

Sustainability Report

2016



innogy



About the Report

The Sustainability Report 2016 of innogy SE is aimed at an audience of key stakeholders, such as analysts, investors, customers, suppliers, non-governmental organisations (NGOs), policymakers and government agencies. The report is also intended for its workforce and anyone else interested in its activities.

This report is used to explain the social, environmental and economic challenges facing our core business. Potential conflicts of interest are outlined, and we present the measures that we have developed in the area of Corporate Responsibility (CR).

The report, based on the latest version (G4) of the Guidelines of the Global Reporting Initiative (GRI), was prepared in conformity with the option "in accordance"-core. This means that it was subjected to an analysis of the topics relevant to our business (materiality). It also takes into account the specific GRI requirements for the electric utilities industry ("G4 Electric Utilities Sector Disclosures"). This "Sustainability Report 2016" was available for the implementation of the GRI Materiality Disclosure Service. The correct positioning of the "G4 materiality disclosures" (G4-17 – G4-27) was confirmed by GRI.

The reporting period is fiscal year 2016 (1 January to 31 December). The data provided in this report relate to all affiliates of innogy SE that are consolidated in the innogy Annual Report. Any deviations from this are clearly pointed out. Wherever available, the comparative values from 2015 are given. However, innogy SE was only established recently so that these values were not always available. The financial data are taken from the innogy Annual Report 2016. They are expressed in the relevant national currency and were converted based on the average annual values for 2016 (1 US dollar = € 0.91, 1 UK pound sterling = € 1.22, 100 Czech crowns = € 3.70, 100 Hungarian forints = € 0.32, 1 Polish zloty = € 0.23).

All the data in this report relate to the innogy Group. Where the report refers to the RWE Group as a whole (entire Group), the values relate to the consolidated figures of the entire RWE Group.

Editorial references

This report is published in German and English. The editorial deadline was on 24 February 2017. The report is published annually in spring.

Forward-looking statements

This report contains forward-looking statements. These statements reflect the current views, expectations and assumptions of the Management, and are based on information currently available to the Executive Board. Such forward-looking statements involve risks and uncertainties and do not guarantee future results, performance and developments. Actual results, performance or developments may therefore differ materially from the expectations and assumptions described in such statements owing to a wide range of factors. In particular, these factors include changes in the general economic situation and the competitive environment. Developments in financial markets, currency fluctuations and changes in national and international laws and regulations, particularly with respect to tax laws and regulations, and other factors may also influence the company's future results and developments. The company and its affiliates assume no obligation to update any forward-looking statements in this report.

The following symbols in this report indicate:

-  References to content in this reports
-  References to online content
-  Externally verified content

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Sustainability
secures our future.
We think long-term.





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General Standard Disclosures

Strategy and Analysis

G4-1 Statement from the organisation's most senior decision-maker

Dear readers,

Following the successful initial public offering in October 2016, we are now presenting our first Sustainability Report for innogy SE. The most important issue at the outset is that innogy is committed to sustainable energy, responsibility and transparency.

innogy is our response to the changing environmental awareness in our society with regard to the future requirement for sustainable, renewable energy provision. We embrace the targets of the energy transition and intend to implement them as corporate values. Economic success and corporate responsibility go hand in hand in our business model.

Corporate misconduct has more far-reaching consequences in a globalised and networked world than ever before. This gives rise to responsibility which we meet with transparency. Investors, employees, politicians, neighbours and the general public – essentially all our stakeholders – need to be aware of how we act and what our plans are for the future. Ultimately, our objective is to look beyond the horizon of our quarterly figures, and indeed, it is our obligation to do so. Moreover, in this process we have to make sure that we take future generations into account.

The principal issue for innogy is about promoting the expansion of renewable energies and integrating them intelligently within our existing energy system. Our customers are at the centre of this transition. They need to benefit from decarbonisation, decentralisation and digitalisation of the energy world in very practical terms. We want to contribute to this by developing products that conserve resources and are also user-friendly. However, consistent environmental management is also a key concern in our operations and plants. This relates to high standards of environmental protection and occupational safety along the entire supply chain and also applies to our suppliers. And, of course, our employees play a key role here. Our approach to engaging with our workforce clearly demonstrates how seriously we take our stated values.

This report presents our achievements through facts and figures. We also outline our goals and the measures we have taken. We define three focuses based on our business model:

Our objective is to drive forward the expansion of renewable electricity generation. innogy is focused on conserving resources and reducing CO₂ emissions by all means possible. Our Division Renewables seeks to make savings from onshore and offshore wind turbines, in our solar business, and in our hydropower plants. This approach empowers us to make a contribution to climate protection and environmental conservation. We can chart a course for the long term and focus our efforts on creating an increasingly decentralised and renewable energy world.

Our Grid & Infrastructure Division operates powerful and very advanced electricity and gas distribution grids in Europe. These grids form the backbone of the energy transition. innogy recognised at an early stage that megatrends such as infrastructure digitalisation go hand in hand with the energy transition.

In the Retail Division innogy intends to depart from the beaten track on the supply side and adopt innovative new approaches. We no longer see our future role simply as a supplier, instead we would like to commit to our customers as a universal provider. Our ultimate goal is to make our customers' lives more comfortable and to support them with our products and services.

This Sustainability Report intends to provide an account of our actions and offer a perspective. It is based on the guidelines of the Global Reporting Initiative, the internationally acknowledged standard for a transparent sustainability report. We are also committed to the ten principles of the UN Global Compact. We champion human rights, the needs of employees, and environmental protection and are firmly opposed to corruption and bribery.

This interpretation of sustainable business is a unifying force throughout the innogy companies. It also provides a solid foundation for attaining our targets. Our aim is to create a sustainable energy system that makes the world a worthwhile place to live in for us and for future generations. We want to use radical innovations to lead the way in a dynamic market environment. Our intention is to inspire people – with solutions that surpass their expectations and needs.

We wish you an informative read and look forward to hearing about your ideas, suggestions and constructive criticism via  sustainability@innogy.com.

Yours,

Peter Terium



Chief Executive Officer of innogy SE

G4-2 Key impacts, risks and opportunities for sustainability

innogy is our response to the major trends that are ringing the changes in the energy sector worldwide, but particularly in Europe and Germany: decarbonisation, decentralisation and digitalisation. These trends result from technological developments, social currents, and relevant political objectives and regulations. The 2015 Paris Climate Agreement was a watershed which calls for a significant reduction in CO₂ emissions across the world.

innogy is creating the energy world of tomorrow with its three divisions Renewables, Grid & Infrastructure and Retail. innogy aims to integrate and implement its entrepreneurial responsibility in all its operational processes. This will create genuine value added for the company and all its stakeholders. Our declared objective is to be successful in energy markets and in this way contribute to sustainable development.

innogy believes that the opportunities arising from this approach outweigh the risks. By expanding and modernising grids and renewable energies, we are making a substantial contribution to sustainable development in our markets. We believe that the most important positive impact is the reduction in CO₂ emissions. This is welcomed by political circles as well as by non-governmental organisations (NGOs) and is increasingly becoming a high-profile issue. At the same time, the opportunities are immense provided that we succeed in finding common ground between the marketplace and society. We need to generate and supply energy in such a way as to meet society's requirements and aspirations: with low emissions, in accordance with demand and attendant benefits. The transition towards renewable energies is only the underlying platform for this. innogy was created to simplify customers' lives and enhance their quality of life. New digital solutions open up enormous opportunities for saving energy and for local energy generation which transforms consumers into producers.

Nevertheless, the construction and operation of our plants can also exert negative impacts, for example on the natural environment, the landscape and the animal world. The objective is to minimise this as far as possible in individual settings. The general public needs to be involved here with comprehensive opportunities for participation so that concerns and reservations can be taken into account as far as possible.

innogy also has an impact through its supply chain – even if this is only small. Our supply chain extends to developing countries where human rights and compliance with good working conditions cannot always be ensured.

A business risk is presented by the change in the regulatory framework for the energy markets in Europe. Volatile electricity prices and the significant capital expenditure still required to expand the generation infrastructure and grids are further limiting factors. A lack of financial success would put jobs at risk and cut capital expenditure in the expansion of renewable capacities. In addition, reputational risks are also involved, particularly if we fail to gain acceptance of expansion projects relating to renewable energies, potential incidents in the supply chain, or other events that run counter to sustainable corporate governance.

innogy Sustainability Programme 

Target	Indicator	Results	Link
GRI category: Economic Performance			
Guaranteed security of supply in energy generation and distribution	Fault-related non-availability not including acts of nature (System Average Interruption Duration Index, SAIDI)	In 2015, SAIDI was 15.1 minutes in our electricity distribution grid in Germany and 76.9 minutes per year and customer in our Eastern European companies.	 p. 43 – 44
Compliance with a high level of environmental and social standards by suppliers	Percentage Share of purchasing volume by Corporate Procurement including the  Code of Conduct is an element of the supplier relationship	In 2016, the level of coverage in the entire Group was 99.7%	 p. 40 – 42
GRI category: Environment			
Sustainable electricity generation from renewables	Electricity generation from renewable energies (billion kWh)	In 2016, we generated 10 billion kWh from renewable energies.	 p. 55 – 59
Protection of natural resources by firmly establishing environmental protection in business workflows	The level of coverage of employees by the environmental management system in percent	In 2016, the level of coverage of environmental management relating to employees amounted to 100%. Of this, around 31% was externally certified.	 p. 50 – 52
GRI category: Society			
Labour Practices and Decent Work			
Compliance with very high occupational safety standards	Frequency of accident-related absence (Lost Time Injury Frequency, LTI _F)	In 2016, the LTI _F was 2.1.	 p. 75 – 76
Increase in the proportion of women in management positions	Percentage of female management positions	At year-end 2016, the percentage was 16.2% (management level L1–L4).	 p. 80 – 82
Society			
Support for a sustainable development at the locations	Number of partaking employees of the corporate volunteering programme Companius	In 2016, about 1,750 employees of innogy and RWE carried out some Companius and "Aktiv-vor-Ort" (Active-on-Site) projects.	 p. 85
Product Responsibility			
Compliance with the statutory regulations	Number of data protection breaches incurring a fine	In 2016, there were no data protection breaches incurring a fine. ¹	 p. 96 – 97
Satisfied customers who recommend our products and services to third parties	Customer Satisfaction Index	Results for 2016: <ul style="list-style-type: none"> • Germany: 78 out of 100 points • Netherlands: 7.9 out of 10 points (Essent); 7.8 out of 10 points (energedirect.nl) • United Kingdom: 69 % out of 100 % • Czech Republic: 83 out of 100 points • Hungary: 74 out of 100 points • Poland: 83 out of 100 points 	 p. 93 – 94

1 Survey not including German subsidiary and affiliates.

Organisational Profile

G4-3 Name of the company

innogy SE

G4-4 Primary brands, products and services

innogy SE is a European energy company with registered office in Essen, Germany. The company addresses the requirements of a modern, decarbonised, decentralised, and digital energy world with its three divisions Renewables, Grid & Infrastructure and Retail. innogy's activities are focused on offering innovative and sustainable products and services to existing and potential customers. These will enable them to use energy more efficiently and to enhance their quality of life. Specific products and services offered are:

- Electricity generation from renewable energies
- Supply of electricity and gas to retail and commercial customers
- Planning, construction, maintenance and operation in the electricity and gas distribution grids
- Individual energy services for retail and commercial customers
- Solutions for energy storage

G4-5 Location of the headquarters

Essen, Germany

G4-6 Countries with major operations

The innogy Group has companies in a total of 20 countries. The main thrust of the business operations of our three divisions are in the following countries:

Divisions

Renewables



France, Germany, Italy, Netherlands, Poland, Portugal, Spain, United Kingdom

Grid & Infrastructure



Czech Republic, Germany, Hungary, Poland, Slovakia

Retail



Belgium, Croatia, Czech Republic, Germany, Netherlands, Poland, Romania, Slovakia, Slovenia, Hungary, United Kingdom

G4-7 Nature of ownership and legal form

innogy SE is a joint-stock company incorporated as a “European Company” (Societas Europaea, SE). It is held by RWE Aktiengesellschaft (AG) as a financial investment and started up operations on 1 April 2016 under the name RWE International SE. The existing divisions of Renewables, Grid & Infrastructure and Supply of the RWE Group were merged in this company. Following the initial public offering on the Frankfurt Stock Exchange on 7 October 2016, the company has attracted a broad base of international investors in addition to the majority shareholder RWE AG. RWE AG now holds 76.8% of the shares in innogy SE through its wholly-owned subsidiary RWE Downstream Beteiligungs GmbH.

G4-8 Markets served

Our key markets are Germany, the United Kingdom, the Netherlands, Belgium, and some countries in Central Eastern and South Eastern Europe, in particular the Czech Republic, Hungary and Poland. We also operate outside these regions in the sectors of electricity generation from renewable energies, for example in Spain and Italy. We sell our electricity and our gas to retail and commercial customers, industrial and corporate customers and distributors. Alongside the sale of electricity, gas and heat, we are also active in the areas of energy efficiency and electromobility, as well as the development and operation of smart solutions to measure and control energy consumption. The German regional companies enviaM, LEW, Süwag and VSE are also part of innogy and we hold interests in around 70 regional and local-authority energy utilities in Germany.

G4-9 Scale of the reporting organisation

Company size	2016
Total number of employees ¹	40,636 FTE Headcount: 43,517
Total number of business locations	Companies in 20 countries, including in Germany, the Netherlands, Belgium, Luxembourg, the United Kingdom, Western and Southern Europe, Central Eastern and South Eastern Europe
Revenue (without natural-gas/ electricity tax)	€ 41.5 billion
Market capitalisation	€ 18.3 billion
Equity capital	€ 10.7 billion
Non-current liabilities	€ 24.4 billion
Current liabilities	€ 11.8 billion
Quantity of products or services supplied	
External electricity sales volume	242.5 billion kWh
External gas sales volume	241.3 billion kWh

¹ As of 31 December 2016.

G4-10 Breakdown of workforce by gender and regions

Number of employees – headcount as of 31 December 2016	Women	Men	Total
Germany	6,516	16,229	22,745
United Kingdom	3,426	4,078	7,504
Netherlands/ Belgium	1,014	1,856	2,870
Central Eastern / and South Eastern Europe	3,793	6,438	10,231
Other countries	35	132	167
innogy Group	14,784	28,733	43,517
Part-time employees	–	–	3,907
Full-time employees	–	–	39,610
Permanent contract	–	–	40,669
Fixed-term contract	–	–	2,848

The number of employees in full-time equivalents on 31 December 2016 amounted to 40,636 FTE.

We are unable to provide this information for employees of subcontractors. The data are also unlikely to be available in the future because subcontractors have no obligation to publish this information.

G4-11 Percentage of total employees covered by collective bargaining agreements

99.6% of our employees work in Europe. They are represented by the company's European Workers Council. The Social Charter applies to all our employees irrespective of the location of their workplace. We also require our business partners to acknowledge our [Code of Conduct](#) – and consequently recognise the principle established in the United Nations Global Compact (UNGC), which confers the right to collective bargaining agreements.

G4-12 Description of the supply chain

innogy's value chain encompasses the operational business relating to plants and all the upstream processes including the procurement of combustion fuels, raw materials, goods – standard goods as well as components for our grids, and electricity generating plants – and services. innogy procures the lion's share of the marketed volumes of electricity and gas through its parent company RWE on international trading markets. Information about the innogy electricity mix is provided on our [website](#).

The following figures relate to the share of procurement under the responsibility of Corporate Procurement and the German regional companies. We ourselves manage the purchase of goods, services and plant components for the operation, maintenance and new-build of our plants with our uniform innogy Group Reference Standard (⇒) see p. 40 – 41. Around 20,000 suppliers are currently registered in our suppliers' portfolio, of which some 300 are particularly relevant in strategic terms. The purchasing volume for goods, services and plant components was € 4.1 billion in the year 2016. Of this, € 1.8 billion were subject to centralised operational and strategic management by our Corporate Procurement. € 2.3 billion were handled by the German regional companies and project purchasing.

G4-13 Significant changes during the reporting period regarding the company's size, structure, ownership, or its supply chain

There are no significant changes to report because innogy was established in 2016.

G4-14 Implementation of the precautionary principle

innogy is committed to a broadly based precautionary principle on the basis of internationally acknowledged definitions, including comprehensive and company-wide risk management. The risk management system of innogy SE is based on methods and processes that have a proven track record in the RWE Group. They have been adopted for our company and consistently refined. This enables us to identify risks and opportunities at an early stage and base our actions on them. Our risk management system therefore also takes into account the statutory requirements defined by the Corporate Control and Transparency Act (KonTraG). Internal Audit ensures compliance with the (⇒) innogy Code of Conduct in the course of its audits carried out in accordance with standard processes. innogy Code of Conduct The Chief Compliance Officer reports on relevant topics to the Executive Management of innogy SE and the Audit Committee of the Supervisory Board on a regular basis. Additional information on risk management is provided in the (⇒) Annual Report 2016, p. 93 – 101.

G4-15 Externally developed economic, environmental and social charters, principles or other initiatives

innogy reports in accordance with the guidelines of the Global Reporting Initiative (GRI) and is committed to the principles of the UN Global Compact.

G4-16 Memberships of associations and advocacy organisations

innogy is an active member of a large number of associations and bodies that are directly or indirectly working towards the goal of sustainable development. A selection of organisations is provided in the following table:

Memberships	
Overarching innogy	<ul style="list-style-type: none"> • World Business Council for Sustainable Development (WBCSD) • World Economic Forum (WEF) • German Association of Energy and Water Industries (Bundesverband der Energie- und Wasserwirtschaft e. V., BDEW) • EURELECTRIC – Electricity for Europe
Renewables	<p>As well as collaborating in overarching associations, the Renewables Division also participates in important sector associations and country-related organisations connected with technology. These include, for example</p> <ul style="list-style-type: none"> • Renewable UK • Netherlands Association for Renewable Energy (NVDE) • Wind Europe • Working Group for Offshore Wind Energy (Arbeitsgemeinschaft Offshore Windenergie, AGOW) • British Hydro Association • Working Group for Alpine Hydropower (Arbeitsgemeinschaft Alpine Wasserkraft, AGAW) • SolarPowerEurope
Grid & Infrastructure	<ul style="list-style-type: none"> • Association for Electrical, Electronic + Information Technologies (Verband der Elektrotechnik Elektronik Informationstechnik e.V., VDE) • European Utilities Telecom Council (EUTC) • European Distribution System Operators' Association for Smart Grids (EDSO) • German Association for Gas and Water (Deutscher Verein des Gas- und Wasserfaches e.V. – technisch- wissenschaftlicher Verein, DVGW) • Hungarian Electrotechnical Association (MEE)
Retail	<ul style="list-style-type: none"> • Branch Organisation for energy companies in the Netherlands (Energie-Nederland) • Federation of Belgian Electricity and Gas Companies • Federation of Hungarian Energy Traders (MEKSZ)

EU1 Installed capacity 

Generation Capacity of the divisions ¹	Total renewable energies		Conventional electricity generation ²		Total	
	2016	2015	2016	2015	2016	2015
in MW						
Renewables	3,378	3,280	–	–	3,378	3,280
Germany	1,249	1,244	–	–	1,249	1,244
United Kingdom	1,015	1,011	–	–	1,015	1,011
Spain	459	459	–	–	459	459
Netherlands	280	197	–	–	280	197
Poland	242	242	–	–	242	242
Italy	67	67	–	–	67	67
France	50	44	–	–	50	44
Portugal	16	16	–	–	16	16
Grid & Infrastructure	294	278	704	703	998	981
Retail	63	57	92	106	155	163
innogy Group	3,735	3,615	796	809	4,531	4,424

The table below shows the generation capacity from renewable energies.

Generation Capacity of the divisions ¹	Wind ³		Water		Other renewable energies ⁴	
	2016	2015	2016	2015	2016	2015
in MW						
Renewables	2,832	2,748	539	525	7	7
Germany	862	862	380	375	7	7
United Kingdom	934	934	81	77	–	–
Spain	447	447	12	12	–	–
Netherlands	280	197	–	–	–	–
Poland	242	242	–	–	–	–
Italy	67	67	–	–	–	–
France	–	–	50	44	–	–
Portugal	–	–	16	16	–	–
Grid & Infrastructure	80	59	184	192	30	27
Retail	–	–	1	1	62	56
innogy Group	2,912	2,807	724	718	99	90

1 Differences due to rounding possible.

2 Includes capacity in 2016 from the energy sources: hard coal 399 MW, gas 244 MW, lignite 17 MW and pumped storage hydro, oil and other 137 MW.

3 Due to the sale of Zephyr in fiscal 2016, 256 MW from the associated electricity purchase agreement were deducted from the prior-year figures.

