Sustainability Report
2023

steag

Report Structure

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Dear stakeholders and readers,

On behalf of the supervisory and management boards of STEAG GmbH, I am pleased to present our 2023 corporate sustainability report. The last few years have been a period of tremendous change for STEAG. Following the establishment of a detailed strategy for STEAG's future development, we have separated our power operations into two businesses: Iqony to contain the renewables business, which we expect to drive much of our growth in future, and STEAG Power to hold our legacy hard coal fired generation assets. Both operate under the common roof of STEAG GmbH, but have their own brand identity and support functions.

The aim is to enable these businesses to operate independently and provide us with the strategic flexibility to consider different financing models that can best support our long–term sustainability.

Along with these organizational changes, we have also formalized our 'Net Zero Strategy' through which we commit to fully decarbonize[1] our operations by 2040 in support of the global energy transition.

The coal exit plan is at the center of our strategy. We will implement a phased decommissioning of our hard coal fired generation plants. This will be a momentous undertaking for STEAG, given our long-term involvement in hard coal fired electricity and heat generation, but one we recognize we must make to support the national and international drive to limit global warming.

However, we also recognize that we are living in an uncertain world. External events such as the Russian war against Ukraine can and do destabilize energy markets. To ensure that we are always able to meet our stakeholders' demands for secure energy, we will retain the flexibility to restart our hard coal fired plants on a temporary basis (as we did in 2022 and 2023) in order to meet any supply shortfalls.

These actions and initiatives have been informed by our approach to sustainability. A sustainable business seeks to identify and consistently accommodate its stakeholders' interests over time, recognizing that these interests can evolve. For STEAG the preeminent interest of our stakeholders is in the supply of energy that is affordable and sustainable, but also secure (meaning: reliable). Balancing these competing objectives is challenging, not only for STEAG, but for the energy system as a whole. We believe, however, that the strategy we have put in place will ensure that we can continue to provide affordable and secure power and distributed heat, while remaining committed to our Net Zero target.

Sustainability extends beyond the environmental realm into the social and governance spheres. We have developed a range of policies to manage and nurture our main social stakeholder relationships: those with our employees, our customers, our suppliers and our communities. For example, for our employees, our most valuable asset, we aim to create a diverse, inclusive and safe workplace, where all employees are empowered and supported to achieve their full potential.

In the governance realm, we have sought to implement an approach to management and internal control which is both effective and also rooted in ethical principles. The STEAG Code of Conduct defines our values and sets out the principles that will guide our employees to do 'the right thing'.

We recognize there is more work to be done on the ESG policies and processes that shape the sustainability of our business, and consider this as a journey in which we have already taken several important steps. These include for the first time the setting of targets spanning the environmental, social and governance pillars and the appointment of an ESG manager to coordinate and lead our ESG strategy. We intend to continue to build on and enhance this approach in the years ahead. In summary, we are confident that we are laying the foundations of a sustainable business that can meet the needs of our stakeholders now and into the future. I thank you for your interest in STEAG.

Yours truly,

Dr. Andreas Reichel
Chairman

A Sustainable Power Producer: Profile of the Organization

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Key Messages

We are an established electricity and heat utility and plant services provider, with a long track record of supplying reliable power to customers in Germany and abroad.

As part of our support for the energy transition and for the Net Zero commitment in Germany, we have a firm commitment to phase-out all our coal fired generation in Germany by mid 2026.

The strategic reorganization of our business carried out at the end of 2021 will maintain our ability to supply our customers with reliable, affordable and sustainable power into the future, while supporting the global energy transition.

Our company, STEAG GmbH, is an energy sector company, operating in Germany and internationally to provide our customers with integrated solutions and services in the areas of electricity and heat generation and supply.

Furthermore, we are engaged in hydrogen generation, energy storage technologies, digital solutions for a successful energy transition, and distribution of technical concepts and solutions to decarbonize industry and municipalities.

History

GRI Standard	Description
GRI 2–1	Organizational details
GRI 2–2	Entities included in the organization's sustainability reporting

STEAG's roots can be traced back to 1937, when we were established to promote and supply power from hard coal, which has traditionally been mined on a large scale in the Ruhr area. Since then, we have steadily expanded and diversified our operations in power generation and supply. Key milestones in the development of the Group include the start of district heating services in the 1960s, the integration of several power plants in Saarland in the 1990s, and the expansion into overseas markets such as India, Brazil and Turkey starting in the 1980s.

Beginning in the 2000s, a decisive shift occurred in our business with the gradual phasing-out of coal fired generation and the growth of renewable generation capacity based on substantial investments in biomass, wind and solar power, waste-to-energy, and battery storage.

STEAG's history

1930

STEAG is founded in 1937 to promote power generation from hard coal and supply electricity in Germany. The first two projects (Lünen and Marl) directly supplied large industrial consumers, the aluminium producer Lippewerk and chemicals manufacturer Chemische Werke Hüls, establishing the industrial customer approach in our company.

1960

STEAG enters into the supply of district heating in Germany. Furthermore, STEAG builds new plants, often with the support of partner organizations. This approach is still used for major investments at STEAG to this day.

1970

STEAG further develops:
- New plants (IGCC for coke oven gas
- Consultancy services abroad (Venezuela, Libya, Indonesia, Colombia),
- Environmental technology research / testing of GGD and DeNOX, which are then retrofitted at coal fired power plants in the 1980s.

1980

STEAG expands its asset base to include geothermal heating and combined cycle power plants. STEAG is also growing internationally, providing services and heating, cooling, and power generation facilities in Poland, Colombia and Turkey. STEAG also develops its nuclear technology division, with a focus on the fuel cycle and waste storage.

2000

Plans for the phase-out of coal begin in Germany and the first STEAG biomass power plant goes into operation. STEAG Energy Services is formed in a merger between the Energy Technology Division at STEAG and STEAG Kernenergie GmbH.

2010

STEAG diversifies its asset base and services, including wind, concentrated solar power (CSP), technical services, battery storage, waste-to-energy, industry contracting, and solar and energy solutions.

