

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

Version 2.1

Initial release June 2021

Updated January 2024

About this policy

The aim of this policy is to structure and formalize general processes around the Environmental, Social, and Governance (ESG) topics within INNIO Group. It conceptually frames the governance of sustainability, definition of goals, approach to specific material topics—including aspects of greenhouse gases (GHG) inventory, presentation of non-financial disclosures, KPIs and measurements as well as learning, training, and communication with stakeholders. The role of this policy is to provide general direction and guidance in an ever-evolving global sustainability environment.

Commitment to sustainability

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

As we take steps to minimize our impact to the environment, we are committed to doing business in an ethical, compliant, and socially responsible manner, putting the health and safety of our employees as our top priority, and always respecting human rights and employment best practices. We also are respectful of the communities and cultures in which we collaborate and engage.

The goals of the Paris Agreement—to limit the temperature increase by mid-century to no more than 1.5 degrees Celsius—are embedded in our vision and mission, namely, to accelerate the energy transition that will make a decarbonized world a reality.

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

INNIO's ESG goals

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

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

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

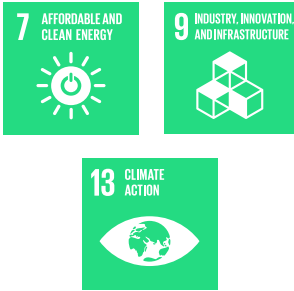
INNIO's sustainability goals can be found on page 5 of this policy. All three pillars are underpinned by good governance and sound, transparent ethical and compliance standards such as INNIO's Code of Conduct, Labor & Human Rights Policy, and Anti-Corruption and Trade Compliance guidelines, just to name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

Details of our sustainability goals and their timelines are published in INNIO's annual Sustainability Reports, which are publicly available on innio.com. All INNIO's goals to date have been achieved.

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

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

Low carbon and circular products



2022

All new Jenbacher engines are “Ready for H₂”.
Engines can be offered with the option to operate with up to 25% (vol) H₂ in the pipeline gas. All Type 4 engines are available for 100% H₂ operations.

Next flagship customer project(s) will be commissioned with 100% hydrogen operation

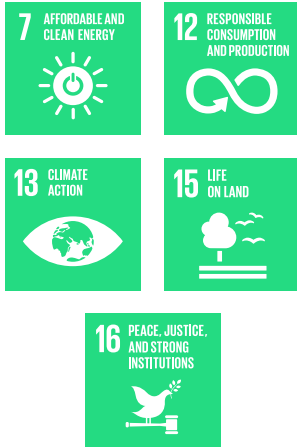
2025

From 2025 onwards INNIO’s entire Jenbacher product line is expected to be rolled out for 100% hydrogen operation. Fleet upgrades are available to transform most already installed engines into a 100% hydrogen engine on site.

2030

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

Resilient supply chain and manufacturing



2023

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

2030

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

Responsible operations and social responsibility



2022

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

2025

25% increase of identified diversity groups across functions compared to 2020 baseline. Maintain high employee engagement of > 85%.

2030

Further develop people leadership diversity.

All of INNIO’s goals are underpinned by good governance, business ethics, and transparency.

Sustainability governance

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

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

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

SRB, together with various business functions and stakeholder groups, is responsible for identifying and managing ESG-related material issues, risks, and opportunities as well as establishing short-, medium-, and long-term ESG goals and enable mutual alignment between INNIO's ESG and overall entrepreneurial strategy. The SRB meets regularly (monthly or quarterly) and provides regular (monthly) updates to the Executive Board.

In addition, the SRB continuously works on the integration of climate-related information in accordance with the guidelines, assessing the impacts of climate change on our business—and our business on climate change.

Day-to-day activities related to ESG and sustainability agenda, initiatives, projects, and analytics are tasked to the Group Sustainability Department, a standalone corporate function.

ESG taskforce

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

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



Non-financial disclosures – communication with stakeholders

INNIO publishes non-financial disclosures on an annual basis. Sustainability reports cover the calendar year, aligned with the fiscal year.

Currently the bases for reporting are GRI and SASB standards which cover respective selection of KPIs. We continuously monitor updates and changes across various reporting standards, e.g. CSRD/ESRS, TCFD or EU Taxonomy and others to ensure timely alignment and implementation. An important part of our reporting process is greenhouse gas inventory and accounting (GHG protocol), covering all 3 scopes and their respective inventories.

Through our non-financial reporting, we describe our management and performance of ESG issues

considering qualitative and quantitative factors. Our disclosures focus on the topics that have been deemed most material to our business and stakeholder groups during INNIO's materiality assessment. Given the importance of reflecting current and emerging trends, we plan to continue conducting thorough materiality assessments every few years or as needed.

INNIO's non-financial disclosures undergo independent assurance (audit) aligned with the international standards on assurance engagements (ISAE3000).

Greenhouse gas inventory management

The accounting of our direct and indirect greenhouse gas emissions—and thus their allocation to the individual categories (scopes)—is carried out in accordance with the standards of the Greenhouse Gas Protocol (GHG Protocol) of the World Resource Institute (WRI). To calculate INNIO's carbon footprint, we included carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O) emissions, which are regulated under the Kyoto Protocol, demonstrated in metric tons of CO₂-equivalents.

Direct emissions (Scope 1) include those emissions that arise from the use of fossil primary energy sources to generate electricity and heat by INNIO. For this purpose, the CO₂ emissions are calculated using the standard calorific value and the standard emission factors from the national greenhouse gas inventories.

Indirect emissions (Scope 2) include those emissions that arise from the use of purchased fossil secondary energy sources for our own consumption of electricity. In accordance with the GHG Protocol methodology, we report our Scope 2 emissions using two approaches, the location-based and the market-based approach. While with the location-based approach we use the country-specific CO₂ factors for the calculation, with the market-based approach we calculate the emissions based on CO₂ factors that correspond to the respective energy mix of the electricity provider.

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

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

INNIO's carbon footprint covers more than 98% of the INNIO Group, using the financial control approach. For the calculation, we used actual data, including data from databases, such as ecoinvent, and provided by suppliers or other value chain partners. In some cases, model-based assumptions were made. To be more specific, in some of our office locations where data was not available, emissions from natural gas, electricity, and waste generation were estimated based on employee headcount at each location. One of INNIO's sustainability goals is a 50% reduction of Scope 1 and 2 GHG emissions (vs. 2020 base) by 2030. Therefore, INNIO Group has committed to the SBTi for developing an ambitious CO₂ reduction pathway in accordance with climate science. The reduction pathway also includes Scope 3 GHG emissions.

Learning and development

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

Restatements of information

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

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

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

Related documents and policies

INNIO's policies underpin our approach to a sustainable business and help us manage a wide range of issues. Some of our policies deemed as most relevant are:

- Code of Conduct
- Environmental Policy
- Labor and Human Rights Policy
- Diversity, Equity & Inclusion Policy
- Occupational Health & Safety Policy
- Quality Policy
- ESG Supply Chain Policy
- Zero Defect Policy
- Annual Sustainability Reports

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Original release date: 06 – 2021
Latest updated version: 01 – 2024
Authorized by: VP Group Sustainability

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