4 Includes capacity from biomass and photovoltaic stations.

EU2 Net output broken down by primary energy source ^(v)

Electricity generation of the divisions ¹	Total renewable energies		Conventional electricity generation		Total	
	2016	2015	2016	2015	2016	2015
in billion kWh						
Renewables	9.1	9.4	–	–	9.1	9.4
Germany	3.5	3.1	–	–	3.5	3.1
United Kingdom	3.3	3.9	–	–	3.3	3.9
Spain	1.0	1.0	–	–	1.0	1.0
Netherlands	0.5	0.5	–	–	0.5	0.5
Poland	0.5	0.5	–	–	0.5	0.5
Italy	0.1	0.1	–	–	0.1	0.1
France	0.1	0.1	–	–	0.1	0.1
Portugal	0.1	–	–	–	0.1	–
Grid & Infrastructure ²	0.9	0.8	0.3	0.3	1.2	1.1
Retail ²	–	0.1	0.5	0.5	0.5	0.6
innogy Group	10.0	10.3	0.8	0.8	10.8	11.1

The table below shows the generating volumes from renewable sources.

Electricity generation of the divisions ¹	Wind		Water		Other renewable energies ³	
	2016	2015	2016	2015	2016	2015
in billion kWh						
Renewables	7.0	7.5	2.1	1.8	–	–
Germany	1.8	1.6	1.7	1.5	–	–
United Kingdom	3.1	3.7	0.2	0.2	–	–
Spain	1.0	1.0	–	–	–	–
Netherlands	0.5	0.5	–	–	–	–
Poland	0.5	0.5	–	–	–	–
Italy	0.1	0.1	–	–	–	–
France	–	–	0.1	0.1	–	–
Portugal	–	–	0.1	–	–	–
Grid & Infrastructure ²	n/a	n/a	n/a	n/a	n/a	n/a
Retail ²	n/a	n/a	n/a	n/a	n/a	n/a
innogy Group	7.0	7.5	2.8	2.5	0.2	0.2

1 Differences due to rounding possible.

2 Due to the reassignment of Group companies within the scope of the IPO of innogy SE, the figures of the individual renewable generation technologies in this segment can only be presented from fiscal 2017 onwards.

3 Including generation volumes from biomass and photovoltaic stations.

EU3 Number of residential, industrial, institutional and commercial customers ^(v)

Electricity customers by countries ¹	Total ²		Of which residential and commercial customers	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
in thousands				
Germany	6,806	6,788	6,730	6,738
United Kingdom	2,917	2,978	2,898	2,961
Netherlands/Belgium	2,407	2,516	2,401	2,511
Hungary	2,141	2,118	2,131	2,117
Poland	941	934	939	932
Czech Republic	343	300	342	299
Other ³	581	583	578	580
innogy Group	16,136	16,216	16,019	16,137

1 Differences due to rounding possible.

2 The total number is made up of residential and commercial customers, industrial and corporate customers and distributors.

3 Customers in Croatia, Romania, Slovakia and Slovenia.

Gas customers by countries ¹	Total ²		Of which residential and commercial customers	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
in thousands				
Netherlands/Belgium	2,073	2,189	2,068	2,184
United Kingdom	2,004	2,020	1,999	2,015
Germany	1,313	1,334	1,301	1,323
Czech Republic	1,310	1,349	1,304	1,343
Hungary	2	–	–	–
Poland	1	–	1	–
Other ³	129	126	129	125
innogy Group	6,833	7,018	6,801	6,991

1 Differences due to rounding possible.

2 The total number is made up of residential and commercial customers, industrial and corporate customers and distributors.

3 Customers in Croatia, Romania, Slovakia and Slovenia.

EU4 Length of above and underground transmission and distribution lines

In 2015, innogy operated electricity and gas distribution grids with a total length of around 570,00 km (✓) in Germany, the Czech Republic, Hungary, Poland and Slovakia. The values for 2016 were not available by the editorial deadline.

Supply grid ¹	Unit	2015
Electricity distribution grid in Germany	tkm	356 (✓)
Electricity distribution grid in Hungary	tkm	67
Electricity distribution grid in Poland	tkm	17
Electricity distribution grid in Slovakia	tkm	22
Total electricity distribution grid	tkm	462
Gas distribution grid in Germany	tkm	47 (✓)
Gas distribution Grid in the Czech Republic	tkm	65
Total gas distribution grid	tkm	112

1 Not including minority interests.

A total of 73% (✓) of our distribution grid in Germany is laid as underground cables.

EU5 Allocation of CO₂ emissions allowances (✓)

The energy utilities in Western Europe will only be allocated emissions allowances free of charge under exceptional circumstances during the course of the current third emissions trading period (2013 to 2020) of the European Union. Of the 0.7 million metric tons of CO₂ that we emitted from plants that are included in the Emissions Trading System in the EU in 2016, only 0.3 million metric tons were covered by such free allocations. This yields a shortfall amounting to 0.4 million metric tons. The missing emissions allowances were purchased. There is also little involvement of emissions reduction certificates, which were created by the "Clean Development Mechanism" in accordance with the Kyoto Protocol.

CO ₂ emissions	Unit	2016
CO ₂ emissions Scope 1 (in accordance with EU ETS) ¹	million mt	0.7
CO ₂ certificates allocated free of charge	million mt	0.3
Insufficient allowance of CO ₂ certificates	million mt	0.4

1 For detailed information on the calculation of CO₂ emissions Scope 1 (in accordance with EU ETS), (⊕) see p. 59 – 60.

Identified Material Aspects and Boundaries

G4-17 List of consolidated entities and consolidated financial statements

See list in the [▶ Annual Report 2016](#), p. 174 – 195.

G4-18 Process for selecting the report content

The content of this report is based on an analysis of material issues that we also use for the implementation and management of our corporate responsibility. This is known as the materiality analysis and we last carried out such an analysis for the entire Group in 2015. The analysis first looked into the expectations of our stakeholders. We then compared the findings with the company's perspective and evaluated it. The survey was based on comprehensive structured interviews with 38 representatives of civil organisations and institutions. We supplemented these results with information that we received from additional conversations with other stakeholders. The internal evaluation was then carried out in an innogy Group-wide consultation process. Topics were prioritised in the internal and external survey. The aspects of the GRI G4 Guideline were then allocated to the key issues identified by this process of analysis and evaluation.

For the reporting year 2016, we decided to update the results of the materiality analysis in 2015. In this context, we discussed and adopted the list of material GRI aspects from the last report with the CR managers of our key operational companies. The latest political and regulatory developments were also taken into account. It was decided not to prioritise the key issues due to the restructuring process in 2016. We are planning to carry out a new materiality analysis for the reporting year 2017, and we will be implementing a new prioritisation in this context.

G4-19 List of material aspects identified in the process for defining the report content (also includes information for G4-20 and G4-21) [✓](#)

The following table explains which thematic aspects (in accordance with GRI-G4) are deemed to be material for innogy in accordance with our materiality analysis. It also shows whether the parties responsible for the positive or negative impact of this aspect are located inside or outside the company.

GRI aspect	Party responsible for the positive or negative impacts	
	Inside	Outside
Economy		
Economic Performance	●	●
Indirect Economic Impacts	●	
Procurement		●
Availability and Reliability	●	
Demand-side Management		●
Research and Development	●	
Efficiency of the Power Plant Portfolio and Distribution	●	
Environment		
Energy		●
Biodiversity	●	
Emissions		●
Waste and Effluents	●	
Products and Services		●
Compliance (Environment)	●	
Overview	●	
Social – Labour Practices		
Employment	●	
Labour/Management Relations	●	
Occupational Health and Safety	●	●
Training and Education	●	
Diversity and Equal Opportunities	●	
Equal Remuneration for Women and Men	●	
Social – Human Rights		
Supplier Human Rights Assessment		●
Social – Society		
Local Community	●	●
Anti-corruption	●	●
Public Policy	●	
Anti-competitive Behaviour	●	●
Compliance (Society)	●	
Disaster/Emergency Planning and Response	●	
Social – Product Responsibility		
Product and Services Labelling	●	
Customer Privacy	●	●
Accessibility	●	●
Provision of Information	●	

G4-20 Material aspects identified within the company (✓)

(⇒) see p. 20 – 21.

G4-21 Material aspects identified outside the company (✓)

(⇒) see p. 20 – 21.

G4-22 The effect of any restatements of information provided in previous reports, and the reasons for such changes

This indicator is not applicable because this is the first report.

G4-23 Significant changes from previous reporting periods in the scope and aspect boundaries

This indicator is not applicable because this is the first report.

Stakeholder Engagement

G4-24 Stakeholder groups engaged by the company (✓)

Regular communication with our stakeholders is our route to maintaining contact with the players who are concerned with topics relevant to the energy industry. It addresses the corporate activities of innogy and its impact on society. We engage in diverse formats with customers, investors, academics, politicians, Federal and State governments, business organisations, environmental and consumer associations, neighbouring residents at our locations and other citizens.

G4-25 Basis for identification and selection of stakeholder groups (✓)

As stakeholders, we consider all persons and organisations with whom we maintain relations, who seek communication with us, or who demonstrate an interest in our company. This means that expectations are correspondingly diverse. We are in continuous contact with our stakeholders. This enables us to understand their multifaceted aspirations and integrate them in our corporate policy. We are open-minded to the wide range of concerns we encounter. We do not make any preselection of stakeholders in this regard.

G4-26 Approaches to stakeholder engagement including frequency of engagement (✓)

Dialogues with our stakeholders often give us very helpful ideas on the alignment of our entrepreneurial activities. The current phase of change in our company provides a crucial opportunity to discuss the expectations and appraisals of the future of energy supply with external stakeholders. At the same time, the dialogue also gives us the opportunity to communicate a more nuanced view of our entrepreneurial decisions.

Dialogue formats can be very diverse and take place at different levels depending on the topic and the regional impact. At local level, we may hold discussions with neighbours and resident groups. Such conversations might be about building projects, planning approval procedures or customer relations. Frequently, neighbouring residents are particularly interested in communication, for example if positive impacts are anticipated for the local economy or if there are anxieties about negative impacts for individuals or the environment. As a company, we are extremely interested in an open debate, and we bring constructive proposals to the discussion.

In 2014, a (▶) Stakeholder Council was created at RWE AG which will be continued at innogy. The Council is an external body that supports the Executive Board in its endeavours to create a more sustainable enterprise. The Stakeholder Council tries to achieve this by bringing the positions and assessments of stakeholders into the company and by discussing them with the Executive Board and other representatives of the company. Since 2016, the Stakeholder Council is made up as follows: Justus Haucap (Chairman, Germany), Richard Adams (United Kingdom), Christoph Bals

(Germany), Steven De Bie (Netherlands), Anke Domscheit-Berg (Germany), Stephanie Draper (United Kingdom), Manfred Fishedick (Germany), and Diana Ürge-Vorsatz (Hungary).

During the reporting year, the Stakeholder Council met once on 7 November 2016. Risks and opportunities for innogy were discussed at this meeting from social, environmental and economic perspectives. Activities undertaken by innogy in the Middle East and North Africa (the MENA region) were also discussed. In future, the Council will meet every three months in order to ensure an ongoing dialogue.

At the beginning of 2016, Essent set up a Children's Council in the Netherlands. This is part of a very successful initiative by the Missing Chapter Foundation established by Princess Laurentien van Oranje. With this idea, organisations are encouraged to engage with children on issues that affect their future. This often inspires creative ideas that motivate managers to analyse organisational decisions from a different perspective.

Also in the United Kingdom we are in regular contact with the relevant stakeholders with whom we discuss topics such as fuel poverty, customer services and changes in energy policy.

As an energy supplier, we are in intensive dialogue with politicians at local, regional and European level. As well as putting forward arguments relating to our own interests as a business enterprise, our expertise is also valued in other areas of the energy industry and on issues relating to its future development.

G4-27 Key topics and concerns of stakeholders (v)

Stakeholders' concerns and our response to them are often very diverse, depending on the topic and regional focus. The following topics were particularly significant in the reporting year.

Germany

In 2016, the most important topics in Germany were once again climate protection and the associated challenges of the energy transition. We therefore conducted a large number of discussions and took part in various events as speakers. Discussions were held in Berlin and Brussels in 2016 where members of the Executive Board, Managing Directors and managers talked about current developments in the energy industry with politicians, representatives of other companies, non-governmental organisations (NGOs), associations, journalists, trade unionists, and other interest groups. The topics included electromobility, transformation of the world of work against the background of digitalisation, and the role of distribution grids in the energy transition.

We also communicate with our residential customers on a regular basis. This enables us to better understand their needs and develop appropriate packages for them. The Customer Council meeting in spring of 2016 provided a forum for discussing the future development opportunities for electromobility in Germany and Europe. In 2017, the Customer Council is planned to be replaced by a new online customer forum set up by innogy. This enables us to engage in dialogue with lots of customers more frequently during the course of the year.

The lack of acceptance of construction projects frequently leads to protest campaigns or results in the establishment of resident groups. During planning processes, we carry out discussions in dedicated dialogue formats and involve government agencies, associations and citizens in the debate in order to increase acceptance among the population for pending infrastructure projects designed to expand renewable energies and the distribution grids. This involves, for example, an open debate about the laying of over-ground transmission lines in the public domain with a view to generating acceptance. We aim to communicate directly and openly with the general public and local-authority representatives in the event format called  Energy Round Table.

Ensuring local acceptance is also an important issue for onshore wind farms. Such discussions focus on the potential impacts on people, nature and the landscape. We also bring together those local residents affected and other interest groups and incorporate them in the planning process. In this way, we are able to inform them about our project and ensure that their expectations are taken into account.

In 2016, preparations for innogy's contribution to the "Green Capital City 2017" figured prominently at our company headquarters in Essen. We are the main sponsor for the segment "Energy". One of our projects presented in this context by our Research & Development Department (R&D) will be the Green Fuel project supporting urban district development. The first environmentally friendly ship ("Öko-Schiff") will soon be launched on Lake Baldeney in Essen. It is equipped with an electric motor and a fuel cell and burns methanol, which is produced locally at Baldeney Weir. As well as communication at the press conferences, we will be making active contributions at various events.

Netherlands

Plans to build an onshore wind farm near the N33 motorway at Groningen generated a great deal of criticism from segments of the population. innogy set out to allay the concerns of the neighbouring residents and innogy representatives visited more than 50 local people to discuss their questions and concerns with them. The results of the discussions feature in media such as our newsletter. During the reporting year, we also arranged outings to our Westereems and Kattenberg wind farms in order to give interested people an opportunity to experience a wind turbine at close quarters.

United Kingdom

In 2016, we pursued programmes in the Retail Division in the United Kingdom to support our vulnerable low-income customers. These include initiatives such as  Health Through Warmth and  npowers Macmillan Fund. In this context, we cooperate intensively with other organisations in order to identify these particularly vulnerable

customers and offer them appropriate help. We also launched the Fuel Bank, which provides vulnerable customers on low incomes with fuel vouchers.

We have also improved our service for customers with prepaid meters while at the same time introducing more competitive rates for them. This also applies to all our residential customers. We play a proactive role in encouraging them to change to more favourable rates within npower. Additional improvements led to significantly better ratings of our customer service in the United Kingdom in 2016 than in previous years.

As in other countries, it is important to ensure acceptance for new plants in the area of renewable energies by engaging in dialogue with residents and other stakeholder groups affected by the project.

The energy policy situation in the United Kingdom remains fraught. Political decisions such as the promotion of renewable energies and nuclear energy and the closure of coal-fired power plants continue to increase costs for our customers.

Czech Republic

In 2016, one of the key topics of debate for many of our stakeholders was the improvement of the air quality in the Czech Republic. As part of the clean air initiative, the government introduced a New Green Savings programme involving an exchange of old boilers for new ones. In the Czech Republic, we are mainly active in the distribution and supply of gas. We therefore joined forces with regional stakeholders to expand this programme for upgrading heating systems. We also offered our customers assistance in applying for subsidies. Stakeholders were also interested in compressed natural gas (CNG) for public transport and we provided them with advice on this matter. Replacing diesel with natural gas can make a meaningful contribution to air quality.

Hungary

In Hungary, ELMŰ-ÉMÁSZ worked together with the German and Hungarian Chamber of Industry and Commerce (DUIHK) to organise a joint event to present a variety of innovative ideas – for example smart street lighting and e-mobility – to some 200 stakeholders from various areas.

Report Profile

G4-28 Reporting period

1 January to 31 December 2016

G4-29 Date of the more recent previous report

First report by innogy SE

March 2016 (CR Report "Our Responsibility. Report 2015" of the RWE Group)

G4-30 Reporting cycle

Annually

G4-31 Contact point for questions on the report

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G4-32 The "in accordance" option for compliance with GRI and the index for the chosen option

This document presents a balance sheet in accordance with the Guidelines of the Global Reporting Initiative (GRI) and the GRI G4 Content Index required by the guidelines. It was prepared on the basis of our CR Programme and on the findings from our dialogue with stakeholders. The report has the precise structure defined in the GRI Guidelines including sector-specific requirements for the electric utilities industry (G4 Electric Utilities Sector Disclosures) in order to facilitate comparability with other companies. The report was prepared in conformity with the option "in accordance"-core.

G4-33 External assurance of the report

The disclosures marked with  were subject to a limited assurance engagement performed by firm PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft,  see p. 101–103. The audit was implemented taking into account the International Standard on Assurance Engagement (ISAE) 3000 (Revised).

Corporate Governance

G4-34 Governance structure of the company, including committees of the highest governance body

In accordance with German statutory regulations and the Articles of Incorporation, innogy SE is subject to the “dual governance system”. This is characterised by strict separation of personnel between the Executive Board as the management body and the Supervisory Board as a monitoring body. The Executive Board and the Supervisory Board work together closely in the interests of the company.

The company is managed by the Executive Board with the objective of generating sustainable value added. The principle of overall responsibility applies to its work. This means that the members of the Executive Board have joint responsibility for the entire executive management. They develop the corporate strategy and ensure that it is implemented in agreement with the Supervisory Board. The principles of cooperation on the Executive Board are defined in the Rules of Procedure for the Executive Board. These rules regulate in particular the portfolio responsibilities of the individual members of the Executive Board. They define the matters reserved for the full Executive Board, the procedure for passing resolutions, namely a majority vote for resolutions, and the rights and obligations of the Executive Board Chairman.

The Executive Board informs the Supervisory Board regularly, promptly and comprehensively about all the key aspects of business development, important business transactions and the current income situation including the risk situation and risk management that are relevant for the innogy Group. Extensive explanations are provided for any deviations in business performance from existing budget plans, and targets and justifications are provided for such discrepancies. Furthermore, the Executive Board provides a regular report on compliance, i.e. the measures that are taken to comply with the statutory regulations and internal company guidelines which also come under the responsibility of the Executive Board.

The Supervisory Board monitors the activity of the Executive Board and advises the board on managing the company. It appoints and dismisses Executive Board members, passes resolutions on their compensation system and defines individual compensation packages for each member. The Supervisory Board is involved in all decisions that are of fundamental importance for innogy. The principles of cooperation for the Supervisory Board are defined in the Rules of Procedure for the Supervisory Board. These rules provide for the formation of committees. There are currently five permanent committees at innogy: the Presidential Committee, the Personnel Affairs Committee, the Audit Committee, the Nomination Committee and the Strategy Committee. The chairs of the committees regularly report on the work of the committees to the Supervisory Board. Details on the work carried out by the Supervisory Board and its committees are presented in the Supervisory Board Report in the  Annual Report 2016, S. 14 – 18.

The Articles of Incorporation of innogy SE and the Rules of Procedure of the Supervisory Board include a list of transactions and measures for which the Executive Board requires the consent of the Supervisory Board.

G4-35 Process of delegating authority for economic, environmental and social topics

The Executive Board devolves powers to the individual employees holding relevant responsibilities in the form of authorised signatories (Prokura) and powers of attorney (Handlungsvollmacht). Such employees are specifically divisional and departmental managers. These employees are thus empowered to take decisions within their areas of responsibility, but these powers are strictly subject to the principle of dual verification (four eyes), provided that the consent for specific decisions has not been assigned to a higher level.

G4-36 Responsibility for economic, environmental and social topics

The Executive Board has adopted a business allocation plan, which gives the Chief Executive Officer responsibility for matters relating to sustainability. The full Board of Management reports to the Supervisory Board as the highest governance body of the company. The implementation and ongoing development of corporate responsibility is coordinated with the Corporate Affairs & Communications Department based in the Corporate Responsibility/Environment Department. The head of the department reports directly to the Chief Executive Officer. Representatives from departments and Corporate Responsibility/Environment and the major operating companies attend meetings held by CR officers and environmental officers several times a year. These meetings provide forums for exchanging experiences and coordinating joint activities.