2020

STEAG adapts in response to numerous challenges, including the COVID19 pandemic and the rapid transformation of the energy markets.

2023

STEAG's business is split into a "Coal Business" and a "Growth Business". A Net Zero target is set for 2040.
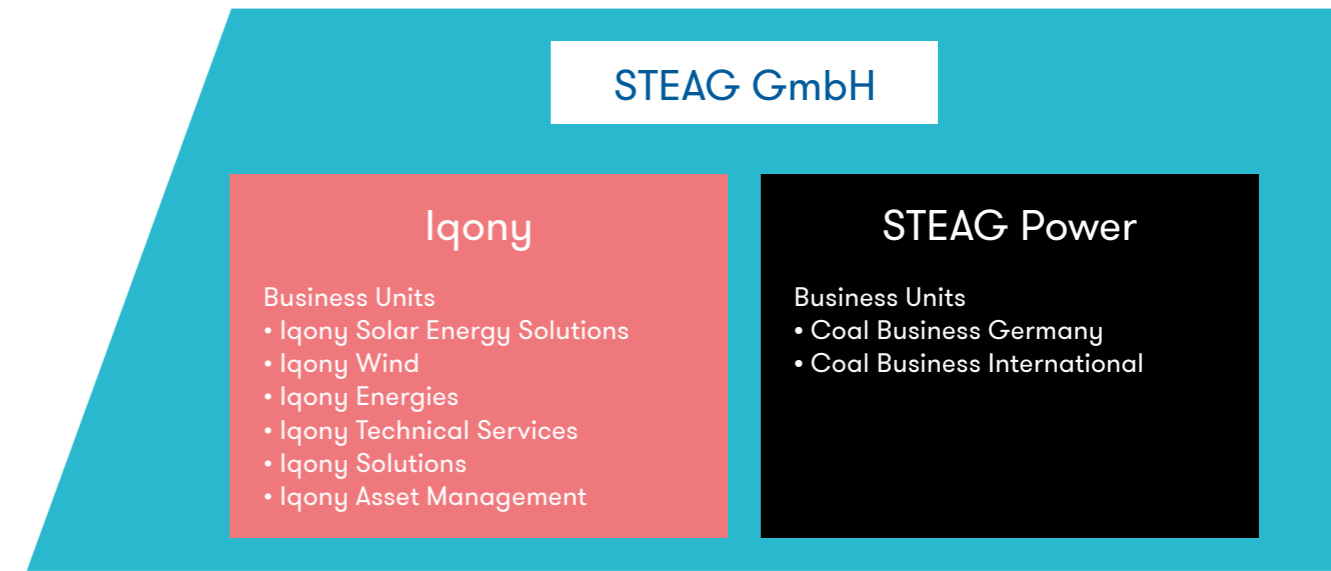
Strategic Reorganization

Future project
In 2019 STEAG launched the "Future" project to prepare for the exit from its hard coal fired generation business in Germany and abroad, and to reframe its strategic objectives and adapt its organizational structure.

Successful separation
STEAG is now entering another stage in its development. We have just completed a strategic reorganization of our business. The growth businesses that contain our renewable energy assets have been separated from our legacy hard coal fired generation assets. The former will now operate under the brand name Iqony; the latter under the name STEAG Power. Both, as subsidiaries of STEAG GmbH, operate independently but still as part of the Group.

STEAG's Business Units

STEAG GmbH

Iqony

Business Units
- Iqony Solar Energy Solutions
- Iqony Wind
- Iqony Energies
- Iqony Technical Services
- Iqony Solutions
- Iqony Asset Management

STEAG Power

Business Units
- Coal Business Germany
- Coal Business International

The goal of these changes is to ensure that we are in a position to meet the future needs of our customers and stakeholders and provide reliable, affordable power, sustainably produced, now and into the future, whilst helping deliver on the German plans to phase out coal by 2038 or earlier and decarbonize country-wide by 2045. The reorganization specifically takes into account the ongoing shift in European energy systems towards distributed heat and power generation using various low-carbon and renewable sources. The foundations have been laid over the last decade to prepare the company for this change and ensure it embraces it with confidence.

Our Business

GRI Standard	Description
GRI 2-1	Organizational details
GRI 2-2	Entities included in the organisation's sustainability reporting

Iqony

Iqony is the brand name for the division holding our 'New Energy' (renewable energy) assets and activities. We have significant experience in developing and delivering renewable energy solutions. For example, STEAG Solar Energy Solutions, which was acquired by the Group in 2019, has been active in the construction of solar generation systems since 2004. Iqony has a diverse portfolio of assets which include district heating systems, battery storage systems, biomass fired heat and heat from geothermal sources, electricity generation assets and onshore wind farms, digital solutions for a successful energy transition and hydrogen generation.

In Germany, Iqony operates more than 200 energy plants and distributed systems powered by renewable sources for power and heating supply to industry. In Europe, the Group operates major wind power installations in Germany, France and Poland.

