team worked with specific functions and stakeholders on the review and refinement of the draft materiality matrix. The matrix was presented to the senior management team and the Sustainability Review Board and finally approved by the INNIO Board of Directors in August 2021.

**PHASE 4 — Disclosure, transparency & 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, and their level of significance to the business and stakeholders as well as our approach and performance on each material topic.

In 2021, INNIO, together with external expert consultants, reviewed our carbon footprint in line with the World Resource Institute Greenhouse Gas Protocol, the ISO 14064, and PAS 2060 corporate standards. The emissions listed in Graphs 5, 6, 7 (pages 61–63) cover more than 98% of the INNIO Group using the financial control approach.

All potential material sources of emissions were reviewed during the initial project scoping. To calculate INNIO’s carbon footprint, we included carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O) emissions, which are regulated under the Kyoto Protocol. Other GHGs are not relevant to our business and therefore have not been included in the assessment.

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.

As illustrated in Graph 6, INNIO conducted an extensive carbon assessment exercise, adding all relevant Scope 3 components for the year 2021. Furthermore, INNIO proceeded to advancements in the carbon methodology—mainly the use of actual data and the decrease of assumptions—leading to adjustments of some components’ results from previous disclosures. Graphs 5, 6, and 7 illustrate figures calculated using the same comprehensive methodology (pages 61–63).
GRI & UN SDG’S CONTENT INDEX

STATEMENT OF USE

INNIO Group has reported the information cited in this GRI content index for the period Jan. 1, 2021–Dec. 31, 2021 in accordance with the GRI Standards: Core option

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<th>GRI #</th>
<th>Disclosure</th>
<th>Report Contents or Explanation</th>
<th>UN SDG #</th>
<th>Page</th>
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<td>102-1</td>
<td>Name of the organization</td>
<td>INNIO Group Holding GmbH (&quot;About this Report&quot; section)</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>102-2</td>
<td>Activities, brands, products, and services</td>
<td>&quot;About INNIO&quot; section</td>
<td></td>
<td>14</td>
</tr>
<tr>
<td>102-3</td>
<td>Location of headquarters</td>
<td>Jenbach, Austria (&quot;About this Report&quot; section)</td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>102-4</td>
<td>Location of operations</td>
<td>&quot;About INNIO&quot; section</td>
<td></td>
<td>14</td>
</tr>
<tr>
<td>102-5</td>
<td>Ownership and legal form</td>
<td>Since the end of 2018, has been operating independently as a privately owned enterprise</td>
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<td>102-6</td>
<td>Markets served</td>
<td>&quot;About INNIO&quot;—&quot;Value Chain&quot;</td>
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<td>102-7</td>
<td>Scale of the organization</td>
<td>&quot;Sustainability Key Performance Indicators&quot; for net sales; reason for omission: INNIO treats total capitalization data</td>
<td>102–111</td>
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<td>102-8</td>
<td>Information on employees and other workers</td>
<td>&quot;Sustainability Key Performance Indicators&quot;</td>
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<td>102-9</td>
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<td>102-10</td>
<td>Significant changes to the organization and its supply chain</td>
<td>No significant changes occurred during 2021</td>
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<td>102-11</td>
<td>Precautionary principle or approach</td>
<td>&quot;Appendix: Enterprise risk management&quot;</td>
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<td>Membership of associations</td>
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<td>Statement from senior decision-maker</td>
<td>&quot;CEO Letter&quot;</td>
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<td>Key impacts, risks, and opportunities</td>
<td>&quot;TCFD: Climate risks &amp; opportunities&quot;</td>
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<td>Values, principles, standards, and norms of behavior</td>
<td>&quot;About INNIO&quot;—&quot;Purpose, Vision &amp; Mission&quot;</td>
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<td>Mechanisms for advice and concerns about ethics</td>
<td>&quot;Business Ethics&quot;</td>
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<td>102-18</td>
<td>Governance structure</td>
<td>&quot;Governance&quot;</td>
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<td>102-40</td>
<td>List of stakeholder groups</td>
<td>&quot;Stakeholder engagement &amp; materiality assessment&quot;</td>
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<td>102-41</td>
<td>Collective bargaining agreements</td>
<td>&quot;61% of INNIO employees are covered by collective bargaining agreements&quot;</td>
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<td>102-44</td>
<td>Key topics and concerns raised</td>
<td>&quot;Stakeholder engagement &amp; materiality assessment&quot;; &quot;Appendix: Detailed materiality assessment process&quot;</td>
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<td>102-45</td>
<td>Entities included in the consolidated financial statements</td>
<td>&quot;About this report&quot;: e.g., &quot;The data presented in the report is consolidated at Group level and covers 100% of business operations and 90% of global locations.&quot;</td>
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<td>Defining report content and topic boundaries</td>
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<td>Restatements of information changes in reporting</td>
<td>Any restatements or changes in comparison to INNIO’s previous report are clearly stated in the text</td>
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<td>No changes in reporting occurred in comparison to 2020 report</td>
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102-53 | Contact point for questions regarding the report | “About this report” | | 7
102-54 | Claims of reporting in accordance with the GRI standards | Core option | | 
102-55 | GRI content index | - | | 
102-56 | External assurance | “Assurance statement” | 130–131 |
201-2 | Financial implications and other risks and opportunities due to climate change | “TCFD: Climate risks & opportunities” Reason of omission for 201-2 c.v.: INNIO treats this information as confidential. | 13 | 94–101
302-1 | Energy consumption within the organization | “Energy and Emissions” & “Sustainability Key Performance Indicators” | 7, 8, 12, 13 | 60–64, 102–111
406-1 | Incidents of discrimination and corrective actions taken | “Sustainability Key Performance Indicators” | 5, 8 | 102–111