G4-37 Processes for consultation between stakeholders and the Executive Board and Supervisory Board

The Executive Board is advised by the  Stakeholder Council on sustainability issues. Furthermore, the Annual General Meeting provides a platform for each shareholder to put forward topics and ask questions which are then answered by the Executive Board and the Supervisory Board. The publication of the business results is accompanied by a teleconference for investors and analysts. In addition, roadshows and conferences at which executive managers give information about corporate decisions are also held for investors.

G4-38 Composition of the Executive Board and the Supervisory Board and its committees

The Executive Board of innogy SE is responsible for executive management of the company. It is made up of six members. 17% of the members of the Executive Board are women.

The Supervisory Board is a non-executive supervisory body. In accordance with the Articles of Incorporation, it consists of 20 members elected at the Annual General Meeting. Ten of these members are put forward by the employees. The term for the current members ends with the Annual General Meeting in 2017.

The Supervisory Board of innogy SE currently includes six women, of whom three members were elected by the employees and and three by the shareholders. Each member of the Supervisory Board must possess the know-how, skills and specialist experience required to perform his or her functions in a professional manner. They also need to have an adequate degree of independence.

An overview of the actual composition of the Executive Board, the Supervisory Board and the committees of the Supervisory Board is provided in the presentation of the boards (part of the notes) in the  Annual Report 2016, p. 196 – 200.

G4-39 Independence of the Chair of the Supervisory Board

The Chairman of the Supervisory Board is Dr. Werner Brandt (management consultant). He is neither an active member nor a former member of the Executive Board of innogy SE.

G4-40 Nomination and selection processes for the Supervisory Board and the Executive Board

In accordance with the Supervisory Board's Rules of Procedure, when a new appointment has to be made or a member of the Supervisory Board has to be replaced, the Nomination Committee proposes suitable candidates to the Supervisory Board. The board then puts them forward as its nominees for election by the Annual General Meeting. The proposals take into account the company's international operations, potential conflicts of interest and diversity. A requirement profile for Supervisory Board members also exists (internal document) which is intended to guarantee a heterogeneous composition,  see p. 29 – 30. Furthermore, the Rules of Procedure for the Supervisory Board state that the Personnel Affairs Committee is responsible for laying the groundwork for decisions on employees by the Supervisory Board. This committee makes decisions on behalf of the Supervisory Board in a number of areas. These decisions include the conclusion, amendment and termination of employment contracts with members of the Executive Board – with the exception of decisions reserved for the Supervisory Board pursuant to Article 87 Section 1 and Section 2 Sentence 1 and Sentence 2 Stock Corporation Act (AktG) – although the Personell Affairs Committee prepares the groundwork for these decisions. The committee regularly gives advice on long-term succession planning for the Executive Board. During the course of its deliberations, the committee takes into account plans regarding the management of the company and diversity.

G4-41 Processes for ensuring conflicts of interest are avoided and managed

Pursuant to the regulations defined in the German Corporate Governance Code (GCGC) and the Rules of Procedure for the Supervisory Board, the Members of the Supervisory Board are required to inform the Supervisory Board without delay if they encounter any conflicts of interest. The German Corporate Governance Code also includes a similar requirement for disclosure by the Members of the Executive Board if they find themselves subject to conflicts of interest. Memberships of the Executive Board and the Supervisory Board members in other governance bodies are disclosed in the  Annual Report 2016, p. 196 – 200. Transactions with related parties are included in financial reporting.

G4-42 The role of the Executive Board and the Supervisory Board in the development, approval and updating of the organisation's purpose, value or mission statements, policies, goals and strategies

 see p. 28.

innogy has long-term incentives for sustainable corporate governance in which part of the variable compensation for the Executive Board has been linked to sustainability indicators. Strategies, guidelines and targets of innogy SE in respect of economic, environmental and social impacts are defined by the Executive Board and, where necessary, are discussed with the Supervisory Board. The Supervisory Board's Strategic Committee provides advice on the strategic perspective, alignment and further development of the company.

G4-43 Measures taken to develop and enhance the Executive Board's and Supervisory Board's collective knowledge of economic, environmental and social topics

Regular information forums for the Supervisory Board are held at which specific topics are presented to the Supervisory Board. This reflects issues that are of interest to individual Members of the Supervisory Board.

G4-46 The role of the Executive Board and the Supervisory Board in reviewing the effectiveness of the organisation's risk management processes

The main responsibility for the risk management system lies with the Executive Board of innogy SE. The Board monitors and manages the overall risk of the innogy Group. The responsibility for applying and developing the risk management system is at the level below the Executive Board with the Controlling & Risk Department. This division regularly reports on the risk position of the innogy Group to the Risk Management Committee, the Executive Board and the Supervisory Board of innogy SE. The Internal Audit Department is responsible for reviewing the quality and the functional capability of the risk management system at regular intervals. The functional side of this department is accountable to the full Executive Board, and disciplinary responsibility lies with

the Chief Financial Officer. Within the Supervisory Board, the Audit Committee is responsible for monitoring the effectiveness of the risk management system. The Chairman of the Audit Committee reports regularly to the Supervisory Board about the work of the committee.

G4-47 Frequency of the review of the economic, environmental and social impacts by the Executive Board and the Supervisory Board

Integrity and lawful behaviour are key principles to all of our business transactions. The targets and principles relating to these concepts are defined in the [innogy Code of Conduct](#). Our compliance management system focuses on identifying potential structural risks of corruption. The Chief Compliance Officer regularly reports on compliance issues to the Executive Board of innogy SE and the Audit Committee of the Supervisory Board. This report addresses issues relevant to compliance in the broadest sense and provides relevant consolidated information. Each manager with responsibility for employees has to provide an annual report on implementation of the [innogy Code of Conduct](#) in their area of responsibility.

G4-48 The highest committee or position that formally reviews the organisation's sustainability report and ensures that all material aspects are covered

This report was reviewed and released by the Executive Board of innogy.

G4-49 The process for communicating critical concerns to the Executive Board and Supervisory Board

There is no formal communication procedure for communicating critical concerns to the Executive Board and Supervisory Board. Communications are generally conducted along the management structure. However, the Executive Board can also be contacted across all hierarchical levels at any time.

G4-51 The remuneration policies and the performance criteria for the Executive Board and the Supervisory Board

Following intensive consultation and with the support of an external expert in compensation packages, the Supervisory Board has defined a compensation system for the Members of the Executive Board of innogy which is intended to support and promote the new strategic direction of the company. A range of sustainability indicators forms an important assessment basis alongside other factors for bonuses paid to the Members of the Executive Board.

Further details on the compensation policy and compensation criteria for the Executive Board and Supervisory Board are provided in the compensation report within the [Annual Report 2016](#), p. 83 – 92. The report includes disclosures on non-performance and performance-based components of the compensation-package,

termination benefits, retirement provision, change in control of the company, and the upper limit for redundancy payments. It takes into account all statutory regulations and fully complies with the recommendations of the German Corporate Governance Code.

G4-52 The process for determining remuneration

The Supervisory Board regularly monitors the structure and level of the compensation package for the Executive Board to ensure that it is appropriate, in accordance with standards in the market and reflects sustainable corporate development.

G4-53 Stakeholders' views are sought and taken into account regarding remuneration

Comparisons are made with other (comparable) companies at regular intervals with the assistance of an external consultant and independent compensation studies. Furthermore, innogy will present the new compensation system for the Members of the Executive Board to its shareholders at its Annual General Meeting in 2017 and the shareholders will vote on the system ("say on pay").

G4-54 The ratio of the annual total compensation

The Supervisory Board regularly monitors the ratio between the compensation package for the Executive Board and remuneration for the senior management circle, and the workforce in accordance with the recommendations of the German Corporate Governance Code.

G4-55 The ratio of percentage increase in annual total compensation

Information about the development of compensation over time is not yet available for innogy's business year 2016. This information is likely to be evaluated after two business years.

Ethics and Integrity

G4-56 The organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics

We act in the interests of our customers. innogy always operates within the framework of statutory legislation and observes ethical principles. Fair working conditions, avoidance of corruption and transparent business practices are guiding principles for innogy. This is reflected in our  Code of Conduct. The ten principles for conduct defined in the code also serve as a platform for establishing common standards and are therefore included in the regulations governing cooperation with business partners and suppliers.

G4-57 Internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity

All employees should be proactive in bringing any issues and questions relating to our  Code of Conduct and compliance with the Code to the attention of their supervisor or the responsible compliance officer. The same applies to notifications about breaches of the  Code of Conduct. Compliance officers are appointed for all divisions and Group companies of innogy SE and they are always available as points of contact for such matters, particularly on issues relating to prevention of corruption. Contact data for compliance officers is available on the Intranet

G4-58 Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity

Employees have access to several lines of communication if they encounter any potential breaches of the  Code of Conduct. Breaches can be reported to supervisors or compliance officers, and employees can also contact an independent external contact person on a telephone hotline. The external contact also accepts information from third parties outside the company – for example suppliers or other business partners. The Compliance Department records all reports it receives relating to potential breaches. The innogy Group function responsible for investigations initiates any necessary reviews and remedial measures if they are required.

The energy world of tomorrow
goes far beyond capital markets.
We invest sustainably.



Economic Indicators

Aspect: Economic Performance – Management approach

Challenges

Our markets and the demands of society towards us are changing with the transition of the energy systems in many European countries. innogy is the response to the major trends which are changing the energy sector throughout the world but particularly in Europe: decarbonisation, decentralisation and digitalisation. innogy wants to make use of the opportunities presented by its flexible, future-oriented business model to be a pacemaker of change. The aim is to achieve this through capital expenditure in renewable generating capacities, in flexible grids and innovative products. Access to the financial market and the additional capital generated as a result of the initial public offering on the stock exchange will enable us to afford greater capital expenditure in renewable energies and the trends of the energy world of tomorrow.

Organisation, management and measuring success

Economic performance and value generation

The value we generate is distributed to employees, the state (taxes and deductions), lenders, shareholders and non-controlling interests. In our value creation calculation,  see p. 36, we clearly set out how we distribute the generated value to the various stakeholder groups.

Driving forward innovations

Current upheavals in the energy sector require innovations more than ever before. The  innogy Innovation Hub serves as a platform from which we plan, manage and support the development of new business models. Other divisions in the company engage with all issues relating to technological innovations, process innovations and product information,  see p. 46–47.

G4-EC1 Direct economic value generated and distributed

Distribution of value generated	Unit	2016
to employees (wages, salaries, social deductions)	€ million	2,858
to the state (taxes and deductions)	€ million	2,477
to lenders	€ million	1,818
to non-controlling interests	€ million	273
to shareholders	€ million	n/a ¹
Net income	€ million	1,513

1 The dividend proposal for the business year 2016 was not available at the editorial deadline. For information on this issue, see [Annual Report](#), p. 79.

Up to now, it has only been possible to present the values for innogy's donations and sponsorship for the period October to December 2016.

Donations and sponsorship at innogy	Unit	Q4/2016
Donations	€ thousand	340
Sponsorship	€ thousand	965

These data will be available in full for the reporting year 2017.

G4-EC2 Financial implications and other risks and opportunities for the organisation's activities due to climate change 

In 2016, climate protection was once again one of the key political issues on the global stage. This was highlighted by the new UN Climate Agreement in Paris. innogy's business will become more challenging at all levels of the value chain due to the expected developments. Key factors are the continuing expansion of renewable energies, increasing climate protection requirements and the digital revolution in the energy sector. The Executive Board is therefore applying controlled processes to address the financial risks and opportunities associated with climate change.

Opportunities that we want to exploit by:

- generating electricity from renewable sources,
- integrating renewable energies intelligently in distribution grids, for example by means of innovative information and management technology, or storage facilities, and
- offering our customers innovative products and services that will enable them to use energy more efficiently and will enhance their quality of life.

Description of impacts associated with the risk or opportunity

Regulatory interventions can adversely affect business performance in our three divisions Renewables, Grid & Infrastructure and Retail because of the high proportion of regulated business contributing to the company's earnings. This is compounded by intense competition in the markets in which we operate. These circumstances pose huge entrepreneurial challenges. However, we are confident that innogy will continue to play a leading role in tomorrow's energy world. We are making this aspiration a reality by basing our business model on the trends outlined above. Our power generation from renewable energies will continue on a growth trajectory in the future. We are also carrying out capital expenditure on maintaining, expanding and modernising our grid infrastructure in order to guarantee dependable power and gas distribution over the long term, and increasingly also feed in to our grid levels. Thanks to our strong customer base in the Retail Division, we are able to identify new requirements for domestic households and companies, and meet them with individual product offers.

Key financial implications of the risk or opportunity before action is taken

Regulatory interventions can impact negatively on our business development in all three divisions. The risk associated with generating power from renewable energies is that governments could cut the relating support schemes. Increasing bidding competition can also result in planned projects being abandoned because they are no longer viable. innogy is subject to state regulation for grid business in Germany and in Eastern Europe. The regulatory climate is liable to change, particularly at the beginning of a new regulatory period, and this can affect our business. However, although future developments in the energy market, and the associated potential growth may entail risks there are also financial opportunities that we want to make the most of.

G4-EC3 Coverage of organisation's defined benefit plan obligations

The company pension packages vary between the various countries in which innogy operates. In Germany, innogy and its bigger subsidiaries have pension benefits comprising defined benefit and defined contribution plans. Detailed information on this and on company pension provision for employees in the Netherlands and the United Kingdom can be found in the [Annual Report 2016, p. 147 – 152](#).

G4-EC4 Financial assistance received from government

innogy does not receive any direct financial grants or subsidies from the Government for its operating business. It finances all its capital expenditure from its own funds. Financial assistance is only provided by the government for R&D projects as well as agricultural subsidies from the EU for the use of agricultural operational areas. The values for innogy in 2016 were not available by the editorial deadline.

The construction and operation of plants for generating electricity from renewable energies is supported by government schemes in all our core markets. These are generally based on state regulated pay-as-you-go systems for electricity customers, although they are often interpreted as subsidies in the public domain.

Aspect: Indirect Economic Impacts – Management approach

Challenges

In terms of energy supply, we provide essential benefits through our capital expenditure on grid infrastructure and generation, and on our products and services. As an employer, we also create jobs and help to provide employment in the regions. Moreover, we exert an indirect economic influence on the various regions through our upstream suppliers.

We require trust and acceptance for the activities that we pursue – at the international, national and regional level. This is particularly important in the districts around our sites. innogy proactively seeks dialogue with individuals and groups who are affected by our business activities or can influence our business operations. We want to ascertain their views and respond appropriately to their interests. For details on our work with stakeholders  see p. 23 – 26.

We are unable to overcome all the diverse challenges associated with the energy transition on our own. This requires overarching solutions. We want to be one of the partners in this process and strengthen community trust in our company. That is why we are promoting initiatives in the social, environmental and cultural arena through voluntary engagement of innogy employees or financial support,  see p. 40.

Our activities are generally seen as a contribution to public service. In Germany, the Retail Division of innogy, its affiliates and subsidiaries provide the basic supply of electricity and gas across large swathes of North Rhine-Westphalia, Rhineland-Palatinate, Saxony, Saxony-Anhalt, the Saarland and parts of Bavaria.

Organisation, management and performance measurement

Allocation of resources in compliance with rules

We make effective use of resources a top priority in line with our compliance objectives. The rules for the allocation of resources are defined in our Guideline on Donations and Sponsorship, which applies throughout the innogy Group.

Promoting corporate volunteering

 see p. 40.

innogy Foundation for Energy and Community as a corporate citizen

 see p. 40.

G4-EC7 Development and impact of infrastructure investments and services supported

We help to ameliorate fuel poverty wherever we operate – specifically where the government and civil society do not provide enough support. For details and examples,  see p. 97 – 98.

We drive digitalisation forward in rural districts with high-speed internet, and during construction we lay fibre-optic cables in trenches that are already open. This enables us to expand broadband services rapidly in rural regions in line with government policy. Comprehensive broadband access has become an important location factor. Particularly in today's era of digitalisation of industrial production, a high-speed internet connection is essential for many companies.

In Hungary, the distribution grid operators ELMÜ-ÉMÁSZ organise special workshops with a view to strengthening cooperation with local authorities, and we offer a platform to discuss a variety of issues in the area of Grid & Infrastructure. In 2016, the topics of discussion included the connection to the electricity grid and the development of public lighting systems.

G4-EC8 Significant indirect impacts, including the extent of impacts (✓)

The innogy Foundation for Energy and Community works together with civic project partners. Our aim is to promote suitable projects and initiatives and support important effects and changes within our society. We want to bring about social changes in relation to the energy transition. The innogy Foundation focuses on three areas of action: education, acceptance and innovation. The foundation provides regular and transparent information on projects, outcomes and finance in its annual reports. We are confident that we will be successful in assisting and promoting the transformation towards the new world of energy through our volunteering work within this partnership. Our aim is to work within this framework to drive forward the transformation process for energy systems in Europe.

Furthermore, our corporate volunteering programme Companius enables us to promote volunteer work by our employees. In 2016, more than 1,750 employees at innogy and RWE provided assistance for Companius projects (including "Aktiv-vor-Ort" projects). Sponsorship for the entire Group during the reporting period amounted to around € 1.8 million. Separate values for the innogy Group will be available for the reporting year 2017.

Aspect: Procurement Practices – Management approach

Challenges

We believe it is not enough to integrate sustainability into our own business processes, but also pay attention on rating our business partners accordingly. That is the only way we can make an effective contribution and drive forward compliance with social and environmental aspects. The same principle applies to reducing emissions from our value chain. Our customers increasingly expect this. innogy is particularly concerned about indirect CO₂ emissions (Scope 3) generated by suppliers and customers in upstream and downstream value chains. We therefore want to source goods and services from suppliers who are likewise committed to high environmental and social standards.

Anybody who wants to compete and submit tenders, particularly to government agencies, must meet certain standards. These vary depending on the country and the size of the company concerned. In general, they require transparent commitment and disclosure on key issues. International guidelines also exist on topics such as human rights and fair working conditions. These guidelines are intended to consolidate the UN Guiding Principles on Business and Human Rights.

Where contracts are concluded directly between innogy and its suppliers, we exert a direct influence on suppliers of goods, services and plant components. Our  Code of Conduct is part and parcel of our relationship with suppliers. Communication with suppliers is intended to avoid potential reputational damage and resulting corporate risks for innogy. The parent company RWE collaborated with seven other European energy utilities in 2010 to establish the  Bettercoal initiative with a view to using imported coal for electricity generation.

Environmental and socially acceptable extraction and production methods must also be safeguarded with regard to the purchase of biomass. Only in this way can biomass be a sustainable alternative to fossil fuels.

Organisation, management and performance measurement

Code of Conduct as an essential element of all contractual relations

All of innogy's suppliers need to be aware of and take into account our international environmental and social standards. This helps innogy to achieve its aim of creating a sustainable supply chain. We therefore encourage our suppliers to exceed the statutory requirements in some areas, such as compliance with and promotion of international environmental and social standards.

Our Group Reference Standard defines rules for the purchase of goods, services and plant components for the operation, maintenance and construction of our plants. We are also able to exert an influence where we have direct business relations with suppliers and service providers. Our  Code of Conduct and the principles of the UN Global Compact are included as part of the documentation with individual contracts.

We also maintain close communication with our strategic suppliers. Our supplier management is a key element within innogy's strategic procurement process. This function includes supplier selection, assessment, classification and development as well as the integration of suppliers' views in our company.

Supplier management also involves reviewing all suppliers on a regular basis to ensure they take into account potential compliance risks. This entails checking suppliers against World Bank's Black List and the EU sanctions lists. If one of our existing suppliers appears on one of these lists, the Compliance Department investigates the potential effects on the business relationship and decides on the necessary measures.

To measure the level of implementation, we survey those transactions in Corporate Procurement where the requirements of our  Code of Conduct are an essential part

of the contractual relationship. We use this value as our key performance indicator (KPI). During the reporting year, the level of coverage for the Group was 99.7%.

Initial review of suppliers to plants for generating renewable energies and grids

One of the biggest economic challenges in the Renewables and Grid & Infrastructure Divisions is the long-term availability of components and their prompt delivery. We are committed to long-term, direct relationships with our suppliers in order to guarantee working practices and environmental conditions that comply with our standards. The first step is a careful appraisal, or pre-qualification in the case of strategically critical products and services prior to the contractual relationship. In a self-assessment process, potential suppliers are asked to provide information on environmental protection, occupational safety and compliance. An occupational safety and healthcare management system or comparable measures are required in the case of services that carry a potential risk exposure. More than 1,000 suppliers are currently working for the innogy Group with such an occupational safety and healthcare management system.