Iqony asset locations
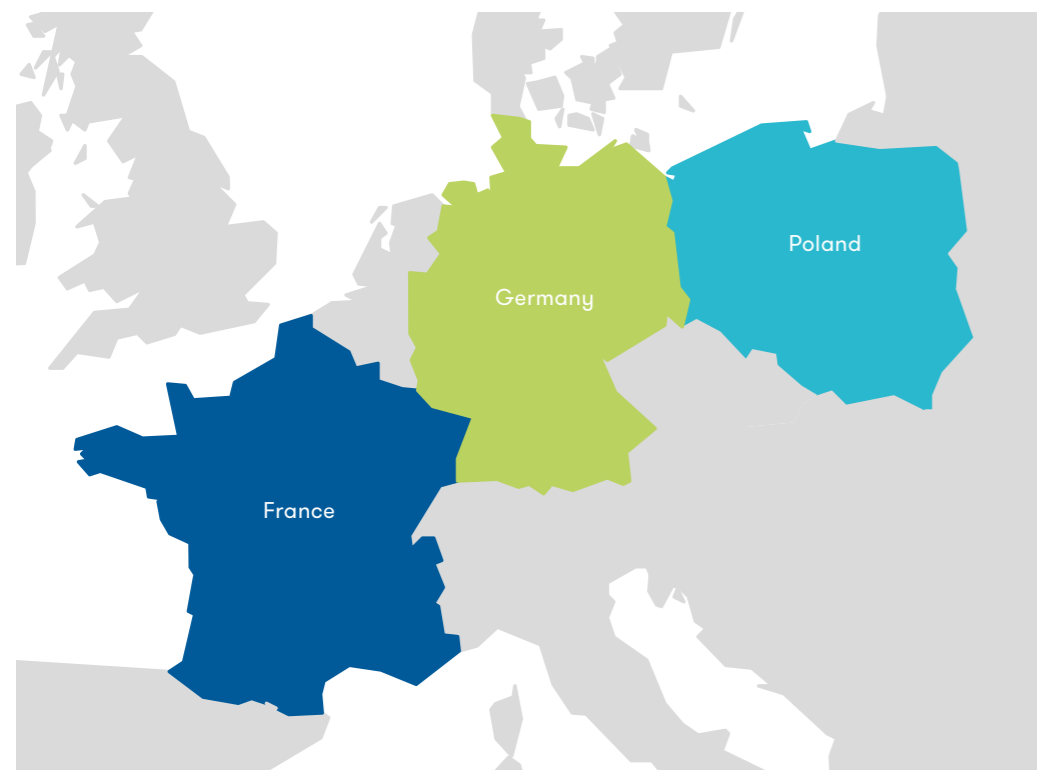
*Of these assets, Iqony owns 6 and has shareholdings in 6 others
** Iqony leases mobile modular energy units to customers to provide energy security (e.g. by providing back-up power in case of an outage)

Asset Type	Germany	France	Poland
Wind farms	8	8	2
Municipal district heating networks	40		
Industrial steam, heat, electricity production, air condtioning and compressed air systems	12*		
Mine gas production sites	13		
Mine gas power production assets	32		
Biomass power production assets	1		
Mobile energy stations	33		
Waste-to-Energy (WtE)	2		

We also have a large and expanding energy and technical services business that operates globally, providing engineering, operation and maintenance and digital services to companies in the energy sector and industry. The business seeks to leverage the knowledge and experience we have gained over decades in power plant maintenance and grid services.

Energy service locations

Our services span both thermal and renewable energy activities. For example, our subsidiary Iqony Solar Energy Solutions (SENS) focuses on the key areas of planning and construction of large ground-mounted photovoltaic plants, as well as their maintenance and operational management, and also on bespoke energy solutions for commerce and industry.

Continuing to drive innovation …

We continue to invest in developing solutions to meet the energy challenges society faces, particularly those related to the energy transition. One important focus for research is on energy storage. STEAG has been working to develop and commercialize large-scale battery systems for several years and implemented its first commercial service in 2016. In doing so, we were the first mover in that field in Germany, bringing a capacity of 90 megawatts to market. Investment in developing battery storage systems will be one of Iqony's key growth initiatives, not only to support base load power needs, but also to enable flexible green power supply to energy-intensive businesses. STEAG is also cooperating with other companies to develop new renewable energy sources. One particularly important area, for example, is hydrogen as an energy medium.

In that context, Iqony is developing two plants for generation of green hydrogen (that is hydrogen generated from renewable electricity) on an industrial scale in the Ruhr and Saar areas. In future, hydrogen produced in Duisburg-Walsum and in Völklingen-Fenne will help industrial customers to decarbonize their processes and by doing so make a contribution to the common goal of Net Zero in Germany.

STEAG Power

STEAG Power is the division that contains our legacy hard coal fired generation assets. In Germany, STEAG operates large-scale power plants at six locations in the Ruhr and Saar regions. During the current energy crisis (which first and foremost is about the availability and pricing of natural gas) STEAG Power, with its hard coal fired power plants, is providing a safe and secure power supply.

Germany

Turkey

North Rhine Westphalia

Saarland

Overview of Coal Business Assets

	Asset	Location	COD*	Net Capacity (MW)**	STEAG Ownership
1	Bergkamen	Germany	1981	720	100%
2	Bexbach	Germany	1983	726	100%
3	Fenne HKV	Germany	1989	211	100%
4	Fenne MKV	Germany	1982	179	100%
5	Herne 04	Germany	1989	460	100%
6	Weiher 3	Germany	1976	656	100%
7	Walsum 10	Germany	2013	725	100%
8	Iskenderun (Isken)	Turkey	2003	1,250	51%

*COD – Commissioning date

** Net capacity is the actual use-able electrical output capacity of the plant (i.e. excluding the site's own consumption)

Overseas, the STEAG Group owns and operates a coal fired plant in Turkey (51% ownership). We also have a minority holding in a coal fired plant in the Philippines (around 15%). This was previously wholly owned, but ownership is being reduced as part of the process of decarbonizing the Group. As a side-effect of our operation and maintenance services in India, we also hold a stake of approx. 4% in an Indian coal fired plant.

Decommissioning our coal portfolio

Under our Net Zero Strategy (and in line with the German Federal Government's target to decarbonize the domestic electricity system) we plan to close our coal fired power plants in Germany by mid 2026, ahead of the national deadline. However, STEAG remains flexible with respect to retaining coal generating capacity in order to support national energy security as directed by the government.

For more information on our Net Zero Strategy and plans to decommission our coal fired generation assets, please refer to the discussion in the climate change risk section of this report.

Ownership

GRI Standard	Description
GRI 2-1	Organizational details

Since September 2014, STEAG has been owned by a single shareholder, KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG ('KBSG'). KBSG is a consortium of the six municipal utilities that serve the Ruhr area, which is the location of our Group head office and the original base of our operations.

STEAG ownership

KBSG plans to sell STEAG in 2023, following its reorganization into Iqony and STEAG Power. This updated group structure will provide the new owner(s) with two separate entities, one of which (Iqony) they can use to grow and develop STEAG's renewable energy assets and services businesses, and the other (STEAG POWER) to continue providing coal fired power to meet Germany's electricity consumption needs as long as the government so requires and it is consistent with Germany's commitment to Net Zero.

KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG

Row One
Dortmunder Stadtwerke AG (DSW21)
Stadtwerke Duisburg AG
Stadtwerke Bochum GmbH

Row Two
Stadtwerke Essen AG
Energieversorgung Oberhausen AG (evo)
Stadtwerke Dinslaken GmbH

Addressing the Energy Trilemma: How We Create Stakeholder Value

3

Key Messages

STEAG believes that the primary measure of sustainable operation is the ability to create value that is meaningful to our stakeholders.

The source of our stakeholder value is our core businesses of electricity generation, energy services (comprising technical services and IT solutions to optimize the management of complex energy systems) and distributed heating solutions. These meet our customers' needs for affordable, secure and sustainable power, and in this way helps them to resolve the energy trilemma.

STEAG believes that the primary metric of sustainability is a company's ability to generate value that is meaningful to its stakeholders. Our approach to creating and delivering stakeholder value over time has four main elements:

1. Identifying the main stakeholders (internal and external) and their interests and expectations with relevance to our stakeholders, and seeking to ensure stakeholder interests are taken into account in our strategic planning.
2. Identifying and assessing risks and opportunities which are material to stakeholders and to the company.
3. Reviewing company performance against ESG targets and KPIs.
4. Creating stakeholder value on the basis of the results of elements 1, 2 and 3.

STEAG's Approach to Sustainability Management

Measuring ESG performance

Stakeholder and ESG Materiality Assessment

| Identification of stakeholders and their interests and expectations | → | Identification of material ESG risks to stakeholders |

ESG Targets and KPIs

| Establishement of ESG targets and KPIs | → | Review of performance against ESG targets and KPIs |

Creating Stakeholder Value

| Purpose and Values | Business Plans and Strategies | ESG Commitments and Roadmap |

Engaging with our Stakeholders

GRI Standard	Description
GRI 2–29	Approach to stakeholder engagement

Creating an effective stakeholder engagement process to communicate with stakeholders and understand their interests is a key step in the process.

Identifying our stakeholders

During 2022, STEAG identified the Group's key stakeholder groups, the issues which are relevant to each of them, and the channels of communication which STEAG has in place with each of them.

A total of 10 broad groups were identified. The table below lists the issues that are important to each group.

External
Internal

Stakeholder interests and issues

	Stakeholder	Key Issues and Expectations
Internal	Employees	• Alignment of employee objectives to the company's strategic objectives • Employee safety and health • Employee recruitment and retention • Employee performance and training
Internal	Shareholders	• Payment of dividends and growth in shareholder value • Corporate strategy aligned to deliver shareholder and stakeholder value • Management of business risks
External	Customers	• Provision of reliable, affordable, and sustainable electric power and distributed energy • Reducing carbon intensity of energy supply and investing in future green energy solutions • Maintening of customer satisfaction and ease of doing business • Visibly responsible business conduct
External	Investors and Creditors	• Timely debt service (interest and principal) • Maintain creditworthiness • Effective management of ESG issues • Comprehensive and transparent financial and non-financial disclosures
External	Governments	• Contribution to economic growth • Accounting for and paying taxes • Supporting the German energy transition and the wider European Union plans for Net Zero
External	Regulatory Authorities	• Compliance with applicable laws and regulations • Maintenance of high ethical standards
External	Trade Unions	• Recognizing trade union membership in the workforce • Participating in collective bargaining arrangements • Addressing employee grievances and concerns with their employer Maintaining safe working conditions and developing and implementing robust health & safety policies
External	Suppliers	• Compliance with industry standards for payment terms • Management of business risks to support long term customer relationships
External	Communities	• Contributing to local economic growth (including through STEAG's upstream and downstream activities). This includes the provision of attractive employment opportunities • Minimizing the impact of assets on local communities during the construction, operation and decommissioning phases • Providing reliable, clean and cost-efficient energy • Supporting social and charitable initiatives
External	NGO's	• Support for and engagement with important environmental and social topics (climate change, preserving biodiversity, protecting human rights and labor rights)

Creating Stakeholder Value

GRI Standard	Description
GRI 2–29	Approach to stakeholder engagement

Together with an understanding of its stakeholders and their interests, if a business is to operate sustainably it is vital for that business to develop a clear corporate purpose, underpinned by strong values. Furthermore, this purpose should be aligned to the interests of its stakeholders and capable of delivering stakeholder value.

Purpose and Values

At STEAG:
We provide secure energy, which is the backbone of the energy transition that reduces emissions.

In other words, our purpose is to supply our customers with reliable, affordable and clean energy.

Our purpose is supported by our core values. STEAG believes that a sustainable business is one that:

• Behaves ethically
We believe that our business should be based on a strong ethical foundation. We are a signatory to the UN Global Compact (see 'Supporting Global Initiatives' below) and seek to uphold its key ethical principles in areas such as labor and human rights and in the prevention of corruption.

• Follows a code of conduct
We have established a Group Code of Conduct, which sets out what we expect from our directors, our employees, contractors and suppliers. We have sought to embed the Code in our policies and processes and draw on it to inform decision making at all levels within STEAG (see Section 7: 'Operating Ethically' for more information on the Group Code of Conduct).

• Promotes diversity
We believe that diversity, and the plurality of perspectives it brings, improves the resilience of our business, and by better reflecting the composition of the society from which we draw our employees, strengthens our social license to operate within our local communities.

• Eliminates bias
Our recruitment and development procedures aim to eliminate bias and discrimination and promote equality of opportunity across the organization.

• Ensures transparency
Transparency is essential to maintaining the trust and confidence of our suppliers, customers and the communities we serve. We are committed to providing a high level of transparency to our various stakeholders.

• Enhances transparency
Our commitment to reporting standards that aim to enhance transparency, such as the Global Reporting Initiative, is evidence of our commitment to improve the quality and clarity of our disclosures.

A purpose-led business

Our purpose and our values guide our business model. With a current energy mix which covers a broad range of energy sources within energy supply, utilizing hard coal, gas, solar, wind, and biomass as energy sources, the Group is making an important contribution to a secure and affordable energy supply within Germany and internationally.