**Technology and Innovation**

103 1-3 | Management Approach 2016 | “Technology and Innovation” | 50–54 |
Indicator: Coverage of H2 ready fleet | “Technology and Innovation” | 50–54 |

**Collaborating with customers for the long term**

103 1-3 | Management Approach 2016 | “Collaborating with customers for the long term” | 55–56 |
Indicator: Hours of engagement (trainings, workshops, seminars) of current distributors | “Collaborating with customers for the long term” | 55–56 |

**Analytics and digital solutions**

103 1-3 | Management Approach 2016 | Analytics and digital solutions | 56–57 |
Indicator: Number of connected | Analytics and digital solutions | 56–57 |

**Circular Economy & value chain**

103 1-3 | Management Approach 2016 | “Circular economy & value chain” | 57–59 |

301-2 | Recycled input materials used | “Circular economy & value chain” & “Sustainability Key Performance Indicators” | 8, 12 | 57–59, 102–111

**Energy & Emissions**

103 1-3 | Management Approach 2016 | “Energy & emissions” | 56–64, 102–111 |
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<td>308-1</td>
<td>New suppliers that were screened using environmental criteria</td>
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<td>Negative environmental impacts in the supply chain and actions taken</td>
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<td>New employee hires and employee turnover</td>
<td>Diversity and inclusion &amp; Sustainability Key Performance Indicators</td>
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<td>Percentage of employees receiving regular performance and career development reviews</td>
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<td>Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations</td>
<td>Business ethics &amp; Sustainability Key Performance Indicators</td>
<td>16 88–93, 102–111</td>
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**Community Engagement**