We make it a priority to ensure that our main suppliers come from the EU or OECD countries. This ensures that we have common ground with regard to the interpretation of sustainability-related topics.

G4-EC9 Proportion of spending on local supplies at significant locations of operation

The major share – approximately 96% – of the procurement volume of Corporate Procurement is still accounted for by our main locations and by the countries and regions in which we operate. All capital expenditure projects are therefore put out to international tender. Our purchasers carry out a utility analysis paying special attention to criteria relating to sustainability, occupational safety and environmental standards. This analysis provides an evaluation of our suppliers based on weighted criteria.

Aspect: Availability and Reliability – Management approach

Challenges

Distribution grids are the backbone of the energy transition. They play a key role in the integration of electricity feed-ins from renewable sources and decentralised energy storage. In 2015, the Grid & Infrastructure Division operated around 570,000 km of the most powerful and advanced distribution grids in Europe. Today, the impact of the energy transition on grid operators in Europe varies significantly. Our subsidiaries Westnetz GmbH and Mitnetz Strom GmbH rank among the distribution grid operators in Germany who have integrated the largest output from decentralised energy generation in their grids.

The distribution grids will remain the lynchpin for the energy transition in future. Local consumption and generation centres are being created through the expansion of renewable energies. Mainly rural regions with little indigenous industry are developing into generating centres, while urban regions, such as the Ruhr area with established local industry are becoming consumption centres. Distribution grids are therefore essential in order to ensure energy transfer between local generation centres and consumption centres.

New regulations require the conversion of distribution grids from grids with unidirectional power flows into grids with multidirectional, fluctuating power flows. Grids increasingly have to overcome the challenges of progressively extreme situations. Off-peak low-load periods are frequently accompanied by high feed-in levels from decentralised generation plants. The distribution grids have to deal safely with the resulting load flow and voltage level changes so that the limit values defined in the standards are met at all times. Other uncertainties include the ongoing construction of decentralised generation plants in the future and changes in load requirement due to electromobility, heat pumps and storage. These variables provide the planners of distribution grids with additional challenges. They include the elimination of grid congestion, planning of new generating plants, load trends, and the characteristics and age profile of the grid infrastructure. Finally, there is an increasing demand for data needed to record grid status.

Organisation, management and performance measurement

Ensuring security of supply

In terms of our responsibility for our grids, our target is to limit grid outages in Germany to 15 minutes per year and customer. The number of minutes per year and customer in which grid outages occur provides us with a key performance indicator with regard to security of supply (System Average Interruption Duration Index, SAIDI),  see p. 98 – 99. The SAIDI for 2015 was 15.1 minutes. The value for 2016 was not available by the editorial deadline.

We want to guarantee security of supply for generation and distribution of energy as we further expand renewable energies. In 2016, we connected approximately 8,500 new renewable energy plants to our distribution grid in Germany. At the end of 2016, around 325,000 plants were feeding electricity into our grids.

Development of pioneering concepts and innovative operating equipment

We are committed to making grids more effective and their use more flexible as more efficient and intelligent measuring and control systems (smart grids) are developed. Our objective is to continue investing in the modernisation and expansion of our grid infrastructure to ensure that electricity and gas will always be available where energy is needed. The Grid & Infrastructure Division is involved in various projects for the development of pioneering concepts and innovative operating equipment.

The Grid4EU project is investigating the large-scale application of innovative technologies in existing distribution grids. It is taking into account the integration of an increasing number of decentralised feed-ins as well as load management and storage facilities used to predict and compensate for fluctuating feed-ins and new requirements of grid customers with regard to electromobility, heat pumps and other applications.

Our Smart Operator project focuses on coordinating grid load forecasts with the control of end devices. The solution being deployed stabilises the local grid by reducing voltage fluctuations. The technology is now available as a complete solution. The findings are being channelled into the formulation of principles for the future planning and operation of grids.

System integration of regenerative electricity generation is the key to reducing CO₂ emissions. The Smart City project was launched in 2009 with the aim of developing innovative concepts for electricity grids and thereby drive forward system integration in the process.

The AmpaCity project is a practical test of future energy supply to inner cities. The use of high-temperature superconductivity allows transmission losses and costs to be reduced. Since the system was rolled out, it has been operating smoothly. Further optimisations can be made without disrupting the transmission of electricity.

The DRIVER project is looking at the maintenance of distribution grids in the future. This is a data-based approach in which we identify the maintenance requirements of our grid and derive specific information for fitters. The aim is to combine technical data with non-technical information in a way that enables us to analyse faults better.

At the same time, we are working on integrating local storage facilities. They are already utilised if there is a threat of voltage and exposure limits being exceeded, if conventional grid expansion is too resource intensive or if grid expansion is only required on a temporary basis. To date, the biggest storage facilities have been deployed in Wetztingen in the electricity distribution grid operated by Westnetz.

In Hungary, we are already one of the leading companies in the area of Electricity Grid & Infrastructure. In future, we will focus even more on the use of digital grid solutions in order to further improve the quality and efficiency of the distribution grid in Hungary.

EU10 Planned capacity against projected electricity demand over the long term (✓)

We only guarantee customers an electricity and gas supply within the limits of the basic services. We are able to purchase the required volumes on the market irrespective of the capacities that innogy itself operates.

Aspect: Demand-side Management – Management approach

Challenges

The intelligent networking of electricity consumers and producers is crucial for the implementation of the energy transition and the integration of additional volumes of electricity from renewable energies. The distribution networks play a central role here, as do the many hundreds of operators of these grids in Europe.

The expansion of renewable energies will lead to increasing volatility as a result of fluctuating availability of supply, particularly with regard to wind and solar energy. Flexibilities in supply and demand ensure a response to the challenge of rising volatility in the supply of and demand for electricity from renewable energies. One tool for making use of these flexibilities is the intelligent networking and control of supply and demand (demand-response). This involves identifying those consumers who are already willing to control their electricity consumption flexibly in response to a price signal. It might be, for example, an industrial company that switches off, scales back or switches on its production plants in order to adjust its energy consumption to the momentary energy supply. Ideally production would be reduced during periods in which electricity is expensive to produce and supply increased during periods in which electricity is plentiful and cheap.

If the price difference is big enough and customers are able to respond flexibly, they can profit from marketing their flexibilities. Demand-response therefore helps to optimise electricity costs and the customers' power requirements and contributes to grid stability.

Organisation, management and performance measurement

Demand-response solutions for customers

We are already offering wide-ranging activities for flexibility marketing to users in Germany, the Netherlands and Belgium. Essent subsidiary (▶) Powerhouse provides its biggest customers in the Netherlands and Belgium, including customers generating their own energy, with real-time price information and access to the energy market so that they can respond flexibly to price changes. The focus there is currently on combined heat and power energy plants, refrigerated warehouses and computer centres.

We are also involved in helping develop demand-response solutions on the customer side. Essent is a founding member of the  USEF (Universal Smart Energy Framework) Foundation, which was set up in 2014. It is dedicated to promoting the change to an integrated, smart energy system. In January 2016, the foundation received three European Smart Energy Awards.

In 2016, we launched our energy management tool, Energy HQ for B2B customers in the United Kingdom. This encompasses offers in the area of demand-response, which also present our customers there with intelligent solutions for flexibility marketing. These include the possibility of several customers banding together in a pool to meet the minimum requirements for access to the market. The success of demand-response can be deduced from customer satisfaction and the amortisation rate of their capital expenditure.

Aspect: Research and Development – Management approach

Challenges

The megatrends of decarbonisation, decentralisation and digitalisation are the engines of change that are reflected in our commitment to new and innovative products, business models and technologies. We create promising options for the future within our diverse innovation ecosystem. Our  Innovation Hub has been designed to play an essential role in structuring the energy system transformation. This will be achieved by deploying our ideas for new business models and projects directed towards developing new technologies and enable us to develop robust and creative offers today for meeting customers' needs of tomorrow. At the same time our R&D Department is developing new technologies and solutions for the successful transformation of the energy system.

Organisation, management and performance measurement

Technological innovations for successful energy system transformation

Our aim is to be a key player in structuring the energy system of the future. innogy is therefore continually driving forward technological innovations and new developments. We have established a uniform process for all relevant R&D areas – from planning to internal reporting. We cover a large number of research areas and register a steady stream of patents. This work involves numerous projects on local energy solutions, electricity grids, gas grids, storage solutions, and renewable energies carried out at our five R&D Competence Centres. In 2016, some 260 full-time and part-time employees at innogy collaborated with more than 180 external partners in about 150 R&D projects to register patents on 54 inventions.

One of our proven instruments in R&D activities is Technology Foresight. This tool gives innogy access to an innogy Group-wide network of experts who continuously

analyse existing fields of technology and identify and evaluate new ones. The findings are supplemented by an analysis of community trends in order to place technological developments in the context of the market, the community and the government. The likelihood of new products and procedures being successful can then be determined much more realistically. The results of this process are an important source of information, particularly with regard to our strategy and the development of new business fields.

Development into a digital energy company

We view digitalisation as a differentiating feature in the energy market of the future. It is an accelerator for new products and services and it supports the complex management of the entire energy system from production to usage. Throughout the entire innogy Group, we are developing and testing a wide range of options and ideas for new digital business models. The  innogy Innovation Hub is our response to the challenge of identifying new business models and bringing them rapidly to market maturity. These models may lie outside the area of electricity and gas, and extend beyond our previous business horizon. We carry out this work in close cooperation with start-ups and other companies because we are confident that strong partnerships are the key to successful innovation.

In 2016, we identified and evaluated 483 start-ups as potential partners for developing new business models. The innovation outposts in Silicon Valley, Israel, London and Berlin reviewed 69 of these start-ups with regard to setting up a potential joint business model. After the business idea had been presented, 29 of them were trialled. Further work on implementation within additional budgets was then carried out in a pilot phase. A total of twelve new business ideas were successfully implemented and integrated within the existing innogy Retail business. They were spun off as dedicated innogy start-ups or given financial support as outpost start-ups.

Aspect: Efficiency of the Power Plant and Distribution – Management approach

Challenges

We are continually improving the efficiency of our distribution grids so that they comply with current and future regulatory, economic and environmental requirements.

Organisation, management and performance measurement

Increasing the efficiency of grids

We are continually working on developing our existing infrastructure. We are digitalising and automating a large number of operational and customer processes in order to improve the efficiency of the electricity grids and associated processes. This process involves evaluating potentials for improvement and developing new technologies. We will invest around € 4.1 to 4.4 billion in our grids and infrastructure between 2017 and 2019. Among other things, this will facilitate the integration of additional decentralised

electricity generating capacities and make our grids more intelligent. We are working with various partners on a broad range of research projects in the Grid & Infrastructure Division that deal with the future capability of our distribution grids.

The  "Designnetz" project sponsored by the German Federal Ministry for Economic Affairs and Energy is a research consortium under the management of innogy. The aim of the project is to jointly develop a robust overall concept for integrating renewable energies into the supply system. Designnetz will develop solutions for a safe, economic and environmentally compatible energy supply having a high proportion of fluctuating electricity generation from wind and solar energy. The solutions will then be tested over large areas. Ideally, local solutions should be switched together in order to meet regional and supraregional energy demands. The project is being implemented in North Rhine-Westphalia, Rhineland-Palatinate and the Saarland. These federal states are home to more than one quarter of Germany's population. They represent a microcosm of Germany and offer ideal enablers for carrying out a reality check on the decentralised energy landscape of the future. The project volume of the Designnetz totals approximately € 90 million and the subsidy requested amounts to some € 39.5 million.

EU12 Transmission and distribution losses as a percentage of total energy

The losses across all voltage levels are between around 2.0% and 4.5% for German distribution system operators.



Natural resources
are finite.
We act visionary.

Environmental Indicators

Aspect: Energy – Management approach

Challenges

A careful use of energy is extremely effective from an environmental and economic perspective. To this end, we have implemented numerous measures to improve energy efficiency and environmental protection in plants generating electricity from renewable and conventional sources, in the grid infrastructure, in the gas and water supply, in administrative buildings and in the vehicle fleet. Compliance with statutory targets and licensing regulations forms the basis for a continuous improvement process. We also offer our retail and corporate customers comprehensive support and multifaceted services for making energy savings with innovative technologies.

Organisation, management and performance measurement

Environmental protection established in business processes

Environmental protection and the associated management systems form the platform supporting all our entrepreneurial activities. This includes the use of energy. Taking a responsible approach to natural resources and promoting the use of environmental technologies is one of the principles in our  Code of Conduct.

innogy Group-wide coverage for environmental management system

innogy has installed environmental management systems that comply with ISO 14001. Annual internal audits ensure compliance with this standard. Each company in the innogy Group has appointed a Member of the Executive Management responsible for environmental topics and an environmental management officer. Continuous improvement is another key objective. In 2016, the degree of coverage for our environmental management systems amounted to 100% in the innogy Group. Of this, around 31% were certified by an external agency. The degree of coverage for management systems is a factor for calculating the variable compensation for the Executive Board.

Alongside the establishment of overarching management systems, we continue to take other accredited standards extremely seriously in our plants and retail units. In 2016, this was a primary motivating factor for npower achieving a threefold re-certification of the Carbon Trust Standard in the Retail Division. This shows that we are operating with increasing levels of efficiency in the areas of CO₂ emissions, water and waste. The Carbon Trust Standard provides an independent certification of the environmental impact of organisations. It evaluates CO₂ emissions, water consumption and the volume of waste generated.

innogy Group-wide coverage for energy efficiency audits or management systems

All relevant innogy companies either introduced an energy management system, carried out an energy audit or have been validated in accordance with EMAS (Eco-Management and Audit Scheme) within the required deadline. This means we have met all the requirements of the Energy Efficiency Directive of the European Union implemented to national law.

Already at the end of 2015, the Renewables Division was audited for energy efficiency. An energy audit was carried out in our Retail Division in accordance with DIN EN 16247-1 at the end of 2015. This involved a number of building categories being reviewed and analysed. Efficiency optimisations in user behaviour were prioritised and are now being integrated in processes and designated buildings to achieve sustainable improvements. Our Dutch subsidiary Essent also carried out an audit in accordance with the European Energy Efficiency Directive and is currently reviewing the feasibility of implementing the recommendations outlined in this audit. Some of innogy's grid companies were audited in 2016 in accordance with ISO 50001. Others are working towards introducing an energy management system. Some companies no longer require certification in conformity with ISO 50001 because they have already been validated pursuant to EMAS.

Energy savings for our customers

Our residential customers are offered energy consultation sessions which include an inspection of their home by certified experts who highlight the scope for potential energy improvements. Moreover, innogy offers them support when purchasing a home or carry out renovation work. Although insulating the roof or the facade saves energy and cuts CO₂ emissions, climate-friendly renovations are expensive and require a high level of expertise. innogy therefore provides residential customers with an independent expert to advise them when they are implementing climate-friendly measures. We also offer efficiency products such as LED lights, advice on saving electricity, building thermography, energy certificates, innogy SmartHome intelligent house management system, solar packages and home storage products.

We also promote the efficient use of electricity and natural gas with our corporate customers by providing individual consultation and appropriate solutions. The innogy energy consultancy service helps us to identify where our customers can make improvements in their companies. A tailored energy concept is then developed which includes efficiency recommendations that can reduce energy consumption and bring down costs. We also offer our corporate customers heating analyses, which evaluate systems, identify savings potentials and suggest improvements.

innogy supports cities, towns and local communities with innovative concepts and technologies ranging from building thermography, through the innovative "GreenCity-Power" lithium-ion rechargeable battery packs used in many different applications from garden power tools to electromobility.

Monthly reports on the number of energy efficiency products sold by the German retail companies measure success in this area in terms of sales to corporate customers. A quarterly report is also produced dealing with the area of consulting and services.

Energy utility companies have an obligation to provide a year-on-year comparison of electricity consumption in an annual bill for the consumer sector so as to make customers more energy conscious.

G4-EN3 Energy consumption within the organisation ✓

Energy consumption within the company	Unit	2016
Primary energy consumption ¹	million GJ	16.61

¹ Used fossil energy sources, not including biomass and other (substitute combustion fuels, waste with high caloric content, etc.)

Aspect: Biodiversity – Management approach ✓

Challenges

We are proactively contributing to decarbonisation of the energy system through the expansion of renewable energies and thereby playing a role in protecting biodiversity. On the other hand, we exert an impact on biodiversity at the individual sites and locations through the construction and operation of our plants. An important part of our strategy is to contribute to the protection of species and to maintain the habitats of plants and animals. Where direct and indirect interventions cannot be avoided, they are at least minimised or mitigated by means of appropriate nature conservation measures.

Organisation, management and performance measurement

Compliance with regulations is a prerequisite for continuing our business operations. We ensure this with our internal controlling systems. For a description of environmental management, ☹ see p. 50.

Protecting habitats and species

When building and operating our plants we are committed to the protection of habitats and indigenous plants and animals. Even during the planning and approval of new plants (for example onshore and offshore wind farms), the aspect of biodiversity is taken into account and evaluated by means of environmental impact assessments. These assessments carefully examine the potential impact on animal and plant species and their habitats. They build the basis to decide on measures for ensuring that impact is minimised and on measures for monitoring this. If necessary, further measures are implemented to reduce impact at the operating level. We also carry out strategic research and development activities.

In our onshore and offshore wind farms, we implement comprehensive animal protection measures. Surveys of bird populations in the area concerned are carried out during the course of project development. The focus of attention in offshore wind farms is on bat populations and on bird migration and breeding areas. Apart from bird migration in offshore wind farms, we are primarily looking at potential adverse effects on marine species (porpoises). An example of a concrete measure is switching off wind turbines in dense fog so that birds do not fly into moving blades when visibility is poor. We set up nesting boxes and breeding places close to our plants in order to preserve the diversity of species. Downstream monitoring measures can determine any deviations from the previous status. The results of these monitoring measures can then be channelled into subsequent projects.

The impact on water ecology (particularly fish populations) is the focus at our hydro-power plants. In Germany, 88% of the run-of-river plants in our Renewables Division are equipped with fish ladders. However, depending on the location, additional measures can also be taken to benefit the local ecology. In the United Kingdom only 12.5% of run-of-river plants are equipped with fish ladders, since the position of many plants along the river course, for example above waterfalls, means that fish ladders would not be very beneficial. Alternative measures such as minimum channel flow are then used at these locations so that greatest benefit to the ecology can be achieved in each setting.

Minimising the impacts on biodiversity in the construction of overhead lines and maintaining power lines

A landscape management plan is required to obtain planning permission pursuant to Article 17 Federal Immission Control Act (Bundesimmissionsschutzgesetz) for all construction projects that cause disruption in nature or the landscape. In these management plans, we outline detailed measures for minimising interventions and for mitigation or replacement, and document the impact on biodiversity. Biotope management planning makes use of special local features to create the best possible habitats for rare animal and plant species.

Since August 2015, German Environmental Relief (Deutsche Umwelthilfe e.V.) has been working on the research and development project "Environmental Power Line Management under electricity cables – a contribution to the biotope network". The academic research is being carried out by Weihenstephan-Triesdorf University of Applied Sciences. Our subsidiary and distribution grid operator Westnetz GmbH has already stated its willingness to contribute its expertise in environmental power line management. At Westnetz approximately 98% of all forestry area traversed by power lines is managed in accordance with biotope management guidelines. The protection of large birds in the medium-voltage grid is taken particularly seriously. Around 170,000 masts throughout Germany have now been modified to take this into account, and capital expenditure has run to hundreds of millions.

G4-EN11 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

More than a quarter of our hydropower plants in the Renewables Division in Germany are located in protected areas or are adjacent to such areas. Seven locations are nature conservation areas within the framework of the Natura 2000 Association, five plants are in nature conservation areas, and one location is a national nature reserve.

Hydropower plant location	Natura 2000	Nature conservation area	Nature reserve	Description
Hamm-Uentrop	●	●		<ul style="list-style-type: none"> • Natura 2000: Lippe water meadows between Hangfort and Hamm, Code DE4213301, fauna-flora habitat area (FFH Gebiet) • Nature conservation area Munnebach
Obermaubach	●	●		<ul style="list-style-type: none"> • Natura 2000: Rur von Obermaubach to Linnich, Code DE5104302, fauna-flora habitat area • Nature conservation area Obermaubach reservoir up to and including the confluence into the Rur River
Heimbach/ Heimbach Wehr	●	●		<ul style="list-style-type: none"> • Unterwasser: Natura 2000 Rur water meadows from Heimbach to Obermaubach, Code DE5304301, fauna-flora habitat area • Nature conservation area Heimbach reservoir
Schwammenauel		●		<ul style="list-style-type: none"> • Nature conservation area Heimbach reservoir
Dhron	●			<ul style="list-style-type: none"> • Natura 2000: Mosel, Code DE5908301, fauna-flora habitat area
Schoden	●		●	<ul style="list-style-type: none"> • Directly from Unterwasser: Natura 2000: Serriger Bachtal and Leuk and Saar, Code DE6405303, fauna-flora habitat area • Nature reserve Wiltinger Saarbogen
Rehlingen	●			<ul style="list-style-type: none"> • Directly in Oberwasser: Natura 2000: recreational areas in the central Saar Valley, Code DE6606310
Unkelmühle	●	●		<ul style="list-style-type: none"> • Natura 2000: Sieg, Code DES210303, Habitat Directive • Nature conservation area Sieg meadows in the villages of Windeck, Eitorf and the town of Henn

Identifying nature conservation areas is also important for our offshore wind farms. Our generating wind farms Gwynt y Môr and Rhyl Flats (North Wales, United Kingdom) are in declared conservation areas (Liverpool Bay Special Protection Area). This was recognised in August 2010 under the European Bird Protection Directive, and it is specifically intended to protect the red-throated loon (*Gavia stellata*) and the common scoter (*Melanitta nigra*).