At the same time, with our plan to phase out our coal fired power generation by mid 2026 (ahead of the German national target), the adoption of low and zero carbon fuels, and the simultaneous expansion of renewable energy sources, STEAG is also making a significant contribution to the success of the energy transition in our markets, and to cutting greenhouse gas emissions globally. In concrete terms, that means we are evaluating options for a fuel switch at our hard coal fired power plant in Duisburg–Walsum, while developing a project for generation of green hydrogen on an industrial scale together with a large-scale energy storage project at the same plant site. The green hydrogen is intended to help in decarbonizing the local steel industry. Our efforts help to meet the climate goals and also create a social benefit by securing skilled jobs in a key sector for the German and European economies. The Group is also developing a similar project at Völklingen–Fenne in the Saar area.

We are also drawing on our extensive technical expertise and investing in innovative processes and procedures which can advance the development of sustainable generation and supply systems. This will help our customers and the communities they serve to decarbonize in an effective manner.

But in doing so, we are committed to operating within the parameters of safety, environmental compatibility, and cost–effectiveness that are the cornerstones of good practice in energy, as enshrined in the German Energy Industry Act (EnWG).

Energy Sustainability

Energy Trilemma

Energy Equity   Energy Security
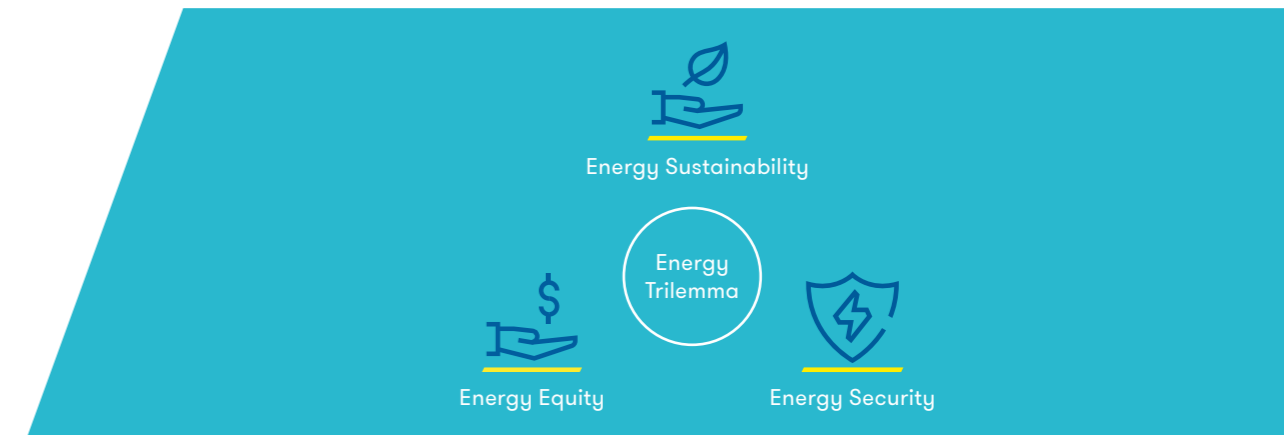
Resolving the Energy Trilemma – a key source of stakeholder value …
We believe that an important way in which we create value for our stakeholders is helping them to resolve the 'Energy Trilemma' as defined in the EnWG. This can be understood as the need for energy consumers (and society as a whole) to strike a balance between energy reliability, equity (i.e. affordability for all), and sustainability.

Balancing these objectives is vital in efforts to enable the global energy transition and achieve Net Zero. Yet the task has become significantly more challenging in recent years. High and volatile energy prices, reflecting the lingering disruption caused by the COVID–19 pandemic, has combined with concerns over energy security, stoked by the Russian war against Ukraine. Fears have grown that Germany (and other advanced economies) could face partial or complete blackouts as existing energy networks are decarbonized against a backdrop of shortages of natural gas. Alternatively, there may be a prolonged reversion to fossil fuel generation, damaging the effort to avert global warming and imperiling the achievement of the Paris targets.

STEAG is well placed to help our customers deal with these challenges. The continued expansion of our renewable generation capacity helps to reduce dependence on volatile oil

and natural gas imports, as well as helping to decarbonize the German electricity system. Meanwhile, the flexible implementation of our plan for a phased shutdown of our hard coal fired plants, in consultation with national electricity network operators, ensures continued supply at least until the spring of 2024 as long as the Federal Substitute Power Plant Maintenance Act (Ersatzkraftwerkebereithaltungsgesetz or EKBG) is in effect. Energy security concerns are likely to be most acute within this foreseeable period of time.

In addition, we support the broader energy transition by providing operation and maintenance and other plant services along with IT solutions to optimize energy production and consumption. For example, STEAG's subsidiary Optenda supplies energy and CO_2 emissions monitoring software which clients can use easily and without prior knowledge to identify opportunities for energy savings and calculate their emissions profile.

Supporting Global Initiatives

GRI Standard	Description
GRI 2–23	Policy commitments
GRI 2–2	Embedding policy commitments

Along with our focus on creating value for our stakeholders, STEAG as a responsible corporate citizen also supports global initiatives within the area of sustainability, and considers this another important way in which we can add stakeholder value.

UN Global Compact

The UN Global Compact (UNGC) is a non–binding United Nations principle–based framework to encourage businesses worldwide to adopt sustainable and socially responsible policies and to report on their implementation. The framework includes 10 principles which fall under the areas of human rights, labor, environment, and anti–corruption.

We have been a member of the German Network of the UN Global Compact since 2011 and are committed to supporting and upholding the 10 principles comprising the Compact.

UN Global Compact Principles
1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Businesses should make sure that they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Businesses should uphold the elimination of all forms of forced and compulsory labor.
5. Businesses should support the effective abolition of child labor.
6. Businesses should support the elimination of discrimination in respect of employment and occupation.
7. Businesses should support a precautionary approach to environmental challenges.
8. Businesses should undertake initiatives to promote greater enviromental responsibility.
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.
10. Businesses should work against corruption in all its forms, including extortion and bribery

UN Sustainable Development Goals

We have sought to align our operations to the achievement of the United Nations Sustainable Development Goals ('SDGs'). These goals underpin the UN's 2030 Agenda for Sustainable Development and provide a shared blueprint for a sustainable future, based on sustainable development and shared prosperity.