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<td>Management Approach 2016</td>
<td>Community engagement</td>
<td>86–87</td>
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<td>Indicator: Charitable donations (in €) from &quot;INNIO Volunteers&quot;</td>
<td>Community engagement</td>
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<th>Description, References</th>
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<td><strong>Energy Management</strong></td>
<td>RT-EE-130a.1</td>
<td>(1) Total energy consumed</td>
<td>Quantitative</td>
<td>Gigajoules (GJ)</td>
<td>Pages 102–111</td>
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<td>RT-EE-130a.1</td>
<td>(2) Percentage grid electricity</td>
<td>Quantitative</td>
<td>Percentage (%)</td>
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<td></td>
<td>RT-EE-130a.1</td>
<td>(3) Percentage renewable</td>
<td>Quantitative</td>
<td>Percentage (%)</td>
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<td><strong>Hazardous Waste Management</strong></td>
<td>RT-EE-150a.1</td>
<td>Amount of hazardous waste generated</td>
<td>Quantitative</td>
<td>Metric tons (t)</td>
<td>Pages 102–111</td>
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<td>Percentage recycled</td>
<td>Quantitative</td>
<td>Percentage (%)</td>
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<td>RT-EE-150a.2</td>
<td>Aggregate quantity of reportable spills</td>
<td>Quantitative</td>
<td>Number</td>
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<td></td>
<td>Quantity recovered</td>
<td>Quantitative</td>
<td>Kilograms (kg)</td>
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<td><strong>Product Safety</strong></td>
<td>RT-EE-250a.1</td>
<td>Number of recalls issued</td>
<td>Quantitative</td>
<td>Number</td>
<td>INNIO had zero recalls in 2021 and we had no monetary losses as a result of legal proceedings associated with product safety. Please also see pages 60–61 for product safety &amp; pages 102–111</td>
</tr>
<tr>
<td></td>
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<td>Total units recalled</td>
<td>Quantitative</td>
<td>Number</td>
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<td><strong>Fuel Economy &amp; Emissions in Use-phase</strong></td>
<td>RT-ID-410a.1</td>
<td>Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles</td>
<td>Quantitative</td>
<td>Gallons per 1,000 ton miles</td>
<td>INNIO is working on data analytics for disclosure of Scope 3 emissions from products and their life-cycles. We are not measuring sales-weighted fuel efficiency, but rather overall mechanical, electrical, and thermal product efficiencies. In addition, and specifically in relation to Code RT-ID-410a.4, we are not manufacturing any diesel equipment. Instead, we direct our investments towards research and development related to reciprocating engines that generate fewer direct emissions. Please also refer to &quot;energy transition in action.&quot;</td>
</tr>
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<td></td>
<td>RT-ID-410a.2</td>
<td>Sales-weighted fuel efficiency for non-road equipment</td>
<td>Quantitative</td>
<td>Gallons per hour</td>
<td></td>
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<td></td>
<td>RT-ID-410a.3</td>
<td>Sales-weighted fuel efficiency for stationary generators</td>
<td>Quantitative</td>
<td>Watts per gallon</td>
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<td>RT-ID-410a.4</td>
<td>Sales-weighted emissions of: (1) nitrogen oxides (NOx) and (2) particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) off-road medium- and heavy-duty engines, and (d) other non-road diesel engines</td>
<td>Quantitative</td>
<td>Grams per kilowatt-hour</td>
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### Topic Code Accounting metric Category Unit of Measure Description, References

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<td><strong>Materials Sourcing</strong></td>
<td>RT-EE-440a.1</td>
<td>Description of the management of risks associated with the use of critical materials</td>
<td>Discussion and analysis</td>
<td>n/a</td>
<td>“Appendix: Enterprise risk management” section</td>
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<td></td>
<td>RT-IG-440a.1</td>
<td>Revenue from remanufactured products and remanufacturing services</td>
<td>Quantitative Reporting currency</td>
<td>INNIO’s revenues from remanufacturing offerings have increased by approximately 25% since 2018.</td>
<td></td>
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<td><strong>Remanufacturing Design and Services</strong></td>
<td>RT-ID-440b.1</td>
<td>Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption</td>
<td>Quantitative Reporting currency (€)</td>
<td>Zero, &quot;Business Ethics&quot; pages 88–93</td>
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<tr>
<td><strong>Business Ethics</strong></td>
<td>RT-EE-510a.1</td>
<td>Description of policies and practices for prevention of: (1) corruption and bribery and (2) anticompetitive behavior</td>
<td>Discussion and analysis</td>
<td>n/a</td>
<td>&quot;Business Ethics&quot; pages 88–93</td>
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<tr>
<td></td>
<td>RT-EE-510a.2</td>
<td>Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption</td>
<td>Quantitative Reporting currency (€)</td>
<td>Zero, &quot;Business Ethics&quot; pages 88–93 &amp; pages 102–111</td>
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<tr>
<td></td>
<td>RT-EE-510a.3</td>
<td>Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations</td>
<td>Quantitative Reporting currency (€)</td>
<td>Zero, &quot;Business Ethics&quot; pages 88–93 &amp; pages 102–111</td>
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<td><strong>Employee Health &amp; Safety</strong></td>
<td>RT-ID-320a.1</td>
<td>(1) Total recordable incident rate (TRIR)</td>
<td>Quantitative Rate</td>
<td>Pages 102–111</td>
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<td>RT-ID-320a.2</td>
<td>(2) Fatality rate</td>
<td>Quantitative Rate</td>
<td>Zero, pages 102–111</td>
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<td></td>
<td>RT-ID-320a.3</td>
<td>(3) Near miss frequency rate (NMR)</td>
<td>Quantitative Rate</td>
<td>3.1</td>
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<tr>
<td><strong>Accounting Metrics</strong></td>
<td>RT-ID-000.A/</td>
<td>Number of units produced by product category</td>
<td>Quantitative Number</td>
<td>INNIO Group delivers more than 2 GW of newly installed base annually.</td>
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<td>RT-ID-000.A</td>
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<td>RT-ID-000.B/RT-ID-000.B</td>
<td>Number of employees</td>
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TCFD INDEX