Some plants in our Grid & Infrastructure Division produce potentially water-polluting substances. We have taken all possible precautionary measures to avoid hazards in these areas. All our grid systems nationwide are fitted with safety devices to minimise the risk of water pollution. The systems are installed, operated and maintained in accordance with statutory regulations. During the reporting year, no sustained environmental damage has been caused.

G4-EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas (✓)

(⇐) see p. 52 – 53.

EU13 Biodiversity of habitats protected or restored

In the course of planning and licensing, appropriate replacement measures are agreed with the responsible government agencies or relevant environmental organisations. The ecopoints method is used to monitor the environmental equilibrium of these measures as compared with the original status.

Aspect: Emissions – Management approach (✓)

Challenges

Many countries in Europe have made a commitment to the expansion of renewable energies. Political discussions and resolutions on climate change at the global, national and regional levels provide an indication of the importance of this topic with regard to innogy's regulatory and social framework. The Paris Climate Agreement (COP21) was adopted in December 2015 in which the signatory states agreed to work together in order to keep the global rise in temperature to well below 2 degrees Celsius over pre-industrial levels. The objective of the European Union is to achieve a 40% reduction in greenhouse gases by 2030 compared with the baseline year of 1990. Germany has already moved the target forward to 2020.

Accounting for greenhouse gas emissions along the value chain of innogy essentially involves distinguishing between three CO₂ dimensions known as scopes (Scope 1–3). Reporting is carried out on the basis of the Greenhouse Gas (GHG) Protocol. We also report the Scope 1 EU ETS value, which only comprises emissions from electricity generating plants that are subject to trading with certificates in the European Emissions

Trading System (EU ETS). innogy primarily generates electricity from renewable sources and combined heat and power energy (CHP) plants. These generation methods result in relatively low levels of direct CO₂ emissions (Scope 1). Indirect CO₂ emissions from energy sourcing (Scope 2) are also low. The volume of indirect CO₂ emissions (Scope 3) from upstream and downstream value chains with suppliers and customers is particularly relevant for innogy. Reducing their CO₂ emissions is becoming increasingly important for many of our customers – particularly for companies. The emissions released by heat and electricity consumption define a key reference point for achieving such reductions.

We need to systematically improve the target for our services relating to sustainability and take into account growing stakeholder demands. In 2016, innogy developed a new model for calculating Scope 1, 2, and 3 CO₂ emissions. The model initially defined internal and external stakeholder requirements, benchmarks and applicable standards (for example the GHG Protocol) as relevant criteria for a subsequent review. The logic of the calculation and the allocation to the different scope categories is intended to conform with the leading Corporate Accounting and Reporting Standards.

The current processes and workflows of previous surveys on emissions data and scope allocation were analysed in an actual analysis (status quo). A subsequent step involved identifying the gaps between the status quo and the known requirements. The calculation logic for Scope 1, 2 and 3 CO₂ emissions was applied for the first time at the beginning of 2017. This data survey involved employees in the various innogy companies transferring data relating to business year 2016.

Owing to the first-time application and the tight timeframe between the establishment of innogy and publication of the Sustainability Report we were unable to record plenary data throughout the company for the reporting year. In some cases, we resorted to market-based assessments and extrapolations for the reporting year 2017 to enlarge the data material, ☹ see p. 59 – 60.

The number of enquiries from stakeholders on the topic of air pollutants increased during the year under review. Our conventional power plants for the production of electricity and heat are optimised to minimise the emission of air pollutants. During the reporting period, compliance with these limits was ensured, despite the fact that some had been made more stringent.

The construction and operation of onshore and offshore wind power is also associated with the generation of noise emissions. This affects neighbouring residents and the animal world. Suitable measures have been taken to minimise the impact as far as possible.

Organisation, management and performance measurement

innogy Group-wide coverage for environmental management system

☹ see p. 50.

Ensuring compliance with planning approval regulations

Compliance with licensing regulations concerning the construction and operation of our plants is a key indicator in the area of environmental conservation. We ensure compliance with regular local checks on site. In 2016, we achieved the target of 100% compliance with licensing regulations.

Reduction of our own CO₂ emissions (Scope 1 and 2)

innogy has comparatively low CO₂ Scope 1 emissions because of our focus on generation from climate-friendly renewable energies, which we are driving forward through the expansion of our renewable energies portfolio. In 2016, we connected around 8,500 new renewable energy plants to our distribution grid. In total, more than 325,000 plants are already connected to our grids. During the reporting year 2016, the following plants, among others, were brought on stream:

Plants brought on stream	Country	Installed capacity in MW	Commissioning	Partner
Onshore wind power project Kattenberg	NL	10	08/2016	100% innogy
Onshore wind power project Bedburg	D	66.6	12/2015	Stadt Bedburg

The following projects are currently under construction:

Projects under construction	Country	Planned installed capacity in MW	Planned commissioning	Partner
Offshore wind power project Nordsee One	D	332	2018	Northland Inc. Power
Offshore wind power project Galloper	UK	336	2018	UK Green Investment Bank, Siemens Financial Services and Macquarie Capital
Onshore wind power project Zuidwester	NL	90	2017	100% innogy
Onshore wind power project Goole 2	UK	35	2017	100% innogy
Onshore wind power project Sommerland 2	D	6	2017	100% innogy
Onshore wind power project Eschweiler Nord	D	12.8	2017	Town of Eschweiler

Methane is released whenever gas is stored and transmitted. Since one methane molecule has 21 times the greenhouse effect of a CO₂ molecule, comparatively high

greenhouse gas emissions are generated. Like any other company involved in the transmission of gas, innogy is affected by this.

Energy and CO₂ savings in our real estate and in the vehicle fleet may only represent a small proportion of innogy's CO₂ footprint but we make strenuous efforts to reduce this footprint. Various modernisation measures and the expansion of our energy management systems, (☺) see p. 50 – 52, are enabling innogy to reduce CO₂ emissions from our plants and improve the energy footprint of our real estate.

The "CO₂ calculation model for innogy SE" project was initiated at the end of the reporting year 2016 for calculating Scope 1, 2 and 3 emissions. Grid losses and emissions from own consumption are important factors for calculating Scope 2 emission, (☺) see p. 60. The measured indicators will help us to take and effectively monitor reduction measures.

Reduction of CO₂ emissions of our customers (Scope 3)

We support our customers in reducing their personal CO₂ footprint by offering them extensive support in making energy savings with innovative technologies and a wide range of services. These include electricity and heat storage for households, energy savings solutions and service packages for managing photovoltaic units and wind power plants. Electromobility and SmartHome solutions can also help our customers to reduce their personal CO₂ footprint. Moreover, we supply green power and CO₂-neutral gas products in various countries, (☺) see p. 64 – 68.

In the Czech Republic, we support the boiler subsidy programme. The government there has decided to provide subsidies to replace old heating systems with new ones. innogy complemented this programme of state subsidies with other services such as home service connections so that ideally customers are reimbursed for the entire investment or receive a loan at favourable terms for the remaining costs.

Reduction of other emissions

Emissions at innogy are below the statutory limits for mercury, sulphur dioxide (SO₂), nitrogen oxides (NO_x) and dust thanks to air purification measures. Compliance of such thresholds is a requirement of the licensing regulations that we have to fulfill for the construction and operation of our plants.

Furthermore, sulphur hexafluoride (SF₆) emissions may be important in our grid systems. SF₆ is a gas that has had various applications in energy transmission and distribution equipment since around 1960. The gas is used because of its special switching and insulating properties. SF₆ is an ozone-depleting insulator with a high greenhouse potential. This means that innogy has to take measures to prevent SF₆ emissions. We have made a commitment as an operator of electrical equipment to reclaim the SF₆ used and to reuse it – if necessary after treatment – in a closed system or return the gas to SF₆ producers.

Reduction of noise emissions when building and operating wind power plants

During the planning, construction, operation and maintenance of plants, the noise emissions generated are recorded and analysed with the corresponding protection measures. Noise levels and limits are stipulated by operating licences particularly in the area of onshore wind. Alongside varying weather patterns and wind directions local aspects are taken into account as early as the development phase of a project (for example legacy burdens from noise, proximity to building developments or geographical circumstances that reduce noise). The results of these analyses are then channelled into the selection of a suitable type of machine. After constructing the wind farm, appropriate monitoring measurements are carried out. Operation of some plants is restricted at night to reduce noise emissions.

Noise abatement in the grid

Noise emissions are also created by plants in our distribution grid. Therefore, we have developed effective noise abatement and prevention measures. For example, for our Polish subsidiary innogy Stoen Operator, noise protection is an important element in the measures for maintaining the infrastructure of distribution grids. Some of the methods used to reduce noise emissions include construction of noise abatement walls, surface-mounted sound absorbers and systems that minimise noise emissions. The measures in this area are taken into account every year in the environmental protection programmes of innogy Stoen Operator. For example, special sound absorbers were installed and transformers were replaced with low-noise devices. Periodic noise measures were also taken.

G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1)

CO₂ emissions (in accordance with EU ETS) are emissions released from conventional electricity generation plants that are subject to trading with certificates in the European Emissions Trading System. They include emissions from power plants which are not owned by innogy but which we can deploy at our discretion on the basis of long-term agreements.

Scope 1 CO₂ emissions (in accordance with the GHG Protocol) comprise all direct CO₂ emissions from in-house sources. These include the following items:

- Emissions in accordance with EU ETS (✓)
- Emitted CO₂ volumes from renewable electricity and heat generation plants (for example biomass/biogas) (✓)
- Emissions from energy consumption by real estate
- Emissions from the use of vehicles in the company fleet
- CO₂ equivalents of methane and SF₆ emissions from leakages (✓)

Owing to the first-time application of the new CO₂ calculation model and the ambitious timeframe, we were unable to record all the data for emissions from our real estate portfolio and vehicle fleet. In some cases, market-based estimates and extrapolations were therefore used. Our goal for the reporting year 2017 is to improve the database.

Absolute emissions	Unit	2016
CO ₂ emissions Scope 1 (in accordance with EU ETS) (✓)	million mt	0.7
CO ₂ emissions Scope 1 (in accordance with GHG Protocol)	million mt	1.2
Of which from conventional energy generation (✓)	million mt	0.9

G4-EN16 Energy indirect greenhouse gas (GHG) emissions (Scope 2)

Scope 2 CO₂ emissions (in accordance with GHG Protocol) are essentially indirect CO₂ emissions from the transmission and distribution of electricity procured from third parties (national power mix) and losses in our own distribution grid. Owing to the first-time application, we were unable to fully record grid losses throughout the company for the reporting year. Full reporting of the data is planned for subsequent years.

Absolute emissions	Unit	2016
Scope 2 CO ₂ emissions (in accordance with GHG Protocol)	million mt	1.3

G4-EN17 Other indirect greenhouse gas (GHG) emissions (Scope 3)

Scope 3 CO₂ emissions (in accordance with GHG Protocol) are indirect CO₂ emissions that do not fall under Scope 1 and Scope 2. These include the following items:

- CO₂ emissions produced through the generation of electricity procured from third parties for resale and upstream supply chain (sourcing of coal and natural gas)
- CO₂ emissions from the consumption of gas sold to our customers and its upstream supply chain
- CO₂ emissions from new renewables plants connected to the grid during the course of the reporting year
- CO₂ emissions from business travel

Owing to the first-time application of the new CO₂ calculation model, the ambitious timeframe and the partially inadequate data quality, some aggregated and centrally surveyed total values were used for the calculation. This essentially relates to the upstream supply chain of the resold electricity and to gas sold to our customers. All data must be accurately recorded in subsequent years.

Absolute emissions	Unit	2016
Scope 3 CO ₂ emissions (in accordance with GHG Protocol)	million mt	195.7
of which CO ₂ emissions from the upstream supply chain of the electricity sold	million mt	147.1
of which CO ₂ emissions from natural gas sold and its upstream supply chain	million mt	48.6
of CO ₂ emissions from business travel	million mt	0.004

G4-EN18 Greenhouse gas (GHG) emissions intensity

Intensity of greenhouse gas emissions	Unit	2016
Specific CO ₂ emissions (in accordance with EU ETS) (✓)	mt/MWh	0.065
Specific CO ₂ emissions (in accordance with GHG Protocol)	mt/MWh	0.118

We produce most of our electricity from renewable energy sources free of CO₂ emissions which leads to correspondingly low specific emissions.

Furthermore, we report Scope 1 specific CO₂ emissions in accordance with the GHG Protocol. These include emissions from conventional generation (electricity and heat), emissions from the generation of renewable energies (electricity and heat), emissions from natural gas losses (gas leakages), emissions from our direct own consumption (for example buildings), emissions from the vehicle fleet and fugitive emissions (SF₆).

G4-EN19 Reduction of greenhouse gas (GHG) emissions

Since innogy is a newly established company, we have no values for the reduction of greenhouse gas emissions compared to the previous year.

G4-EN20 Emissions of ozone-depleting substances

Only very low amounts of ozone-depleting substances mainly chlorinated hydrocarbons are used in core processes at innogy. We therefore do not record them separately.

G4-EN21 NO_x, SO_x and other significant air emissions (✓)

Our reporting system records NO_x and SO₂ and dust from conventional generating plants at innogy.

Absolute emissions	Unit	2016
NO _x emissions	thousand mt	1.68
SO ₂ emissions	thousand mt	0.89
Dust emissions	thousand mt	0.20

Specific emissions	Unit	2016
NO _x emissions	g/kWh	0.16
SO ₂ emissions	g/kWh	0.08
Dust emissions	g/kWh	0.02

We also record SF₆ emissions from grid operation. During the reporting year, these amounted to 10,241 metric tons of CO₂ equivalents.

Aspect: Effluents and Waste – Management approach (✓)

Challenges

A responsible approach to resources includes an appropriate waste management. Waste represents valuable raw materials that should be used efficiently in order to protect natural resources, people and the environment. Waste is created whenever new generating plants are constructed and operated. A large number of waste disposal regulations have to be taken into account. These relate to the collection, treatment, transport and disposal of unavoidable waste. Effluents are not relevant for our business activities. They are therefore not shown here.

Organisation, management and performance measurement

Avoidance, recovery, disposal – this principle provides the platform for our waste management. For this purpose, we have developed software that helps us with disposal management in accordance with statutory legislation and best practice.

Continuously reducing the volume of waste

Even at the planning stage of our business activities, we try to take all measures necessary to keep the volume of waste as low as possible. Our primary focus here is to set up and operate our supply plants using plants and products that cause as little waste

as possible and can also be recovered after use. Typical grid-related waste includes waste containing oil, wooden masts, road construction waste, excavated soil, metal waste, paint, varnish and paper.

As part of our waste management system, we evaluate our waste balance sheets on a regular basis. Initiatives for reducing waste are identified in good time and implemented in accordance with best practice. Disposal processing using our waste information system promotes separate collection of recoverable waste. This helps us to reduce the volume of waste requiring disposal.

Ensuring sustainable waste disposal

As far as possible, waste is segregated according to type at the location where it occurs in order to guarantee safe and efficient recovery. Waste that occurs during construction and maintenance work at the plants and grids is taken to designated waste collection points, where it is put into suitable containers for disposal or is otherwise disposed directly from the construction site. The hazard potential of the waste is determined, and any protection measures deemed necessary are implemented and documented.

The procurement of disposal services is processed through our Corporate Procurement. The disposal companies are reviewed in the context of a pre-qualification procedure for compliance with statutory requirements. In order to guarantee cost-optimised and proper disposal, data from waste management are continuously collected and monitored. Waste balance sheets are prepared recording the type, quantity and location of waste. The balance sheets are released to the authorities on request.

G4-EN23 Total weight of waste by type and disposal method

Waste by type ¹	Unit	2016
Hazardous waste	thousand mt	47.5
Non-hazardous waste	thousand mt	229.3
Total waste	thousand mt	276.9

¹ Differences due to rounding possible.

Waste according to disposal method	Unit	2016
Total waste	thousand mt	276.9
of which waste for external recovery/recycling	thousand mt	244.6

G4-EN24 Total number and volume of significant spills

During the reporting period, no significant spills of harmful substances were recorded in the regular internal survey for innogy.

Aspect: Products and Services – Management approach

Challenges

With innovative technologies and applications, we make life easier for our customers, help to save energy and play a role in structuring the energy market. Our customers trust us to supply them with electricity, gas and heat at all times. We, in turn, support them with environmentally friendly products and services.

Organisation, management and performance measurement

Supplying green electricity and gas products

Environmental protection starts with the choice of which electricity to purchase. That is why innogy offers its customers green electricity and gas products. innogy's product "Strom Natur" is generated entirely from renewable energies and is therefore CO₂ neutral. Eprimo also offers environmentally compatible electricity generated by hydropower with its climate-friendly "PrimaKlima" tariffs. This is renewable electricity originating from innogy's own hydropower plants in Germany, which are not subsidised under the Renewable Energy Sources Act (EEG). That the precise amount of electricity is fed into the grid for which the customer is charged is being monitored and confirmed by an independent expert.

Since October 2016, innogy also offers electricity in Germany at an annual flat tariff generated from renewable sources. If customers significantly reduce their basic consumption, they receive a one-off cashback so that making electricity savings is rewarded. Furthermore, we offer our customers green tariffs for heat electricity and gas. Although our customers continue to receive conventional natural gas they also promote climate protection as eprimo offers 100% climate-neutral eco-gas. This is because the emissions generated by using the gas are offset by subsidising climate-protection projects.

Our environmentally friendly green electricity product "Groene Stroom" has been supplied in the Netherlands since 1995. We offer this product at the same price as conventionally generated electricity. In order to maintain the price, since 2015, the electricity has been supplied from European hydropower plants instead of generating it in the Netherlands as it had been done previously. At a slightly higher price, we are also able to supply wind energy generated by Dutch plants, and since the beginning of 2016 European solar-powered electricity. Our green electricity products "Groene Stroom" and "Essent Windstroom" have almost 1.4 million customers in the Netherlands.

In August 2016, we were the first company in Europe to be certified for the transmission and sale of green gas across national borders in conformity with the ISCC sustainability label. Last year, we purchased and transmitted around 60% of the green gas produced in the Netherlands.

In 2016, the innogy subsidiary  Powerhouse signed a contract on the purchase of solar energy from the solar park developed by Groenleven. One of the plants is the second biggest solar park in the Netherlands with a capacity of 5.6 MW. This allows us to continue expanding our green portfolio and we can now offer our customers even more electricity generated from solar energy.

In Belgium, innogy is the biggest private shareholder in the C-Power offshore wind farm. The facility is located near the Belgian coast and generates enough energy to supply around 140,000 households.

Similar to the situation in Germany, we also offer our customers in the Netherlands carbon-neutral gas. This is conventional natural gas whose CO₂ emissions are mitigated by Gold Standard CO₂ certificates. Corporate customers in the Netherlands are also able to purchase green gas in the form of biogas, which is fed into the grid after conversion to natural gas quality. At the end of 2016, our Dutch subsidiary Essent won a European tender to supply green gas to Nederlandse Spoorwegen N.V. and ProRail N.V., the major operators of the Dutch railway system. Essent won the tender due to its solid Green Gas Portfolio and related plans to further expand this.

ELMŰ-ÉMÁSZ in Hungary continues to offer environmentally conscious customers green tariffs and has a tariff for users of energy-efficient heat-pump technology in its product portfolio.

Offering energy services for commercial and corporate customers

The innogy energy consultancy for commercial customers determines where our customers have the potential to make improvements in their company. The consultation encompasses identification of potential savings, creation of transparency for energy costs by measuring energy consumption, and individual energy concepts. In the Czech Republic, legally binding statutory energy audits and consultations on energy-saving measures based on those audits are offered. ELMŰ-ÉMÁSZ in Hungary offers energy audits specifically for large and medium-sized enterprises. In Germany, innogy supports commercial companies in recording the current status of their heating in conformity with DIN EN 15378 when they are carrying out an analysis of their heating requirements. In a second step, innogy presents them with appropriate measures for modernising their heating systems.