Through our core purpose, to deliver clean, affordable and reliable energy, we contribute directly and significantly to the achievement of SDGs 7, 9, 11 and 13. Through our wider business activities, our role as an important local employer and our various charitable and community initiatives, we contribute to a further four SDGs:

STEAG: SDG Alignment

	Stakeholder	Key Issues and Expectations
High Impact	7. Affordable and Clean Energy	We support the development of a sustainable energy future through our ongoing investment in renewable generation capacity and in our plans to expand our technical and advisory services which focus on clean energy.
	9. Industry, Innovation and Infrastructure	Our broad mix of experience and expertise in sustainable power infrastructure enables us to develop innovative solutions to the energy challenges faced by our customers and society.
	11. Sustainable Cities and Communities	We help reduce the carbon footprint of our communities through our district heating solutions, which reduce carbon dioxide emissions and local emissions from fossil–fueled heating systems.
	13. Climate Action	Our Net Zero Strategy, which will lower the Group's net greenhouse gas emissions to zero by 2040, is a powerful way for us to help mitigate climate change and to support the German energy transition.
Moderate Impact	3. Good Health and Well–Being	We are committed to provide safe and healthy working conditions for our employees and contractors and to engage with our suppliers to encourage safe working practices in their supply chains.
	8. Decent Work and Economic Growth	We consider our employees a key asset of the Group and strive to provide attractive career development opportunities, while working to eliminate bias and discrimination in our recruitment and development processes.
	12. Responsible Consumption and Production	By decarbonizing our distributed power services, we help customers produce products with a lower carbon footprint.
	15. Life and Land	We are committed to minimizing the impact that our operations have on local ecosystems and biodiversity. Environmental and Social Impact Assessments are performed during the pre–construction phase of all of our new build projects to identify and mitigate possible means of environmental degradation. In addition, when our hard coal fired generation plants are decommissioned we plan to reuse the land at those sites for new purposes, thus avoiding the need to develop greenfield sites.

Delivering Sustainability: Managing Risks and Seizing Opportunities

4

Key Messages

Stakeholder engagement activities carried out in 2022 have provided a clear view of our stakeholders' interests and of the issues that are most important to them.

We have assessed these issues against our business model and our ability to deliver stakeholder value, in order to establish a set of priority ESG risks and opportunities for management action.

We have established metrics and targets to measure our sustainability performance and guide the development of our long-term strategy, enabling us to manage risks and seize opportunities.

Materiality Assessment

GRI Standard	Description
GRI 3–1	Process to determine material topics
GRI 3–2	List of material topics
GRI 3–2	Management of material topics

In addition to identifying our stakeholders and mapping their interests, it is necessary to identify the issues that are most important to stakeholders and determine where we can make the greatest impact, given the nature of our business and the stakeholder value we create.

Mapping Risks

We performed a materiality assessment in 2022 using the output from the stakeholder workshop mentioned in Section 3. The purpose of the materiality assessment was to identify the key risks and opportunities facing our stakeholders and the company.

The assessment was performed using sector guidance from the relevant GRI (Global Reporting Initiative), SASB (Sustainability Accounting Standards Board) and TCFD (Task Force on Climate-Related Financial Disclosures) standards.

The result was a set of key risks plotted on a 5 x 5 risk matrix, with axes representing the significance of the issues to the company and the significance to stakeholders. Scores were then assigned to each of the material ESG issues in terms of the economic, environment and social impacts that they may have on either STEAG or its stakeholders.

Materiality Risk Matrix
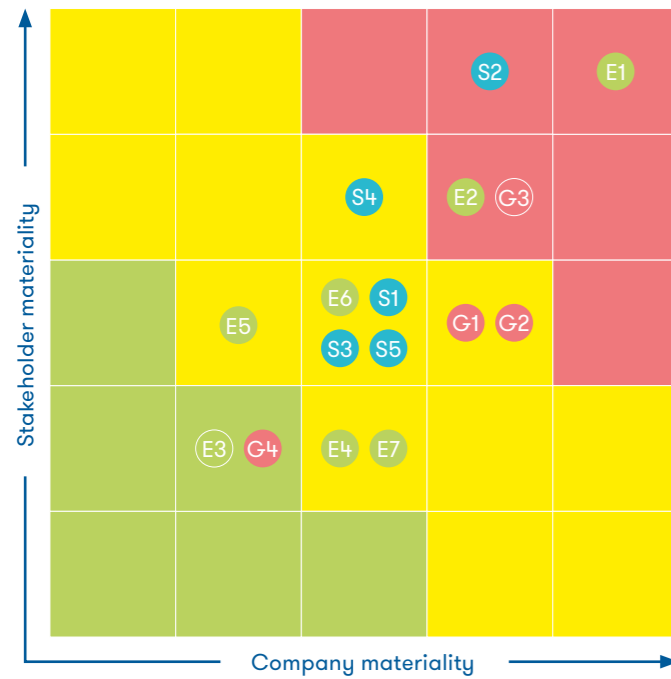
The 5 x 5 matrix is shown above, and a description of the numbered risks shown in the table below.