Disclosure

Governance
Describe the Board’s oversight of climate-related risks and opportunities.

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.

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.

Risk Management
Describe the organization’s processes for identifying and assessing climate-related risks.

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.

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.

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.

Reference/ Report section

Please refer to “TCFD: Climate risks & opportunities” section.

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.

UN GLOBAL COMPACT INDEX

Global Compact Principle

Reference/ Report section
Sustainability Report reference

Principles 1 & 2
Businesses should support and respect the protection of internationally proclaimed human rights. Businesses should make sure that they are not complicit in human rights abuses.

Labor & human rights policy, Supplier Code of Conduct
"Business Ethics" section

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
"Business Ethics," "Human Rights & Community Development," and "Sustainable Supply Chain" sections

Principles 4 & 5
Businesses should uphold the elimination of all forms of forced and compulsory labor.

Businesses should uphold the effective abolition of child labor.

Labor & human rights policy, Supplier Code of Conduct
"Business Ethics" and "Sustainable Supply Chain" sections

Principle 6
Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Labor & human rights policy, Diversity, Equity & Inclusion policy
"Business Ethics" and "Diversity and Inclusion" sections

Principle 7
Businesses should support a precautionary approach to environmental challenges.

Environmental Policy
"Energy and emissions" & "Resource management" sections

Principle 8
Businesses should undertake initiatives to promote greater environmental responsibility.

Environmental Policy

Principle 9
Businesses should encourage the development and diffusion of environmentally friendly technologies.

Quality Policy, Environmental Policy
"Energy transition in action" and "Technology & Innovation" sections

Principle 10
Businesses should work against corruption in all its forms, including bribery and bribery.

Code of Conduct, Supplier Code of Conduct
"Business Ethics" section
INNIO Group Holding GmbH, Jenbach
Independent Assurance Report on the Non-financial Report in line with the GRI Standards as of 31 December 2021

To
The Management Team
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 in line with the GRI Standards

We have performed an independent limited assurance engagement on the combined consolidated non-financial report (“NFI report”) for the financial year 2021, which has been published as the Sustainability report 2021 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 Company’s NFI report is not in accordance with the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards) Option “Core” 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 applies the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards) Option “Core” 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 “Core” 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 account 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 employee 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 survey performed on a sample basis at the Jenbach site, Austria;
- Analytical evaluation of the data and trend of quantiative disclosures regarding the GRI Standards listed in the GRI-Index, submitted by all locations for consolidation at the group level;
- Evaluation of the consistency and application of the GRI Standards, Option “Core” 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.

ESG ASSURANCE

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TO THE MANAGEMENT TEAM
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 that 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.

**KPMG Austria GmbH**
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Michael Nayer
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

Jenbach, 20 June, 2022
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, INNIO offers 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. We are individual in scope, but global in scale. With our flexible, scalable, and resilient energy solutions and services, we are enabling 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 3,500 experts provides life-cycle support to the more than 54,000 delivered engines globally through a service network in more than 80 countries.

INNIO has received recognition by ESG rating agencies for our sustainability efforts. The rating of “Low risk level” from Sustainalytics* ranks the INNIO Group number one in the Machinery industry, and INNIO Jenbacher received the Gold Medal from EcoVadis.

For more information, visit INNIO’s website at www.innio.com. Follow INNIO on Twitter and LinkedIn.

* as of February 2022