Moving energy forward

INNIO

Sustainability & Environmental, Social, and Governance (ESG) Policy

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About this policy

The aim of this policy is to structure and formalize general processes around the Environmental, Social, and Governance (ESG) topics within INNIO Group. It provides a conceptual framework for sustainability governance, goal-setting, and the approach to specific material topics —including GHG inventory, KPIs and measurements, and stakeholder learning, training, and communication. The role of this policy is to provide general direction and guidance in an ever-evolving global sustainability environment.

Sustainability at INNIO

At INNIO, we recognize that the growth of the global economy and the industrialization that has accompanied this growth are directly impacting the future of our planet. For this reason, sustainability—and its environmental, social, and governance (ESG) considerations—plays a central role in everything we do. We strive to be a leader in sustainability with the aim of fulfilling our responsibility as a corporate citizen and pursuing a path toward a sustainable future.

As we take steps to minimize our impact on the environment, we are focused on doing business in an ethical, compliant, and socially responsible manner, putting the health and safety of our employees as our top priority, and respecting human rights and employment best practices. We also are respectful of the communities and cultures in which we collaborate and engage. INNIO's ESG goals are key to our vision and mission, namely, to accelerate the energy transition to make a decarbonized world a reality.

Furthermore, INNIO commits to global frameworks such as the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, the United Nations Guiding Principles for Business and Human Rights, the International Labor Organization (ILO), and the Responsible Minerals Initiative (RMI). Finally, we formally support and align INNIO's strategy and operations with the 10 universal principles of the United Nations Global Compact (UNGC) related to human rights, labor, environment, and anti-corruption, and we take actions that advance societal goals and the implementation of the United Nations Sustainable Development Goals (UN SDGs). Since joining UNGC in 2021, we aim to regularly communicate on our progress and issue annual non financial disclosures. INNIO also participates in other local and international sustainability networks and workgroups.

INNIO's ESG goals

Based on collaborative discussion with stakeholders along the INNIO value chain, we decided to set specific ESG goals and priorities and to assign timelines to successfully realize progress. We took 2020 as a baseline year.

INNIO's sustainability priorities and goals are grouped into three strategic focus areas that capture our most material impacts and opportunities:

- "Low Carbon & Circular Products"
- "Resilient Supply Chain & Manufacturing"
- "Responsible Operations & Social Responsibility"

INNIO's sustainability goals can be found on page 5 of this policy. All three pillars are underpinned by good governance and sound, transparent ethical and compliance standards such as INNIO's Code of Conduct, Labor & Human Rights Policy, and Anti-Corruption and Trade Compliance guidelines, just to name a few.

Details of our sustainability goals and their timelines are published in INNIO's annual Sustainability Reports, which are publicly available on **innio.com.**

To ensure ownership and accountability for the goals and respective initiatives, the sustainability review board together with functional leaders identifies experts and workgroups who manage specific sustainability projects. Progress towards goals is regularly measured and reported in our annual disclosures.

Our goals are subject to annual review with the aim of maintaining high transparency on progress, ensuring alignment with the level of realized achievements and realistic timelines.

Strategic pillar	Target	Year	Status
Low carbon and circular products	All new Jenbacher engines are 'Ready for H_2.' Engines can be offered with the option to operate with up to 25% (vol) H_2 in the pipeline gas. All Type 4 engines are available for 100% H_2 operations. The next flagship customer projects will be commissioned with 100% hydrogen operation.	2022	This goal has been successfully achieved.
	Beginning in 2025, INNIO Group's entire Jenbacher product line is expected to be rolled out for 100% hydrogen operation. Fleet upgrades will be available to transform most of the already installed engines into a 100% hydrogen engine on site.	2025	Engine data sheets for 100% H_2 operation are available for all platforms, with more than 500 kW—Series 4, 6, and 9.
	All Jenbacher products will be available with a 90% reduction in methane emissions compared to today's regulatory limits (44. BImschV).	2030	Initiatives are being implemented so that all Jenbacher products emit 90% less methane than current regulatory limits (44. BImSchV) allow.