Materiality Risk Descriptions

ID	Issue	Impact	STEAG Relevance	Stakeholder Relevance
E1	GHG Emissions	High	STEAG will face increasing regulatory pressure to decarbonize its portfolio to limit global warming and support the Paris targets. This will have implications for its conventional fossil-fueled assets.	Essential that emissions are reduced to limit global warming and support the Paris targets.
E2	Green Generation Share	High	An increase in the percentage of generation from renewables will be required for the Group to limit GHG emissions and meet its future energy security and decarbonization targets.	An increased share of renewables is necessary to limit GHG emissions and support energy security and affordability.
E3	Air Quality	Low	Potential breaches of environmental permit requirements. Impacts on the quality of life in neighboring communities. Risks to human health.	Impacts on the quality of life in neighboring communities. Risks to human health.
E4	Plant Efficiency	Medium	High plant efficiency will assist in meeting GHG targets and reduce OPEX.	Higher plant efficiency will reduce GHG emissions and lower generation costs.
E4	Waste Disposal	Medium	Environmental degradation and fines resulting from improper waste disposal practices.	Damage to the environment. Potential impacts on human health.
E6	Water	Medium	Competition for water resources and potential breaches of environmental permit requirements.	Contribution to water scarcity/stress.
E7	Biodiversity and Ecosystems	Medium	Future greenfield developments are expected to receive higher scrutiny in terms of their impacts on biodiversity.	Reduction in the natural capital available to local communities with consequences on a potentially wider scale.
S1	Workforce and Diversity	Medium	Shareholders may place more stringent targets on the company in the future.	A diverse workforce increases opportunities and broadens inclusion of all members of society.
S2	Occupational Safety	High	Fatalities and injuries to workers can result in lost working time, reputational losses and fines.	Accidents can result in the injury, disablement or death of workers and members of the public.
S3	Employee Engagement	Medium	Employee attention is required to reduce accidents and increase productivity.	Employees require their views to be listened to and taken into account.
S4	Labor Standards	Medium	Potential for breaches of labor standards related to employees, contractors and suppliers.	Employees and contractors expect the Group to adhere to high ethical standards in its approach to employment issues.
S5	Community Impacts	Medium	Risks to the Group's reputation from effects on the local community during project activities.	Local communities seek to minimize the impact of project activities (e.g. land purchases, traffic and disruption).
G1	Business Ethics & Anti Corruption	Medium	Violations of business ethics and cases of corruption result in fines and reputational losses.	Customers and suppliers expect fair treatment and ethical conduct. Society seeks to reduce the prevalence of corruption.
G2	Supply Chain	Medium	There is a risk that the company cannot access a supply chain which is both compliant with good ESG practices and sufficiently large to meet future targets.	Suppliers are interested in developing stable, long-term relationships with the Group.
G3	IT, Cyber & Data Security	High	Cyber security incidents may disrupt operations resulting in supply outages and significant economic losses.	Customers require a reliable energy supply. Investors want to avoid economic losses that could impair their investments.
G4	Executive Remuneration	Low	Executive remuneration should be linked to ESG targets to incentivize the adoption of good practices.	Investors require remuneration to be linked to long-term (rather than short term) goals. Society is interested in reducing the growing disparity in wealth.

Prioritizing issues/focusing resources

The purpose of the materiality assessment was to identify the sub-set of issues which are most important to our stakeholders and where we as a business can have most impact. This ensures that these issues, which necessarily require more control, receive the appropriate level of management focus.

For STEAG and its stakeholders, the most material issues (those shaded red in the matrix and tables above) are in the social and regulatory areas. The approach to managing these issues is discussed below.

E1 GHG Emissions and E2 Green Generation Share

Description	STEAG faces increasing regulatory and societal pressure to decarbonize its energy portfolio. This has implications for the viability of its conventional fossil-fueled assets.
Policies and controls	STEAG has been gradually transitioning its business from a hard coal dominated base load supplier to the German electricity grid, to a more decentralized local supplier of power and heat. We have a clear exit timetable for our hard coal business (through decommissioning and divestment) and plans to further grow the wind and solar businesses as well as to generate green hydrogen and provide facilities for energy storage. This will allow us to supply low carbon electricity to the grid and to decarbonize our district heating grids in the Ruhr and Saar areas. This growth will take place both from further investment in physical infrastructure and also from the expansion of our technical advisory services, including our Optenda subsidiary which provides energy monitoring and CO2 emissions monitoring to customers.

S2 Occupational Safety

Description	We are exposed to significant reputational damage, regulatory fines and penalties, lost working time and productivity from accidents and injuries in the workplace. Workplace accidents also undermine employee trust and can lead to high staff turnover.
Policies and controls	STEAG has always upheld the highest standards in workplace health and safety, aiming at zero accidents and incidents. Working closely with works councils and other employee groups, the company continuously strives to ensure every employee and contractor working at its sites goes home fit and well at the end of every day.

G3 IT, Cyber & Data Security

Description	Cyber security incidents may disrupt our operations, resulting in supply outages and significant economic losses and exposing us to claims and penalties from the loss or unauthorized disclosure of employee, customer, and third-party personal data.
Policies and controls	We have invested significant resources in ensuring the resilience of our business to cyber attacks. As a part of Germany's national energy infrastructure, STEAG meets the high-est standards expected of the state and applies those standards across its global business. The issues of cyber and data security are overseen by the Group's Information Security Officer, IT Security Officer, and Data Protection Officer.

Managing our sustainability risks

STEAG has a range of policies and processes to manage its sustainability risks. The specific targets, metrics, and governance structures related to ESG management are discussed below, with other aspects of our approach discussed in the relevant sections of the environmental, social and governance performance summaries that follow.

ESG Targets and Key Performance Indicators

As STEAG continues on its ESG journey, we established our first ESG targets in Q1 2023 to drive sustainability performance across the environmental, social, and governance pillars. As part of this initiative, appropriate metrics were devised and assigned to each of the targets to provide management with a means of measuring the company's progress in reaching these goals. Progress will be assessed by the Management Board at periodic intervals and "course corrections" made to business plans and policies where appropriate.

In addition to the metrics associated with the ESG targets, we have established a broader suite of key performance indicators (KPIs) to give us a picture of our more general ESG performance going forward. These KPIs were developed by taking into consideration the material ESG issues described earlier in this section. Performance relative to these KPIs will also be reviewed by the Management Board.

Further details of these ESG targets can be found in the Appendix. In conjunction with these priority targets, we will continue to work to improve performance on a broad front covering each of the material ESG issues identified above.