In the United Kingdom, npower Business Solutions offers a qualification in energy management (npower Business Solutions Energy Management Qualification (nBS EMQ)) for business customers. This qualification covers areas ranging from creating a general awareness to qualification as a certified energy manager. It is the only training programme of its kind offered by a British supplier. All the courses offered are accredited by the Energy Managers Association (EMA) and the Low Energy Company.

In the Netherlands, we support small companies with regard to energy savings by giving online tips and an energy scan free of charge (EnergyFitScan).

Supporting residential customers in saving energy

Our SmartHome intelligent home control system helps residential customers to significantly reduce the costs of heating and tailor their electricity consumption to meet their needs. At the same time, they increase their level of comfort. For example the heating regulates itself if windows or doors are opened. The readout unit innogy SmartHome Energy Control provides german customers in their SmartHome system with a reliable overview on their energy consumption – displayed graphically and easy to understand.

Alternative heating systems are becoming increasingly important in an era when fossil fuels are getting scarcer. For this innogy supplies heat pumps in Germany. The innogy contracting for home heating systems gives home owners in Germany the opportunity to convert to efficient and environmentally friendly natural gas condensing technology without having to carry out the capital expenditure themselves.

In the Netherlands, Essent offers its customers highly efficient condensing boilers, cavity wall insulation and floor insulation through its service partners. Moreover, we develop energy scans for our customers, known as Inside Out Scans, with which we carried out a pilot trial in 2016. We visit our customers at home and provide them with tailor-made advice. The estimated average potential savings amount to 30% or more.

In the Czech Republic, Poland, Hungary and Slovakia, innogy leases LED lamps so that customers can save energy without having to invest large amounts in renovating their lighting system.

Supporting customers in energy generation

We market electricity from renewable energies and help customers to generate their own energy. Commercial customers are offered small cogeneration power plants that use the environmentally friendly technology of combined heat and power energy plants (CHP). Moreover, innogy supplies solar collectors to be installed on customers' roofs (solar thermal energy) in Germany and the Netherlands.

We are a strong partner supporting our customers for photovoltaic units in many countries across Europe. In Germany, the supplementary product of battery storage (innogy HomePower Storage Flex) allows self-generated electricity to be used even if the sun is not shining. In August 2016, innogy defined the strategic direction for positioning the company as an international supplier in the market for utility-scale photovoltaic power plants and battery storage technologies. The company signed a contract with the Belectric Group to acquire its subsidiary Belectric Solar & Battery Holding GmbH. The sale was successfully completed in January 2017. Belectric will enable us to strengthen our expertise in renewable energies and provides us with comprehensive know-how and many years of operational experience in the area of solar technology.

In September 2016, the Essent subsidiary VoltaSolar won a European tender to supply and install 100,000 solar panels on 7,250 roofs in Parkstad in the Dutch province of Limburg. ELMŰ-ÉMÁSZ in Hungary has concluded contracts with hundreds of households for its enHome brand to set up small photovoltaic units.

Alongside offerings for residential and commercial customers, we carry out bigger projects in the area of renewable energies. For example, innogy is being contracted by customers to develop and construct wind farms:

Wind power projects	Country	Installed output in MW	Commissioning	Partner
Onshore wind power project Batsworthy Cross	UK	18	2016	Blackrock
Onshore wind power project Sandbostel	D	11,5	2015	Recap

Most operators of plants generating electricity from renewable sources are prosumers. In other words, they are producers and consumers of electricity at the same time. innogy supports them with plant management specially tailored to consumption. It also optimises marketing of electricity so as to generate the best possible return for the customer. innogy is also active in various markets here.

In Germany, we offer the innogy Minute Reserve Pool to customers who would like to benefit from the flexibility of their controllable systems. They are remunerated for the output made available and paid for the energy actually supplied.

However, there are also economic risks associated with energy that is dependent on the weather. The WindFix product offers operators of wind power plants in Germany more economic security, since innogy bears the entire marketing risk.

innogy EEG-Direkt White Label is targeted at German municipal utilities and energy supply companies that have not yet begun to actively market renewables-based (EEG) plants. The package allows them to bundle and market EEG plants independently.

Promoting electromobility

Any journey in an electric car inherently entails lower CO₂ emissions if it is charged with energy from renewable sources. Electric vehicles produce less noise and less air pollution than conventional vehicles. innogy operates many thousands of e-mobility charging stations, and it is one of the leading European suppliers and operators of charging infrastructure. As of 31 December 2016, we had a total of 5,400 charging stations operating in more than 20 countries. In Germany, we joined forces with more than 100 municipal utility partners to form the country's biggest public charging network.

innogy promotes the energy transition at home by linking the own e-mobility charging box with a roof-mounted solar energy system with respective energy storage facilities in the basement. Intelligent energy management then enables electric cars to be charged at home. innogy also offers commercial customers a complete range of electromobility services: from charging infrastructure, through supply of green electricity to intelligent accounting systems. For many years, innogy has collaborated in all relevant German and international standardisation bodies in order to promote standards and

innovations in electromobility. This is the right way to achieve successes in the area of electromobility such as standardised plug-in system and the international standard ISO/IEC 15118 for e-mobility data communication. In Hungary, innogy also operates the biggest e-mobility charging station network through ELMŰ-ÉMÁSZ.

Promoting gas as a fuel

In the Czech Republic, innogy is one of the biggest suppliers of compressed natural gas (CNG) as a fuel and the company operates 20 filling stations for CNG. With the use of CNG, emissions can significantly be reduced compared to conventional fuels. In 2016, we worked together with the company Tamoil to launch a new and affordable fuel in the Netherlands. The product "OGO CNG for sustainable driving" is based on biometane and causes just one quarter of standard CO₂ emissions.

G4-EN27 Extent of impact mitigation of environmental impacts of products and services (✓)

In our Retail Division, greenhouse gases emitted by the generation of electricity that is procured and resold to third parties, and emissions from the combustion of gas represent the biggest sources of environmental pollution. Both types of emission are part of innogy's indirect Scope 3 emissions, which we can only influence to a limited extent.

CO₂ emissions emitted by the generation of purchased electricity sold to third parties are partly offset by European certificates of origin. We attempt to minimise emissions of resold electricity by offering green electricity products. For further information on this topic, (☹) see p. 64 – 68.

Aspect: Compliance (environment) – Management approach

Challenges

Many of our activities in the area of environmental protection are based on licensing regulations governing the construction and operation of our plants. Any breaches can lead to penalties and cause significant and long-term damage to the reputation of the company. innogy addresses this risk on the basis of defined regulations which provide a framework for the company's activities and decision-making. These standards are also applied when selecting suppliers or business partners.

Organisation, management and performance measurement

Establishing environmental protection in business processes

The (▶) Code of Conduct applies uniformly throughout innogy, (☹) see p. 50 – 52.

innogy Group-wide coverage for environmental management

Compliance with environmental law and regulations is part of our environmental management, (☹) see p. 50.

G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

During the period under review, no significant monetary or non-monetary sanctions in the environmental sector were reported within the framework of a regular internal survey.

Aspect: Overview – Management approach

Challenges

As a company with a sustainable portfolio, we are engaged in protecting the environment in a wide variety of ways. The approach also enables us to create transparency of the costs incurred to this end.

Organisation, management and performance measurement

We disclose the costs incurred for our activities relating to environmental protection broken down by areas of activity, ⓘ see p. 69.

G4-EN31 Total environmental protection expenditures and investment by type ⓘ

Environmental protection expenditures	Unit	Total
Waste disposal	€ million	5.97
Site remediation/soil decontamination	€ million	0.86
Water protection/wastewater	€ million	35.16
Climate protection	€ million	900.93
Noise abatement	€ million	0.87
Air pollution control	€ million	8.89
Nature and landscape protection	€ million	12.75
Overall result	€ million	965.43



Diversity is the
core of our society.
We engage ourselves
in many ways.

Social Indicators

Labour Practices and Decent Work

Aspect: Employment – Management approach

Challenges

We are enhancing our work culture together with our employees in order to remain competitive and attractive. In this process, we engage with each other in an atmosphere of respect and discuss matters openly and honestly. We believe it is important for us to maintain the engagement and motivation of our employees at all times in order to ensure that they are willing to meet the new challenges. Our efforts will be directed towards developing our employees in this direction and additionally recruiting talented and qualified employees from outside in case we require support. Our employees are the strength of our company. They contribute the ideas, solutions and inspirations that innogy requires for the marketplace.

Organisation, management and performance measurement

New Ways for New Working

At innogy, we want to develop new approaches. We intend to think and work differently. innogy's New Way of Working (NWoW) is about identifying obstructive patterns within our organisation, break through them and implementing continuous improvements in parallel for management, employee satisfaction and customer satisfaction. This approach puts the customer at the centre of our attention. Our managers act as role models, driving the change forward. Our employees analyse and optimise processes autonomously, and this enables them to proactively implement changes and to continuously improve their work and their satisfaction alongside that of our customers.

More than 36 transformations are currently being operated in parallel across innogy. These transformations are supported by more than 240 central and local experts. In total, approximately 24,000 employees are currently taking part in the transformations and thereby in the process of change at innogy. Over the course of the past year, employee satisfaction has undergone a quantifiable positive uplift. Rising customer satisfaction also shows that we are on the right track.

Change in mindset for a new work culture

Leadership at innogy is based on trust rather than on control. Our employees can decide when, where and how they work. This might be in the workplace, while they are commuting or in their home office. Our "innogize our work" programme enables us to support employees as they try to get the work-life balance right and combine career

and family through part-time work and job sharing. We support this endeavour with advice and mediation packages and with child daycare nurseries at selected sites.

Conditions such as mobile working and flexible working hours – even in management positions – and up to 24 months of unpaid special leave help to get the work-life balance right. Packages with a focus on family responsibility are also available. The services are specifically targeted at (prospective) parents and include the Lumiland children's daycare centre located near the workplace in Germany. Employees at innogy are now able to book nursery places in Essen, Dortmund and Cologne. Parent-and-child offices are also available and a central mediation office for child minders, nannies, emergency mothers and au pairs is also provided – at short notice if private care is unavailable.

The spectrum of services is not limited to childcare. It also includes services such as looking after relatives requiring special care. For example, employees can get advice from an online site about topics such as patient's instructions and care insurance. They can also obtain expert advice at local events. innogy provides support for its employees in choosing care services and organising home assistance.

Responsible organisation of restructuring

We promote and support colleagues as they recalibrate their careers with a group-wide internal job market. Our iSWITCH platform gives employees opportunities to achieve further qualifications and to carry out short-term (project) activities. They can also shadow employees on observations in the various divisions of the innogy Group.

We use a number of tools to measure the success of our job market including the number of applicants for each vacant position (internal and external). We also measure throughput times within iSWITCH GmbH.

Feedback from a customer survey of registered candidates and applicants from different companies provides us with insights for deriving and implementing measures and improvements in the handling and management of applicants and applications.

Some of our temporary employee requirements are covered by secondment of colleagues from the iSWITCH Force. This is a unit set up especially for the purpose of using internal resources instead of hiring external agency employees. In this case, we measure factors such as capacity utilisation and the financial result.

Social Charter and Code of Conduct define the framework

Our  Code of Conduct and Social Charter define standards for organising, regulating and controlling the world of work at innogy. Our  Code of Conduct applies uniformly throughout innogy.

G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region (v)

Turnover	Unit	2016
Turnover rate	%	11.4
External new employee hires	FTE ¹	2,799

1 FTE = Full-time equivalent: converted to full-time positions.

We are not able to report data with a breakdown of turnover and new employee hires because these values are not available. We do not intend to record these data in the future because they are not included in the data we record in the course of regular reporting and they are not relevant to us for controlling purposes. The benefit from an additional survey would not be commensurate with the economic resources required to obtain the necessary information. We already report on the age structure and the breakdown of employees by gender.

EU17 Days worked by contractor and subcontractor employees

innogy only uses a small proportion of employees from subcontractors to carry out operational functions on a permanent basis. We use them for maintenance and services, and for construction and assembly operations. We are unable to report information on the number of days worked by subcontractor employees because this value is not available. We do not intend to record this data in the future because it is not included in the data we record in the course of regular reporting and it is not relevant to us for controlling purposes. The benefit from an additional survey also in this case would not be commensurate with the economic resources required to obtain the necessary information.

EU18 Percentage of contractor and subcontractor employees that have undergone relevant health and safety training

During the reporting year, the figure was 100% because innogy trains all employees from subcontractors who work on the company's construction sites.

Aspect: Labour/Management Relations – Management approach

Challenges

Human resource restructuring measures were and are unavoidable during the launch phase of innogy. It is therefore all the more important to structure this process of change responsibly. We base our actions on applicable statutory regulations. In Germany, the Works Constitution Act (Betriebsverfassungsgesetz, BetrVG) and the Act on the participation of employees in a European company (SE Participation Act, Gesetz über die Beteiligung der Arbeitnehmer in einer Europäischen Gesellschaft, SEBG) apply to innogy. We also have ongoing discussions with unions and employee representative bodies in the innogy Group. We work together with them to determine the best ways to harmonise the interests of the innogy Group with those of our employees.

Organisation, management and performance measurement

Cooperation beyond the statutory regulations in an atmosphere of trust

The aspirations we set ourselves extend beyond the statutory framework. Collaboration between the Executive Management and the Supervisory Board should be carried out in an atmosphere of trust as set out by the Works Constitution Act. This act also regulates the comprehensive information, consultation and co-determination rights of the Works Council. We have stated our commitment to open and trusting cooperation in our Social Charter, which exceeds the statutory requirements. We grant employee and union representatives opportunities to take part in the changes taking place in our company.

There are forms of employee representation across the innogy Group, at company level and at operational level, as well as specific interest groups, such as spokesperson committees for executive employees, representative bodies for people with disabilities, and youth and trainee and apprentice representations. These advocacy bodies are supplementary to the innogy Group Works Council and the European Works Council. We have started to introduce employee involvement procedures. The company's employee representative bodies send representatives to the relevant employee representative bodies of the innogy Group, or equivalent procedures will be adopted in future. The settlement of interests dated 13 May 2016 established that the transfer of employees associated with the reorganisation of the innogy Group would not result in job losses.

G4-LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements

We comply with all disclosure obligations and integrate our employee representatives at an early stage.

Aspect: Occupational Health and Safety – Management approach

Challenges

Activities carried out by our employees and the employees of our subcontractors are frequently associated with special requirements relating to occupational health and safety. Activities involving transmission lines or wind power plants in particular can be extremely challenging. innogy considers safety at the workplace and promoting the health of all employees to be top priorities, which are actively driven forward by the Executive Management. Our objective for every employee is to be healthy and to remain so. We are committed to using all available opportunities in order to aid the recovery of ill employees as quickly as possible. We treat employees of subcontractors in the same way as our own colleagues.

Organisation, management and performance measurement

Health protection at innogy pursues a holistic approach. Since 1 April 2016, it has been strategically managed as a service by the Centre of Expertise Health (CoE Health) of RWE Generation. Occupational safety is managed and coordinated centrally at innogy by the Centre of Expertise Safety (CoE Safety).

Organisation of health protection

Responsibility for managing workplace safety in general and health protection specifically lies with the Chief Human Resources Officer (CHO) of innogy SE. The organisation of occupational health and safety including distribution of powers and responsibilities is currently being developed in the HSE@innogy project. The objective is to roll this out in mid-2017.

The service agreement with CoE Health of RWE Generation covers industrial medicine, emergency medicine, company healthcare management and the company social counselling service. Industrial medicine includes preventive screening and fitness examinations, occupational healthcare and care for sick employees, health check-ups for managers and employees, general preventive vaccinations, medical consultations and travel care. Emergency medicine covers first aid, ambulance and rescue services, diagnostic tests for occupational illness, and specific basic and career training. The objective of our company healthcare management is rolling out healthcare promotion structures, processes and workplaces, as well as company healthcare promotion. An important priority for us is promoting the ability to deal with stress and measures for avoiding stress in the workplace with the help of seminars, lectures and workshops. The company social counselling service offers counselling and support for dealing with psychological and social problems and issues, and training on psychological and social issues, psychological counselling following accidents, conflict advice, and advice for carers looking after relatives.

Organisation of occupational safety

The Executive Board ensures the implementation of and compliance with statutory regulations relating to occupational health and safety. It adopts targets and uniform

standards for occupational safety and health protection in order to support continuous improvement. The establishment of a process organisation for occupational safety is ensured by proven management systems including international norms and standards. innogy has defined the target of ensuring that all innogy Group companies have certifiable management systems in occupational safety and health protection. The level of compliance is currently 90%.

In 2016, the established Working Group on Subcontractor Management engaged with new development areas for occupational health and safety of subcontractors. The aim was to further develop national innogy standards and take into account international health and safety (H&S) expertise. There is a range of different legal standards in the countries where we operate. Moreover, workplace safety for our subcontractors is governed by varying requirements. This prompted us to address the need for greater harmonisation of efforts to reduce occupational accidents and injuries. The aim is to treat employees of subcontractors in exactly the same way as our own employees. The number of subcontractor accidents is therefore also taken into account in the LTI_F rate.

Continuous improvement in occupational health and safety

The Occupational Safety Management Systems define all the management and business function rules and tools relevant to occupational safety and health protection in order to achieve the best possible contribution to the corporate targets. This includes the definition of targets, structures, and processes, rules and tools. H&S processes are systematically analysed and continuously improved using the PDCA Cycle (Plan Do Check Act Cycle). The integrated approach is applied in all high-level management systems, such as management reviews, audits, assessments and incident reports.

In 2015, the project Health and Safety Culture Development was launched. The objective of the project is to implement a cooperative, coaching-oriented leadership style and to strengthen the personal responsibility of employees. In 2016, 982 managers and employees with managerial responsibility took part in a cultural development workshop in which they learned to apply the relevant management tools for health protection and occupational safety. The aim of the workshop is to further develop the issues of respect, trust and commitment with all managers. The participants receive a toolbox to support them. It summarises all the management elements and provides them with guidance to enable their employees to take responsibility independently and strengthen their resolve.

G4-LA6 Types of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities by region and gender (v)

We are unable to report the data with a breakdown by region because these values are not available. Due to controlling of health and safety in the line of the operating divisions, reporting is carried out on the basis of this controlling model. Specific hazard and load requirements are therefore taken into account in the divisions and this ensures international comparability.

Accidents and absence days by division¹	Total accidents per 1,000 FTE ^{2,3}	Number of occupational accidents ²	Number of commuting accidents ⁴	Number of absence days ⁴
Renewables	6,40	17	1	39
Grid & Infrastructure and Retail				
Grid & Infrastructure Germany	4,39	146	97	3.638
Retail Netherlands/Belgium	0	0	0	0
Retail United Kingdom	2,26	18	2	281
Grid and Sales Central Eastern and Southern Europe, Turkey	2,40	35	15	2.027
Other	–	15	20	1.528
Total	3,32	231	135	7.513

1 On 31 December 2016, a number of interdisciplinary functions (e.g. consulting, gastronomy) had not been allocated to a specific division yet and are therefore taken account of under "Other" for the reporting year 2016. An integrated presentation will be made available for the reporting year 2017.

2 Including employees of subcontractors.

3 FTE = Full Time Equivalent: Converted to full-time positions.

4 Only own employees.

Intensive investigations of accidents enable us to identify the causes and specific areas for action, and to introduce strategic measures. Statistical evaluations of accidents and events have shown that no informative data is yielded with a breakdown based on gender because the sample sizes are too small. Therefore, we have not carried out a country-specific presentation and breakdown based on gender. Nor are we planning to do so in the future.

We regret very much that one fatality occurred in the Grid & Infrastructure Division during the reporting period. The average LTI_F was 2.1 and therefore above the target LTI_F of 1.9 in the period under review. We have defined the target of reducing the LTI_F to 1.8 by 2018.

LTI_F 2016	Own employees	Employees of subcontractors	Total
LTI _F	2.2	2.0	2.1

G4-LA7 Workers with high incidence or high risk of diseases related to their occupation

Some of our employees and the employees of our subcontractors work at workplaces with special occupational health and safety requirements. These operations include activities involving transmission lines or wind power plants. However, our intention is to carry out a preventive assessment of all hazards and to implement appropriate protection and safety measures. We organise training sessions and workshops to raise awareness of health and safety and make it the focus of attention.

Aspect: Training and Education – Management approach

Challenges

Against the background of demographic change and an attendant skills shortage, our company needs to position itself as an attractive employer. More than ever before, we want to offer our employees a good workplace by promoting their skills and strengths and offer them scope for personal development.