Strategic pillar	Target	Year	Status
Low carbon and circular products	New products and components are designed for circularity.	ongoing	New – replacing: All new products and/or components will be made with materials that will be in total (> 90% weight) reusable, remanufacturable, reclaimed, or recycled.
	Year-on-year increase in the proportion of recycled content (by weight) in our metallic components.	ongoing	New – replacing: All new products and/or components will be made with materials that will be in total (> 90% weight) reusable, remanufacturable, reclaimed, or recycled. Actual percentage increase will be defined at the beginning of the respective reporting year, starting with 2026.
	Year-on-year increase in the proportion of reUp parts (by weight) used in reUp engines.	ongoing	New – replacing: All new products and/or components will be made with materials that will be in total (> 90% weight) reusable, remanufacturable, reclaimed, or recycled. "reUp" refers to remanufactured engines and includes reused, repaired, refurbished and remanufactured components.
Resilient supply chain and manufacturing	Suppliers covering 80% of spend must receive a reputable ESG rating—by 2023 for direct suppliers and by 2025 for indirect suppliers.	2023 & 2025	This goal has been successfully achieved.
	The 50% reduction in Scope 1 and Scope 2 greenhouse gas (GHG) emissions (vs. 2020 base) will be fully implemented.	2030	This goal is under review in light ofevolving legal requirements, international standards, and business growth.
	Suppliers covering 80% of direct and indirect spend must commit to net zero by 2050.	2030	More than 80% of our suppliers committed (spend-wise) to a 50% reduction in GHG by 2030, and this criterion is part of the supplier performance. In 2026, we will begin to focus on the net-zero commitment in the supply chain.
Responsible operations and social responsibility	Zero serious injuries for all employees and contractors.	ongoing	INNIO's Health & Safety approach supports the ongoing goal of zero serious incidents through safe workplaces and clear procedures.
	A 25% increase of identified diversity groups across functions is planned, compared to the 2020 baseline.	2025	By the end of 2025, INNIO Group increased the representation of identified diversity groups across functions from 17% in 2020 to 19% in 2025. Although this reflects a 12% improvement—below the planned 25%—we will continue to monitor our progress closely and adjust future goals accordingly.
	People leadership diversity will continue to develop.	2030	This goal is continuously pursued in accordance with our Inclusion & Belonging Policy.

All of INNIO Group's goals are underpinned by governance, business ethics, and transparency.

UN SDGs

Sustainability governance

At INNIO, we understand that successful innovation and progress require collaboration of various stakeholders, along the entire value chain, such as our employees, management teams, suppliers, customers, and subject matter experts, to name just a few.

Governance requires a transparent, systematic, and informed approach to align our activities with key ESG frameworks, sustainability reporting standards, regulations, or norms. Moreover, we must remain focused on the progress, ambitions, goals, and effective management of risk and opportunities.

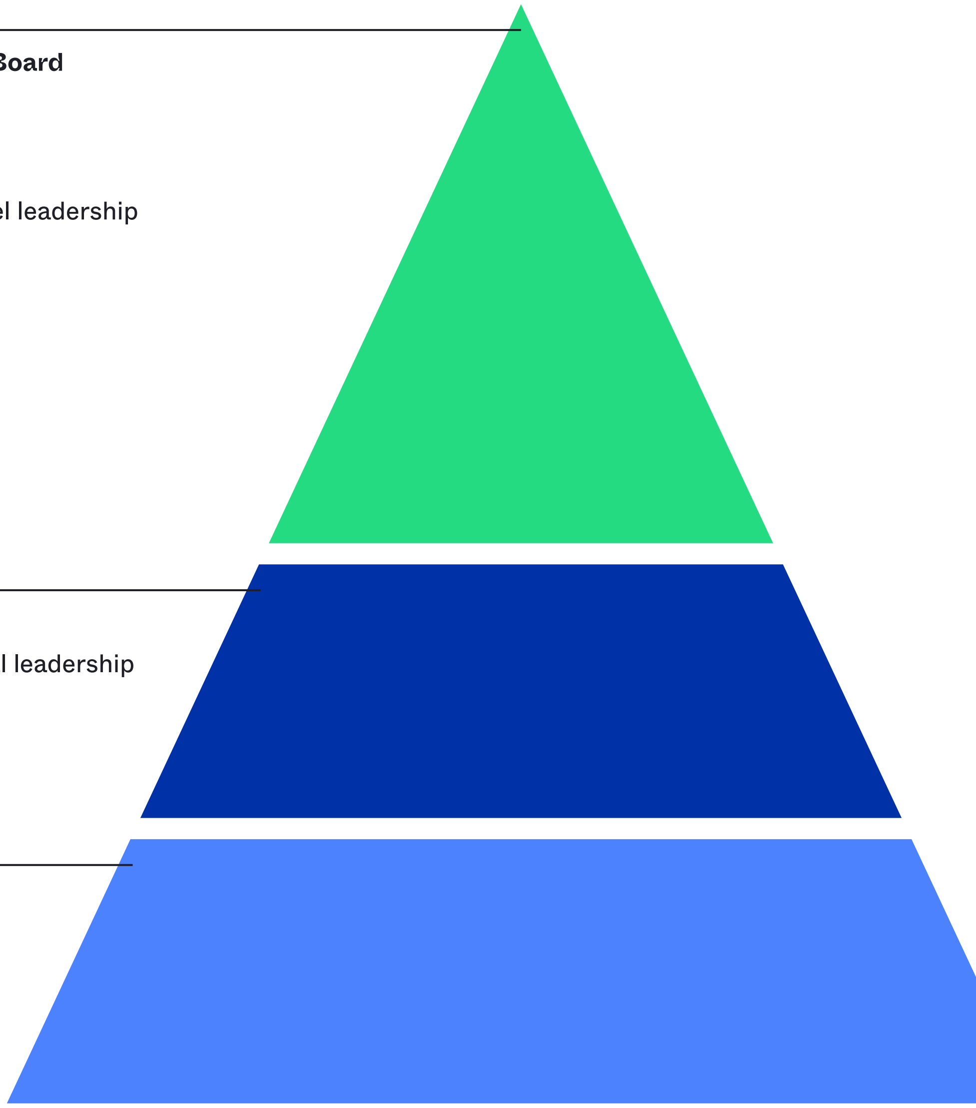
To coordinate ESG tasks and agenda, INNIO established a Sustainability Review Board (SRB), a dedicated ESG decision-making center after the INNIO Executive Board. The SRB is being led by the Vice President Group Sustainability and it is tasked with the overall strategy and coordination of sustainability activities as well as measurement—through key performance indicators (KPIs)—and progress reporting. The SRB, together with the Group Sustainability department, engage in dialogue with stakeholders, academia, external advisors, and various local and international workgroups in order to exchange practices, promote dialogue on sustainable progress and ensure access to specific thematic updates and knowledge sharing.

SRB, together with various business teams and stakeholder groups, is responsible for identifying and managing ESG-related material issues, risks, and opportunities as well as establishing short-, medium-, and long-term ESG goals, enabling mutual alignment between INNIO's ESG and overall entrepreneurial strategy. The SRB meets regularly and provides updates to the Executive Board. In addition, the SRB works on the integration of climate-related information in accordance with the guidelines, assessing the impacts of climate change on our business—and our business on climate change. Day-to-day activities related to ESG and sustainability agenda, initiatives, projects, and analytics are tasked to the Group Sustainability Department, a standalone corporate team.

ESG Governance

INNIO is dedicated to making progress across the spectrum of ESG categories, taking into account material topics and specific areas of material impact. Our sustainability goals are aligned across three strategic pillars: Low-carbon and circular products; Resilient supply chain and manufacturing; Responsible operations and social responsibility. In order to prioritize the initiatives and enable capacity to work on specific topics with higher impact, the SRB initially established a number of working groups dedicated to multiple areas. These specific groups are equipped with functional and technical know-how and meet regularly to address specific identified areas of impact, manage project plans, and work on agreed initiatives with specific sub-goals, which are then aligned with the overall ESG goals of INNIO Group.