Continuous career development is absolutely essential for our employees in an era of technical progress and changing business models. This is because we will only be able to overcome the challenges in the energy industry and be successful with the new direction if we have employees and managers who are familiar with the latest advances and have appropriate qualifications.

Organisation, management and performance measurement

Recruitment of new colleagues

We proactively seek contacts in order to be in a position to attract potential employees. Contacts are provided with information about our sustainable business model and the career opportunities at innogy. The focus of our measures is on our career website, and on appropriate social networks. We make personal contact by working with selected universities in Germany and abroad, and by offering the opportunity to have face-to-face interviews. In 2016, we succeeded in recruiting 2,799 new employees for innogy.

Promotion of training

innogy offers a broad range of training opportunities – from training in craft, engineering and commercial occupations, to dual courses of study and training opportunities. The course for twin-track trainees includes for example consultation and supply for modern photovoltaic units, the establishment and maintenance of intelligent electricity distribution grids and commercial functions such as controlling and human resources.

Degree courses accompanied by practical, in-service training and financial support enable us to offer students the opportunity to gain practical experience in the innogy Group during their degree course. This ensures that we are able to meet our require-

ment for qualified skilled workers and engineers. In addition, innogy provides support for external companies with activities for collaborative training ventures, for example by making training capacities available and by carrying out trainings for small companies. We offer young people high-quality training in craft, engineering, commercial and other vocations at more than 50 locations. The number of places on offer delivers more training than we require. We employ a total of 1,512 trainees and apprentices in our company of whom around 1,406 work in Germany. Our trainee and apprenticeship ratio (full-time positions) in Germany was 6.8% in 2016.

Learning and skills development

Our Learning and Development Guideline emphasises our commitment to a culture of continuous learning. We guarantee this with training sessions and courses that are designed to promote personal expertise and skills and to communicate relevant knowledge so that employees can advance up the career ladder within the company. Our managers play an important role, and we give them scope for trying out new methods, initiating projects and bringing together a wide range of different people in the course of their work so that they can swap ideas and learn from each other. Certificates are issued for training courses in specific areas. The quality of the training courses was assessed with a group-wide average score of 4.2 points (on a scale of 0 (lowest score) to 5 (highest score)).

G4-LA10 Programmes for skills management and lifelong learning that support continued employability of employees and assist them in managing career endings

The development opportunities for our employees are extremely varied and range from IT, project-management and language courses, through specialist topics such as occupational safety and compliance, to management training courses and performance management. Employees are able to acquire this knowledge through face-to-face training courses, web-based learning, videos, e-books, games and much more. For support in career advancement or in recalibrating careers, ☹ see p. 71–72.

Aspect: Diversity and Equal Opportunity – Management approach

Challenges

Our society is becoming more and more diverse. We see this cultural change as an opportunity. We want our workforce to reflect the diversity of our customers and partners. People from many different nations, cultures and generations work at innogy. They help us to understand the diverse needs of our customers.

We provide selective support for women and help them to get a job at innogy and rise up the career ladder. We define targets in our company for women to take up management positions. The fact is that technical occupations are still characterised by a predominantly male workforce. We strive to integrate, support and represent employees with disabilities.

We also assist people who have been forced to leave their homeland as refugees. We help them if they want to become integrated in Germany and obtain qualifications so that they can find employment in the job market. Our goal is to provide barrier-free career planning for all our employees. This is ultimately why we use appropriate measures to help employees get the work-life balance right and combine career with family.

Organisation, management and performance measurement

Diversity and Equal Opportunity

Our Social Charter calls for a non-discriminatory working environment and rejects any form of discrimination. Each of our employees should be given the opportunity to fulfil all their potential irrespective of age, gender, origin, beliefs, disability or sexual orientation. For innogy, this is an integral part of cultural change and a long-term management task. A network of diversity officers in the various innogy companies supports its implementation at the individual locations.

In the digital era, diversity management at innogy will focus more on a broader international profile as a response to the increasing globalisation of our business and in the interest of recruiting talented employees. Demographic change is another important topic for us. The aging of society will throw up challenges that we will have to overcome. We provide packages for knowledge transfer and hold workshops on social networks for older employees. We use the Demography Index to assess the age structure of employees in the company. In 2016, the index score was 83.0 points. The closer the score is to 100, the more balanced is the age structure in the innogy Group.

In June 2016, our Diversity Week celebrated the 4th German Diversity Day at our Head Office in Essen and at many other locations in Germany and abroad. It demonstrated the importance of employee diversity and highlighted the activities that already contribute towards promoting an inclusive culture in the innogy Group. The multifaceted and richly varied exhibition presented the lighthouse projects celebrating diversity

and inclusiveness at German and international innogy Group companies. The programmes presented at the various locations ranged from promotion of young and old employees, through initiatives for employees, to aid for refugees. For example, we have also been able to use our successful entry-level qualification "I can do it!" ("Ich pack' das!") to assist people who have had to flee from their home countries. In 2016, we enabled 70 refugees to take work experience placements or observation sessions at various innogy locations. We have been able to include some of them in the qualification measure.

Women in management

We want to be seen as an attractive employer and welcome more women to our company. This is particularly true of management positions and the aim is fostered by our Executive Mentoring Programme for women, along with specific training designed to assist them in preparing to take up membership on a supervisory board. We support our internal women and STEM networks alongside other external initiatives. For example, the STEM initiative brings together women in our company with science and technical degrees. The objective is to provide them with a knowledge exchange platform and promote their career development through activities such as networking.

A Mentoring Programme is currently being prepared for women in STEM professions. More than 120 women from various hierarchical levels at innogy are participating in this initiative.

In 2016, the share for women in management positions (management level L1–L4) was 16.2%. The proportion of mandates on the Supervisory Boards throughout the innogy Group held by women was 19% in 2016. Since May 2016, one woman is a Member of the Executive Board.

Promotion of inclusiveness

We want to integrate people with disabilities in all activities of the company without limitations. Our Inclusiveness Action Plan serves to promote this aim. Our Social Charter documents our community and social responsibility towards employees with disabilities at an international level. innogy has made a commitment to diversity in the company by signing the German Diversity Charter. Appropriate workplace design contributes to removing barriers that restrict people with disabilities in their day-to-day lives. Employee development, training, employment and health measures are all involved in raising awareness and normalising the participation of employees with disabilities.

We work together with subcontractors in developing regulations to ensure employment of people with disabilities and to meet their needs at innogy. We are a member of the Company Forum (UnternehmensForum), a network of more than 20 companies for promoting inclusion of employees in Germany. Our Dutch subsidiary Essent also joined De Normaalste Zaak (The Most Normal Thing), a company network of more than 400 companies dedicated to promoting inclusiveness in the workplace.

The ratio of employees with disabilities for innogy in Germany was 4.4% in 2016. Unfortunately, this does not comply with the 5.0% quota defined by statutory regulations. Our Inclusiveness Action Plan contains targets and measures for the promotion of inclusiveness at innogy. The plan will be rolled out in the German innogy Group companies. Its sustainable impact is highlighted by a number of factors including the training of young people with disabilities and the long-term barrier-free establishment of jobs for people who have a disability that makes it difficult for them to participate in the workplace. Employee representatives play a role in structuring and monitoring the inclusiveness action plan to ensure its success.

G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity

Proportion of gender in %¹	2016	Age structure in %	2016
Proportion of women in the company ¹	34.0	Proportion <20 years old	2.0
Proportion of men in the company ¹	66.0	Proportion 20-24 years old	5.2
Proportion of women in management positions ^{1,2}	16.2	Proportion 25-29 years old	9.8
		Proportion 30-34 years old	12.4
		Proportion 35-39 years old	12.2
		Proportion 40-44 years old	12.5
		Proportion 45-49 years old	14.4
		Proportion 50-54 years old	15.6
		Proportion 55-59 years old	12.5
		Proportion ≥ 60 years old	3.4

1 As at 31 December 2016.

2 Encompasses the first four management levels (L1–L4).

Our diversity concept relates to age, gender, nationality, severe disability and education. An additional survey of data on minorities is not permitted in Germany for reasons of privacy. We can only present concrete figures with reference to age structure, severe disability and gender. Other diversity indicators are not recorded in our standard surveys (partly for reasons of data protection) because these are not relevant at innogy for controlling or performance purposes.

Aspect: Equal Remuneration for Women and Men – Management approach

Challenges

In future, companies with more than 200 employees will be required to grant employees a legal right to information about unequal remuneration. The introduction of procedures for establishing equal pay and the associated reporting requirements will be mandatory for companies with a workforce exceeding 500 employees. Employees in companies with collective agreements will be able to exercise their right to information through the Works Councils. innogy welcomes this development.

Organisation, management and performance measurement

Fair remuneration

We provide equal pay for the work done by women and men if they do comparable jobs. Salaries at innogy are based on remuneration groups to which typical activities are assigned. The gender of the employee is irrelevant for remuneration in these pay grades. Employee representative bodies monitor compliance with the stated principles and ensure equal treatment. We avoid any form of discrimination. There is no reference to gender in our compensation guidelines. Salaries are based solely on qualification, the activity being carried out and the experience.

At present, we do not calculate any additional information such as career development or opportunities for progression comparisons between men and women.

G4-LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation

innogy pays women in equivalent positions the same salary as men. Qualification provides the only basis for calculating the remuneration. The employee representative bodies ensure that there is equal treatment. For this reason, the necessary indicators are not surveyed at innogy.

Human Rights

Aspect: Supplier Human Rights Assessment – Management approach

Challenges

Companies in many countries now have an obligation to disclose their commitment to preventing modern slave labour from taking place with their suppliers. Since March 2015, the Modern Slavery Act has been in force in the United Kingdom. There are national action plans for business and human rights in place or such plans are being prepared in a large number of countries. They are intended to implement the UN Guiding Principles on Business and Human Rights. In December 2016, a resolution on a “National Action Plan for Business and Human Rights” was adopted by the German Federal Cabinet. This resolution states that German companies must ensure compliance with human rights when production takes place abroad. They are further required to maintain human rights along their supply chains. We welcome these measures and are already taking appropriate actions in this area. For additional information on supplier evaluation, ☹ see p. 40 – 42.

G4-HR10 Percentage of new suppliers that were screened using human rights criteria

We are only able to report on the suppliers for goods, services and plants monitored for human rights by Corporate Procurement. In the reporting year, all new and potential suppliers of Corporate Procurement were checked on the basis of the EU sanctions list and the World Bank’s black list. In the case of a pre-existing contractual relationship, this review is carried out at least once a month by the Central Accounts Department. If there is any suspicion of breaches of relevant laws, the Compliance Department is informed and a joint approach is agreed.

G4-HR11 Significant actual and potential negative human rights impacts in the supply chain and actions taken

We report exclusively on the suppliers for goods, services and plants that are monitored for human rights abuses by Corporate Procurement. An assessment is carried out within the product groups by the responsible individuals to ascertain the procurement risk. In the case of strategic product groups such as components for photovoltaic units, this triggers comprehensive plant audits for example in the Asian production facilities. These measures reduce negative impacts on compliance with human rights.

In the case of services which are supplied at the innogy plant site, the risk assessment is carried out centrally by the CoE Safety. This risk classification then reveals the necessity of a valid Occupational Safety Management System (OSMS) for our suppliers. The requirement of the indicator for reporting on the purchase of biomass and other fuels cannot be implemented, because in this case it is not our suppliers who are affected but rather producers in the upstream supply chain. We are unable to exert any direct influence on producers.

Society

Aspect: Local Communities – Management approach

Challenges

Companies that want to be successful over the long term need to take responsibility for the communities in which they are operating. On the one hand, we create jobs and generate other socioeconomic benefits in the environment of our generating plants and grids. On the other hand, interventions in the environment and the landscape cannot be entirely avoided in the process of constructing and operating our plants. Therefore we want our impacts at our locations to be predominantly positive. To this end, we enter into dialogue with our stakeholders and invite our neighbours to express their opinions. We support regional sports, cultural activities and educational projects at our locations with a range of sponsorship activities. We have defined our sponsorship rules in our Guidelines on Donations and Sponsorship, which apply throughout the innogy Group.

Organisation, management and performance measurement

Seeking dialogue

Our stakeholder dialogue with neighbouring residents and other stakeholder groups specifically address the impact of our business activity. For more information on this matter ☺ see p. 23 – 26. Where there is formal public involvement in our planned projects, all the application documents are initially disclosed by the government agency. This gives the stakeholders, for example neighbours and nature conservation organisations, an opportunity to state their views. Nevertheless, if stakeholders come to the conclusion that their interests have not been appropriately considered, they can still file a lawsuit. In addition, protective measures are planned and defined for the countryside, rivers and surface waters also with public involvement. Public access is provided to all the documents prescribed under statutory regulations.

G4-SO1 Percentage of operations with implemented local community engagement, impact assessments and development programmes

The percentage of business locations at which the above mentioned measures are carried out is not calculated at innogy for reasons of materiality. There are numerous examples of our commitment in the regions.

Under the motto Education with Energy (“3maE” – Energie erforschen, entdecken und erleben), we bundled the education packages of the innogy companies in Germany. We work together with our partners to develop innovative and sustainable formats: from early-years STEM education in mathematics, computer skills, natural sciences and engineering to career advice for school leavers in the newspaper project Mediacampus. During the reporting year, we expanded these packages for children, young people, students, carers and teachers. School competitions, trips, teaching materials and social media packages communicate energy topics in an appealing way. One example is a digital knowledge quiz which teaches knowledge about the generation and use of regenerative energy in the context of play. In 2016, 573 experiment kits were loaned to around 100 schools and nurseries, and more than 23,000 teaching packs were sent to teachers. 133 nurseries and kindergartens with around 4,000 children took part in our project KidsgoSTEM. 56 employees visited schools as energy ambassadors. 665 classes with more than 13,342 schoolchildren took part in energy lessons.

innogy collaborates with partner cities and local communities to promote local environmental and climate protection activities initiated by citizens, associations and other players. More than 4,000 projects have been promoted with the Climate Protection Prize within seven years. We will be running this prize in a new format from 2017.

Aid for refugees is a community mission that innogy is participating in. Companius works together with longstanding partners to develop volunteering projects to help refugees in Germany. Employees from the entire innogy Group, ranging from trainees and apprentices to the Executive Management, play a proactive role in team projects and individual projects.

As part of our general project development, we analyse the needs of communities (Environmental and Social Impact Assessment). However, we are unable to disclose the detailed results due to the large number of projects.

G4-SO2 Operations with significant actual or potential negative impacts on local communities

The development and operation of renewable energy plants brings many benefits to local communities. Nevertheless, certain effects from the construction and operation of plants are perceived as negative by the local population. At the planning stage of our business activities, we therefore attempt to determine and minimise potential negative impacts at the local level wherever possible. Generally, professional expert reports have

been prepared on this in the phase of project planning and approval, and various stakeholder groups have been involved in the process. In the course of approval, all necessary measures are identified and defined which are necessary to avoid significant negative impacts on the natural environment and neighbouring residents. During the operational phase, impacts are constantly monitored and countermeasures are introduced as necessary.

Overall, acceptance by local communities is a key factor for success of a project. Participation of citizens and local authorities in projects can make a significant difference to this. Engaging in a dialogue with local communities helps us to identify supporting projects that would generate the greatest socioeconomic benefit at local level. At our Welsh offshore wind farm Gwynt y Môr, we are collaborating with the Royal National Lifeboat Institute. With resources provided by a Community Fund over the anticipated useful life of the wind farm we support projects for local tourism and related to lifeboat rescue operations.

Regular mandatory checks monitor the impacts of the operating phases of our plants and no significant negative impacts were identified.

EU22 Number of people physically or economically displaced and compensation, broken down by type of project

innogy's business activities are not associated with resettlements. Accordingly, no people were resettled in connection with the business activity of innogy in 2016.

Aspect: Anti-corruption – Management approach

Challenges

The energy sector is defined by regulatory decisions and projects with a high order volume. This has impact on the various stages of innogy's value chain to varying degrees. For this reason, we have implemented a comprehensive Compliance Management System to prevent corruption. All our activities and business decisions are based on strict compliance standards. Corruption and other breaches are not tolerated. Compliance requirements are also taken into account when deciding whether to enter into business relationships with business partners and suppliers.

Organisation, management and performance measurement

Avoidance of corruption risks

Raising the awareness of employees forms the platform for avoiding corruption. The  innogy Code of Conduct is binding for all employees and prohibits any form of corruption. The Code is given concrete form by additional innogy Group guidelines. In daily work, organisational regulations such as the double-checking principle, rules for

approval or the authorisation concept and separation of functions support compliance with these guidelines.

In all the operating companies, Compliance Officers are responsible for implementing the innogy Group-wide principles for preventing corruption. In some regions in which innogy is operating through several subsidiaries, compliance functions are bundled and dealt with by a national compliance officer. An independent, external contact person is also available to receive information about any breaches of the  Code of Conduct by employees or third parties. Reports can be submitted in the national languages of the companies in the innogy Group and must remain anonymous if requested. The Chief Compliance Officer submits regular reports about compliance issues to the Executive Board and the Audit Committee of the Supervisory Board of innogy. Internal media inform our employees about conduct that conforms to our compliance guidelines. They also highlight potential risks if compliance is breached.

Members of our workforce receive training courses on the avoidance and prevention of corruption in a web-based training programme and at face-to-face training courses. Participation is obligatory and calibrated according to the risk of corruption associated with the relevant activity. The Executive Board is also integrated in this training concept.

The Internal Audit Department regularly carries out preventive compliance audits. This enables us to review the implementation and effectiveness of our Compliance Management across the innogy Group. We follow up any information relating to potential breaches of compliance and we take any necessary measures required. The reviews carried out so far by the Internal Audit Department for 2016 have revealed no material or systematic breaches of the compliance guidelines.

G4-SO3 Total number of and percentage of operations assessed for risks related to corruption and the significant risks identified

Since the identified risks concern information relevant to business operations, they are subject to special confidentiality regulations. We are unable to provide any information about these risks. A two-stage process helps us to identify and evaluate compliance risks.

In 2012, the risk analysis process commenced centrally with drawing up the risk profiles of the Group companies. A second step involved focusing on the development of detailed corruption risk scenarios. These were discussed and modified in the individual Group companies. The detailed analysis was carried out by the Compliance Officer throughout the entire Group. It was completed in 2016 by a central aggregation of the results from the entire Group perspective in 2016.

G4-SO4 Communication and training on anti-corruption policies and procedures (✓)

In order to work out a targeted training concept for combatting corruption we have included risk aspects in the development. In 2016, we delivered training to around 3,600 employees in Germany and to around 300 employees in other business regions through face-to-face events.

The breakdown by employee category includes information relevant to business. It is subject to special confidentiality regulations and the information can therefore not be reported.

Aspect: Public Policy – Management approach (✓)

Challenges

innogy perceives compliance with the law to be a fundamental principle. As an operator of a critical infrastructure and plants that are capable of having a significant impact on the environment and the community, and as a major commercial business, we have an obligation to engage in a dialogue at the political and community levels. In our conversations with stakeholders, we benefit from constructive ideas for the direction of our business. At the same time, we are able to provide the opportunity to facilitate better communication for business decisions and the underlying motives. Our aim is to engage in participatory dialogue with our stakeholders and to answer their questions.

Organisation, management and performance measurement

Keeping up a conversation and moving topics forward

As a major energy company, we are engaged in ongoing discussion with politicians on a number of key issues. These include our contribution to the energy transition, to national and international climate protection targets and to the future of the energy market. In 2016, the focus of political activities was regulation and expansion of renewable energies, modernisation of distribution grids, digitalisation, storage facilities, climate protection, retail and consumer prices, gas grids and storage, and consumer applications (in relation to smart technologies).

The energy supply is growing increasingly complex from a technical and organisational perspective. The complexity is increasing in relation to climate protection, social protection and economic development. Members of parliament, local elected representatives, and employees of state and federal authorities are therefore searching and valuing the professional engagement with companies, with universities, with non-governmental organisations (NGOs) and with think tanks. The objective of innogy is to contribute to achieving an evidence-based, objective opinion and thereby to develop a sustainable energy supply. innogy believes that participation in these discussions must involve respect and transparency for the boundaries between pursuing the interests of the company and providing evidence-based information.

Transparency in political dialogue

Our  Code of Conduct forms the basis for our conduct to politicians and government. Dialogue with representatives of public authorities and political parties is indispensable for us. So as to avoid any appearance of exerting unreasonable influence during such discussions, we have made a commitment to neutrality in the party-political arena and we do not make any donations to political parties or party-affiliated organisations or foundations related to parties.

G4-SO6 Total value of political contributions by country and recipient/beneficiary

In accordance with its  Code of Conduct, innogy remains neutral in the party-political arena. It does not make any donations to political parties to party-affiliated organisations or foundations.

Aspect: Anti-competitive Behaviour – Management approach

Challenges

The trust of our stakeholders and the community forms the basis for our business. Every day, we earn this trust anew through fair conduct and transparency. Our conduct towards our competitors also complies with statutory legislation, and we ensure that our business activities meet the conditions of fair competition.

Organisation, management and performance measurement

Prevention and raising awareness

We aim to raise the awareness of all employees and managers in preventing anti-competitive behaviour. Our employees receive training sessions on proper conduct in accordance with the regulations of fair competition at face-to-face sessions. The Executive Management is integrated in the training concept. We ensure neutral grid operation in order to comply with unbundling requirements. This ensures accounting and legal separation of grid usage from electricity generation, trading and retail.

We carry out a regular innogy Group-wide review to assess the implementation of our regulations on anti-competitive behaviour. To this end, the Internal Audit Department carries out preventive audits in our innogy Group companies. We take information on potential breaches very seriously. We follow them up and introduce any necessary measures.

G4-S07 Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices, and their outcomes

In the area of district heating, a lawsuit at the Federal Antitrust Office against an innogy Group subsidiary was settled following arbitration negotiations. innogy reimbursed the district heating customers €12.3 million in relation to the supplies involved in the lawsuit. The competent authority in the United Kingdom has been investigating the entire British energy market for some years. The results were published in June 2016, and measures are currently being implemented.

Aspect: Compliance (Society) – Management approach

Challenges

Compliance with laws and regulations is an absolute priority. Breaches of the law can lead to serious reputational losses for innogy and entail personal liability for individual employees. Another top priority is that our partner companies should comply with human rights laws and guidelines on appropriate working conditions.

Organisation, management and performance measurement

The Labour Law Department internally pools all the experts on labour law of the national companies within the innogy Group. The department is responsible for all matters relating to individuals and collective labour law. It engages external advisors for all the companies on labour law issues and associated matters.

The Legal & Compliance Department offers innogy Group-wide advice on compliance, and laws governing corporate operations and the capital markets. It provides advice on legal issues relating to joint ventures, M&A transactions and project finance. Fundamental questions relating to energy law (on a national scale and across Europe), merger control, antitrust law, trademark law and legal advice in the areas of procurement, real estate and IT are also within the remit of the Legal & Compliance Department.

For more information on the compliance system and for corruption prevention

☺ see p. 87 – 88.

G4-S08 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations

Our innogy Group-wide survey of corruption offences revealed that no fines had been levied in this area.

Aspect: Disaster/Emergency Planning and Response – Management approach

Challenges

As an energy company, our key function is to ensure a secure energy supply for the population. Security Management at innogy is a central management function in order to be able to reliably fulfill this community duty. We ensure security at our plants, plan for the future and make preparations for emergencies. Although certain events are very unlikely to occur at our plants, they could exert a serious environmental impact if they actually happen. Such accidents can also put the energy supply of entire regions at risk and could even pose an existential risk for the future of the company. Foresightful planning, scenarios and reinstatements of events of this kind, and training programmes for our managers and employees are therefore an integral part of our Security Management.

Organisation, management and performance measurement

Predictive planning and crisis scenarios

The innogy Group-wide security regulations are defined by the Group Security Division, which reports directly to the Executive Board of innogy SE.

The responsibilities for central Business Continuity Management (BCM) and central Crisis Management are situated in Group Security. A structured crisis organisation in the divisions comprising central and local crisis staffs covers all activities crucial to supply and enables us to prepare for all conceivable crisis incidents, particularly in the grids. Key factors are the preparation and experience of the crisis staffs. In regular crisis exercises, these employees are trained and the planned measures are reviewed for their effectiveness. In 2016, crisis exercises in the Grid & Infrastructure Division throughout the innogy Group focused especially on cyber security. This exercise was assisted by the security authorities acting as external observers. The analysis of processes critical to our business assisted by Business Impact Analyses formed the platform for the BCM plans. An annual review is carried out to assess whether these plans are effective and directed to minimising any negative impacts.

Constructive cooperation with government authorities

Large areas of the reporting pathways to government agencies are defined in law. innogy works openly with the authorities and its engagement often exceeds the statutory requirements. We are a member of the Alliance for Cyber Security (Allianz für Cybersicherheit) of the German Federal Ministry for Security in Information Technology (BSI) and a member of the German Cyber Security Council (Cyber-Sicherheitsrat Deutschland e. V.). The spokesperson for the energy sector in UP KRITIS – a national initiative between the state and carriers of Critical Infrastructure in Germany – of the Federal Ministry for Security in Information Technology is working in the Group Security Division of innogy. Moreover, innogy is one of the few German companies that are members of the National Cyber Forensics & Training Alliance (NCFTA) in the USA.

In 2016, memberships were based on the innogy Group parent company. From 2017, we plan to manage these memberships independently. In emergency exercises at the local level, local authorities such as the police and fire service are generally involved.

Product Responsibility

Aspect: Product and Services Labelling – Management approach

Challenges

Our primary function as an energy company is to ensure a secure supply of electricity, gas and heat for the population. Our customers rely on this. During the energy transition, customers' aspirations and their demands of energy utility companies are changing. innogy is therefore preparing an "Energy transition at home" ("Energiewende zu Hause") and a "Transport transition" ("Verkehrswende") incorporating a large number of products and services. We want to support residential customers and companies to be prosumers. This will enable them to chart an intelligent route towards more energy autonomy and they will be able to rely more on sustainable technologies. If we are to achieve this goal, it is important for our potential and current customers to be familiar with our offers and to have us as a partner who meets their needs.

Organisation, management and performance measurement

Labelling of non-commodity products

One of our priorities is that our products are clearly and transparently labelled for our customers. CE labelling combines regulations and technical standards, and is the most important labelling system for our non-commodity products. All our innogy SmartHome components and charging technology for electromobility are CE certified. Solar modules and batteries from leading German manufacturers in the innogy product range are always supplied with CE certificates from the manufacturer. This offers guidance for customers and provides a quality feature for the products.

Satisfied and loyal customers

Top priorities for us are to ensure uniformly high product quality, fast and smooth processes and competitive prices. These goals are achieved by informing our customers about our offers and services and helping them to identify the best products to meet their needs. We have adapted our product portfolio for consumers to our customers' needs. We base our product range on their awareness of price, safety, environment and comfort. Our call-centre employees are available to answer any questions from customers.

In Germany, we get customer feedback at various locations. We carry out a Customer Satisfaction Analysis of residential customers for innogy twice a year. This includes all German regional companies and eprimo. In addition, direct surveys are performed at all relevant customer contact points. The objective is to ensure that customers are as satisfied as possible and that our processes are geared to their needs. In 2016, we won the independent consultancy company imug's Top Performer Award for customer service for the third time. In the Netherlands, Essent became the first company to use certified coaches for customer support. In 2016, 40 customer support officers achieved ST!R certification. This is an independent certification for professional training in the Netherlands. In 2017, we will expand this programme. One of these coaches won the nationwide CQ Test, an annual competition for customer support officers from various Dutch companies. Since this year, Essent in Belgium provides a Social Media and Community Manager who seeks active dialogue with our customers and passes on their feedback for continuous improvement of our product ranges.

In the Czech Republic, the voice of the customer has been the focus of performance measurement. Twice a year, a Market Thermometer surveys customer relations and long-term trends. The executive management is assessed on the basis of the results for customer satisfaction, customer loyalty, probability of recommendations and brand image. Satisfaction with the various sales channels is continuously monitored by surveys based on individual contacts. Customer processes are subject to continuous review in parallel. These two operational surveys are channelled into the assessment of the team leaders. Furthermore, detailed investigations are being carried out to improve business processes based on customer feedback. For the results of our Customer Satisfaction Survey ☹ see p. 95.

Implementation of statutory regulations

☹ see p. 94 – 95.

G4-PR3 Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements ✓

Our products and services are subject to numerous laws and regulations at the national and EU levels. Nationally, for example, laws exist on customer and data protection, along with specific regulations on the measurement of consumption and the structure of billing. Electricity labelling provides an important instrument for increasing transparency in the electricity market. Pursuant to the provisions of the German Energy Industry Act (Energiewirtschaftsgesetz), all suppliers of electricity to consumers must provide their customers with information on the energy sources used for generating the energy and on the CO₂ emissions and nuclear wastes that arise in the process.

We publish information about consumption in the "EC Safety Data Sheet Natural Gas Dried" pursuant to the European Chemicals Regulation REACH. None of the other information required for this GRI indicator relating to substances, safe use and product disposal is applicable to the product and service information on the key products of electricity and gas supplied by innogy.

G4-PR5 Results of surveys measuring customer satisfaction (✓)

The Customer Loyalty Index features in our method for determining whether our activities are successful. We carry out a survey to determine the index for all supply companies in Germany and use a similar format for other countries. We ask our residential customers whether they want to remain as customers of the company in question in the future, whether they would recommend us to others and whether they could envisage purchasing other products from us. Loyalty is rated as low for scores of 70 or less, moderate for scores of 70 to 79 and high for scores above 80. In the second half of 2016, we achieved a score of 73 out of 100 points with our residential customers in Germany. This is an improvement on the first half of 2016 but a significant decline compared to 2015. Loyalty in the Czech Republic scored 73 points, while Poland scored 74 points. In the Netherlands, we use a questionnaire to measure customer loyalty. It reflects the percentage of households that would like to remain our customers over the next twelve months. The score amounted to 78% for Essent and 57% for our low-price brand energiedirect.nl.

Apart from customer loyalty, we also use an index to survey customer satisfaction on a regular basis. innogy's score in the Customer Satisfaction Index for residential electricity customers in Germany was 78 out of 100 points. In the Czech Republic, the average was at about 83 points. The score for our business and residential customers in Hungary was 74 points and 83 points in Poland. In the Netherlands, we survey customer satisfaction following telephone contact with us. Customer satisfaction after telephone contact achieved an average score of 7.9 out of 10 possible points. energiedirect.nl score was 7.8 out of 10 points. In Belgium, Essent achieved a satisfaction score of 8.0 points.

In the United Kingdom, customer satisfaction improved during the first twelve months. At the end of 2016 the score amounted to 69% (2015: 63%). 39% of the respondents surveyed stated that they were "extremely/very satisfied". In 2015, this score was 32%.

Aspect: Customer Privacy – Management approach

Challenges

The new European General Data Protection Regulation came into force in May 2016. It will become effective on 25 May 2018 after a two-year transitional period. This will provide a uniform standard for protecting personal data or data that can be connected to a person. These rules apply to all companies inside and outside Europe if they offer services in the EU. The transition period is provided for European countries, authorities and companies to create a homogenous data protection act and implement the new regulations. We already comply with this responsibility today.

We use and store customers' data for many of our Retail products. In this area, we have strictly observed compliance with data protection rights from the start. Customers have jurisdiction over their data and their system. Data required for services is transferred through encrypted links to our computer centre in Germany. Data protection is also a top priority for electromobility. Personal data are not stored in a charging station. After the data have been sent to the backend, they are deleted at the station. Moreover, no personal data are forwarded between our more than 100 eRoaming partners in the public charging station grid.

Organisation, management and performance measurement

Data protection in own company

Data protection is one of innogy's principles for conduct which are prefixed in the  innogy Code of Conduct. Here, we make a commitment to carefully handle personal data. The objective is to comply with statutory data protection regulations. We require all our employees to maintain data secrecy. Our aim is to raise awareness and develop a joined-up common understanding of this topic in training sessions and to inform employees about data protection regulations. Against the background of the new EU General Data Protection Regulation, innogy is planning to establish and implement an internal data protection management system.

Guaranteeing security of user data

The new smart home controlling concepts raise concerns among some stakeholders about the security of private data. We respond to these concerns with clear data protection concepts, certifications in compliance with the Association for Electrical, Electronic and Information Technologies (VDE) and the German Technical Inspectorate for IT (TÜV IT), and with a range of tests. New products are thoroughly checked for compliance with legal, technical and organisational aspects before they are put into circulation. In order to protect the privacy of customers, we deploy the most advanced security measures and use anonymisation, pseudonymisation and encryption techniques. This enables us to guarantee the security of customers' data.

Our electromobility projects are launched with clearly defined data protection concepts from the outset. Data connection and data traffic are carried out with encryption. Personalised customer data are not stored in the infrastructure and are only allocated

to the contract account for billing purposes. In 2014, the IT backend was certified by the German Technical Inspectorate (TÜV). innogy experts are proactively working in the federal state-sponsored DELTA project to expand the standardisation of data protection and data security seamlessly within the electromobility system.

Transparency of data application

We have to use customer data in order to fulfil contracts and to improve our products. To protect the private sphere of customers, we provide transparent information about the collection, processing, use and forwarding of personal data. In many cases, we also need to bear in mind the transmission of personal data to non-EU countries. Providers of maintenance and support services are often based in countries with an unsatisfactory level of data security. This means that the access authorisation has to be checked in advance and an appropriate level of protection has to be achieved through technical and organisational measures.

innogy Group data protection has supported the Big Data Innovation Hub lighthouse project from the start. Here we pay particular attention to the principles of purpose limitation and data economy under data protection legislation. Wherever the use of personal information is not necessary, we use anonymisation and pseudonymisation techniques. SmartHome applications from innogy are a good example. We regularly review our protection measures with respect to the technical status and connection data and adopt an approach of constructive criticism for our actions.

G4-PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data (✓)

A holistic system of reporting has not yet been established for innogy owing to various statutory regulations in the EU. The aim is to establish such a system when the EU General Data Protection Regulation is introduced in 2018. During the period under review, there were no data protection breaches incurring a fine or data losses in conjunction with sensitive personal data. All enquiries by the data protection authorities were unfounded and it proved possible to respond without any knock-on effects.

Aspect: Access – Management approach (✓)

Challenges

The supply of energy is fundamental for the lifestyle of our customers. We want to guarantee them a reliable and affordable supply of electricity and gas at all times. Ensuring the affordability of energy and supplying vulnerable households with energy lie within the responsibility of the state in Germany. We provide support through innovative products that help reduce energy consumption and give customers more control over their electricity bill. We provide telephone advice and consultation services about all aspects of energy consumption.

Organisation, management and performance measurement

Combatting fuel poverty

We help to mitigate fuel poverty in the countries in which we are operating – particularly where the government and civil society do not provide enough support. Fuel poverty is defined in terms of households that have to spend more than 10% of their net income on energy needs. There are various differences between the needs and offerings in the individual countries.

In the United Kingdom, we cooperate with the British network of local food banks, the Trussell Trust, a charitable organisation that helps people living below the poverty line. We support vulnerable people who use prepaid meters by providing them with energy vouchers. Since the programme was launched, it has been able to help around 46,000 people. Fuel Banks give assistance with a voucher worth € 60 (£ 49) each or € 37 (£ 30). In partnership with Macmillan Cancer Support, we continue to offer npower's Macmillan Fund. It provides assistance to cancer patients by helping them to pay for electricity and gas bills. The fund also takes responsibility for debts. So far, debts of € 5.5 million (£ 4.5 million) have been paid off, and help has been given to more than 4,000 customers. Our Health Through Warmth Programme enables us to support homeowners with long-term illnesses who are unable to finance repairs or replacement of their heating. In 2016, we were able to assist 2,700 people. We installed 575 new boilers and 300 new central heating systems. After the installations had been completed, 83% of those customers reported an improvement in their health and general sense of well-being.

In the Netherlands, combatting fuel poverty is an area for action on our corporate responsibility roadmap. We aim to avoid disconnecting customers due to outstanding payments and we attempt to support customers in meeting their obligations. In Hungary, we safeguard the energy supply for vulnerable people by installing prepaid metres and working closely with local authorities.

EU28 Power outage frequency

The System Average Interruption Frequency Index (SAIFI) excluding acts of nature was 0.3 for 2015 in the innogy distribution grid in Germany and 1.25 in Eastern Europe. This value indicates how frequently on average a consumer is affected by an electricity outage. The values for 2016 were not available by the editorial deadline.

EU29 Average power outage duration

We are able to guarantee our customers a largely interruption-free supply of electricity and gas. In 2015, the System Average Interruption Duration Index (SAIDI), excluding natural events in our electricity distribution grid in Germany was 15.1 minutes per customer. In our electricity distribution grid in Eastern Europe, this indicator was 76.9 minutes. The average outage due to interruption of the gas supply in Germany was 2.3 minutes

per customer in 2015. Not including faults caused by third parties, this indicator would be as low as 0.6 minutes. The values for 2016 were not available by the editorial deadline.

Aspect: Provision of Information – Management approach

Challenges

We want all our customers to feel that they are in good hands with us and we want our employees to perform their work safely. Important information should be made available quickly and comprehensively.

Organisation, management and performance measurement

Freedom from barriers and information for people with low literacy and in different languages

Access to electrical energy and its safe use are guaranteed at all times. Information packs and safety instructions are prepared in the national language of each market. In the B2B sector, we publish the “EC Safety Data Sheet Natural Gas Dried”, which provides comprehensive product information.

We employ multi-language call-centre agents for our customer questions. npower provides additional services such as invoicing in large script or braille and deploys more employees with an appropriate ethnic background to match the composition of the regional population. In Germany, a pilot project is currently being conducted in which customers are sent a video by email that explains their individual energy bill.

Product information and consultancy services

In 2016, our energy shops in Germany welcomed approximately 180,000 visitors. They are located at more than 100 sites and include the shop-in-shop offers and the energy mobile. We expanded the portfolio of our energy shops by products such as SmartHome. In 2016, questions about energy efficiency and energy advice made up some 3.5% of all the enquiries we received.



Openness creates trust.
We make our actions
transparent.

Appendix

Assurance Report

Independent Practitioner's Limited Assurance Report

To innogy SE, Essen

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft has performed a limited assurance engagement on the German version of the Corporate Responsibility Report and issued an independent assurance report, authoritative in German language, which has been translated as follows:

We have been engaged to perform a limited assurance engagement on the sustainability information marked with "✓" in the Sustainability Report of innogy SE, Essen, (hereafter the "Company") for the period 1 January 2016 to 31 December 2016 (hereafter the "Sustainability Report").

Management's Responsibility

The Company's Management is responsible for the preparation and presentation of the Sustainability Report in accordance with the criteria as set out in the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) (hereafter the "GRI-Criteria") and for the selection of the information to be assessed.

This responsibility includes the selection and application of appropriate methods to prepare the Sustainability Report as well as the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Sustainability Report, which is free of material misstatements due to intentional or unintentional errors.

Audit Firm's Independence and Quality Control

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

The audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Institut der Wirtschaftsprüfer ("Institute of Public Auditors in Germany; IDW"): Requirements to quality control for audit firms ("Entwurf eines IdW Qualitätssicherungsstandards 1 „Anforderungen an die Qualitätssicherung in der

Wirtschaftsprüferpraxis" (IdW EQS 1)") – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express an opinion on the sustainability information marked with "✓" in the Sustainability Report based on our work performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Sustainability Report, as well as references to other chapters, indicators, and the annual report, if they are not separately marked as reviewed.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" published by IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance whether any matters have come to our attention that cause us to believe that the sustainability information marked with "✓" in the Sustainability Report has not been prepared, in all material respects, in accordance with the GRI-Criteria.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the practitioner's judgement. This includes the assessment of the risks of material misstatements of the sustainability information marked with "✓" in the Sustainability Report with regard to the GRI-Criteria.

Within the scope of our work we performed amongst others the following procedures:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of personnel involved in the preparation of the Sustainability Report regarding the preparation process, the underlying internal control system and selected sustainability information
- Analytical procedures on selected sustainability information of the Sustainability Report
- Comparison of selected sustainability information with corresponding data in respective evidence documents
- Assessment of the presentation of selected sustainability information in the Sustainability Report regarding the sustainability performance

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the sustainability information marked with “(v)” in the Sustainability Report of the Company for the period 1 January 2016 to 31 December 2016 has not been prepared, in all material respects, in accordance with the GRI-Criteria.

Emphasis of Matter – Recommendations

Without qualifying our conclusion above, we make the following recommendations for the further development of the Company's sustainability management and sustainability reporting:

- Further alignment of the sustainability reporting in consideration of the new business model
- Further development and formalization of innogy-specific reporting processes and the respective internal control system as well as increasing implementation of automated system interfaces and controls

Restriction on Use and Distribution

We issue this report on the basis of the engagement agreed with the Company. The review has been performed for purposes of the Company and is solely intended to inform the Company about the results of the review. The report is not intended for any third parties to base any (financial) decision thereon. We do not assume any responsibility towards third parties.

Essen, 3 March 2017

PricewaterhouseCoopers GmbH
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for download at www.innogy.com.

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