INNIO's Sustainability Governance is summarized in the illustration below:



Group ESG Update to the Executive Board

- Strategy implementation
- Key achivements & highlights
- Outlook
- Group-wide report-out to the C-level leadership
- Strategy discussions
- Key objectives & approvals

Sustainability Review Board (SRB)

- Strategic alignement with functional leadership
- Tactical/operational update
- Project review/escalations

SME Working Groups

- Topic specific workgroups
- Project steer-cos
- SME deep dives

Greenhouse gas inventory management

The accounting of our direct and indirect greenhouse gas emissions—and thus their allocation to the individual categories (scopes)—is carried out in accordance with the standards of the Greenhouse Gas Protocol (GHG Protocol) of the World Resource Institute (WRI). To calculate INNIO's carbon footprint, we included carbon dioxide (CO_2), methane (CH_4), and nitrous oxide (N_2O) emissions, which are regulated under the Kyoto Protocol, in metric tons of CO_2-equivalents.

Direct emissions (Scope 1) include those emissions that arise from the use of fossil primary energy sources to generate electricity and heat by INNIO. For this purpose, the CO_2 emissions are calculated using the standard calorific value and the standard emission factors from the national greenhouse gas inventories.

Indirect emissions (Scope 2) include those emissions that arise from the use of purchased fossil secondary energy sources for our own consumption of electricity. In accordance with the GHG Protocol methodology, we report our Scope 2 emissions using two approaches, the location-based and the market-based approach. With the location-based approach we use the country-specific CO_2 factors for the calculation, with the market-based approach we calculate the emissions based on CO_2 factors that correspond to the respective energy mix of the electricity provider.

Other indirect emissions as part of Scope 3 include emissions that are linked to following categories:

- 3.1 Purchased goods
- 3.2 Capital goods
- 3.3 Fuel and energy related activities
- 3.4 Upstream transportation & distribution
- 3.5 Waste generated in operations
- 3.6 Business travel
- 3.7 Employee commuting
- 3.8 Upstream leased assets
- 3.9 Downstream transportation & distribution
- 3.11 Use of sold products

INNIO's carbon footprint covers more than 98% of the INNIO Group, using the financial control approach. For the calculation, we used actual data, including data from databases, such as ecoinvent, and provided by suppliers or other value chain partners. In some cases, model-based assumptions were made. To be more specific, in some of our office locations where data was not available, emissions from natural gas, electricity, and waste generation were estimated based on employee headcount at each location. One of INNIO's sustainability goals is a 50% reduction of Scope 1 and 2 GHG emissions (vs. 2020 base) by 2030. Therefore, INNIO Group has currently committed to the SBTi for developing an ambitious CO_2 reduction pathway in accordance with climate science. The reduction pathway also includes Scope 3 GHG emissions.

Learning and development

Trainings and learning play a central role in creating awareness and building professional and structured approach to ESG and sustainable development within our organization but also along the value chain. INNIO's educational digital platform, MyLearning, offers, among others, specific ESG & Sustainability training, which is available to all employees at INNIO.
INNIO also uses other channels for regular educational exchange with customers, suppliers, sustainability organizations, Academia, or external experts. Our goal is for our employees to have access to relevant and up-to-date curriculums, which enable responsible operations and innovation.

Restatements of information

At INNIO, we aim to provide accurate, transparent, and evidence-based information, while presenting INNIO's non-financial disclosures and/or while describing ESG related topics or claims. High quality of data and increased analytical coverage are of key importance for data management and accountability and measurability of ESG progress. INNIO monitors and strives to improve data sources (e.g. shifting from secondary to primary data wherever possible and feasible), apply latest methodology and support auditability. To support these processes, we might restate in newer versions of our non-financial reports, some previously communicated data points to align them with the latest procedural status.

Examples of data restatements might include scenarios such as: errors in previous reporting cycles, changes in definitions and methodologies, acquisitions and disposals, new business fields, change of base year and others having impact of the quantitative or qualitative description of a given data point(s).

Should a restatement occur, it will be accompanied by a reasonable description and illustration of steps taken to make such restatement.

Related policies

INNIO's policies underpin our approach to a sustainable business and help us manage a wide range of issues.

- → Code of Conduct
- → Labor and Human Rights Policy
- → Anti-Discrimination and Anti-Harassment Policy
- → Quality Policy
- → Conflict Minerals Policy
- → Supplier Code of Conduct
- → INNIO IMS Policy

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