STEAG Group ESG Targets

Environment	Social	Governance

E1 Net zero asset portfolio by 2040[3]

E2 75% electrification of the corporate vehicle fleet until 2028

S1 Zero serious safety at work incidents and continuously improving safety culture

S2 Stakeholder engagement procedure to be developed by 2025

S3 Introducing new employer branding that is oriented towards diversity and employee flexibillity by 2024

S4 Implementation of a sustainable talents and skills management process for employees until 2025

G1 100% of employees trained in STEAG's Code of Conduct and Compliance Framework by 2024 (75% by 2023)

G2 100% of Tier–1 suppliers contractually agreeing to STEAG's Supplier Code of Conduct and successfully passing STEAG's business partners audit by 2025

G3 Sustainable procurement policy and procedures in place by 2025

In setting these targets our intentions are as follows.

Environment
We have focused on decarbonizing our business to bring Scope 1, 2 and 3 emissions[3] down in a controlled manner in order that we remain a reliable and affordable energy supplier.

Social
The key areas of focus are on driving the plurality of our business and retaining and growing our talent pool as we transform. Recognizing that we need to improve our understanding of our stakeholders' needs to be able to deliver value to them, we are updating processes to identify and engage with stakeholder groups.

Governance
Our aim is to ensure high levels of ethical behavior in our company and upply chain by setting and monitoring conduct and behavior. This extends to what we procure and who we buy from, in order to ensure appropriate labor rights and broader human rights are respected. We see this as fundamental to establishing trust with our stakeholders and for ensuring a sustainable future for our business.

3   Note that Net Zero refers to operational emissions classified as Scope 1 and 2 under the equity share approach defined in the GHG Protocol Revised Edition. STEAG has an ambition to address Scope 3 emissions once consistent reporting standards are agreed within the sector to allow like–for–like reporting.

Governance

GRI Standard	Description
GRI 2–12	Role of the highest governance body in overseeing the management of impacts
GRI 3–2	Role of the highest governance body in sustainability reporting

Appropriate governance structures have also been established to enable effective day–to–day management of sustainability risks and ensure adequate oversight by the management and supervisory boards.

STEAG's ESG governance is shown in the diagram below:

Shareholders/ Stakeholders

Set ESG expectations, require reporting and assurance.

Supervisory Board

Represent stakeholder interests. Primary responsibility for corporate governance. Provide oversight and challenge to management.

Management Board

Define policy, goals, targets, and programmes; monitor performance and make course corrections; make disclousures and manage stakeholders (with Supervisory Board).

ESG Office (Group ESG Manager & ESG Administrator)

Coordinate ESG activity across the Group. SME (subject matter expert) for ESG issues within the organization, responsible for data collection, analysis and preparation of the Sustainability Report.

STEAG's ESG Governance Structure

Some of these elements of our ESG governance build on existing Group management structures and are discussed more fully in Section 7 on governance. Those elements, which directly relate to ESG management, are discussed below.

Supervisory Board
As the governance body is directly accountable to shareholders, the Supervisory Board bears ultimate responsibility for sustainability risks at STEAG. The board provides robust oversight and challenges the management.

Management Board
ESG strategy and leadership are the responsibility of the Management Board. The Board provides leadership and champions sustainability issues within the organization.

ESG Office

The management board is supported by an ESG Office, which comprises the Group ESG Manager (see below) and an ESG Administrator. The unit is responsible for collating and analyzing ESG data, for reporting to the Management Board on the Group's sustainability performance (including performance against KPIs) and for disclosures to external stakeholders. This includes the preparation of the annual sustainability report.

The Group ESG Manager

The Group ESG Manager plays a pivotal role in the management of sustainability risks within STEAG. He/she provides coordination, direction and assurance of the Group's ESG activities, as well as acting as an advisor to the Management Board on sustainability issues.

A key role of the ESG Manager is to conduct horizon scanning to identify new or changing material issues and updates to the relevant regulatory and framework landscape. This will ensure the Group remains compliant with requirements and drives performance improvement.

The Group ESG Manager will works with existing functional and operational managers to deliver on the ESG targets.

Driving Net Zero: Environmental Issues

5

Key Messages

STEAG has been on a long–term journey to reduce its carbon emissions and is now in the end game.

We are aiming to achieve coal exit and Net Zero before the regulatory man-dated deadlines (but will remain flexible enough to vary this timetable to meet changes in the external environment – such as the current energy crisis brought about by the Russian war against Ukraine).

We will significantly reduce our water usage over the next few years.

At the same time, we are working to ensure that future projects do not adver-sely impact biodiversity and ecosystems.

Waste management is a focal area with options for the circular economy central to our future strategy.

This section discusses STEAG's approach to managing the environmental impacts associated with its operations. This include our approach to the critical issue of climate change and of the need to play our part in national and global efforts to decarbonize the electricity system. It also discusses our approach to environmental is-sues other than climate change, including biodiversity and water usage.

Our Approach to Climate Change Risk

Through its status as a major supplier of renewable power to the German electricity grid, and as an operator of substantial energy infrastructure, STEAG both con-tributes to efforts to mitigate climate change and is exposed to the risks of climate change.

Managing our Climate Change Risk Exposure

The nature of our activities (our extensive fixed energy assets and the mix of fossil–fuel and renewable generation) creates a potential exposure to physical risks and risks arising in the context of the energy transition.

Physical risks can be divided into chronic risks – risks that are driven by long–term shifts in climate patterns, such as rising sea levels and increasing mean tempera-tures – and acute risks – climate changes caused by event–driven hazards such as an increased severity of cyclones or floods.

Chronic risks are not assessed as posing a significant threat to STEAG in the period up to 2050 based on current projections. The majority of the Group's operations are located in Northern Europe, and particularly in Germany, where the threat from chronic risks, such as a rise in the sea leveland drought conditions, is not expected to increase substantially up to 2050, despite increasing temperatures and changes in rainfall patterns. Acute physical risks constitute a greater hazard to our activities, but work is underway to harden our facilities against the threat posed by these.

As well as physical risks, STEAG is exposed to transition risks: principally through our legacy coal fired generation assets. These are at risk of stranding as global efforts to withdraw from coal as an energy source accelerate. In summary, our approach to managing transition risks across their different dimensions is shown in the table below.
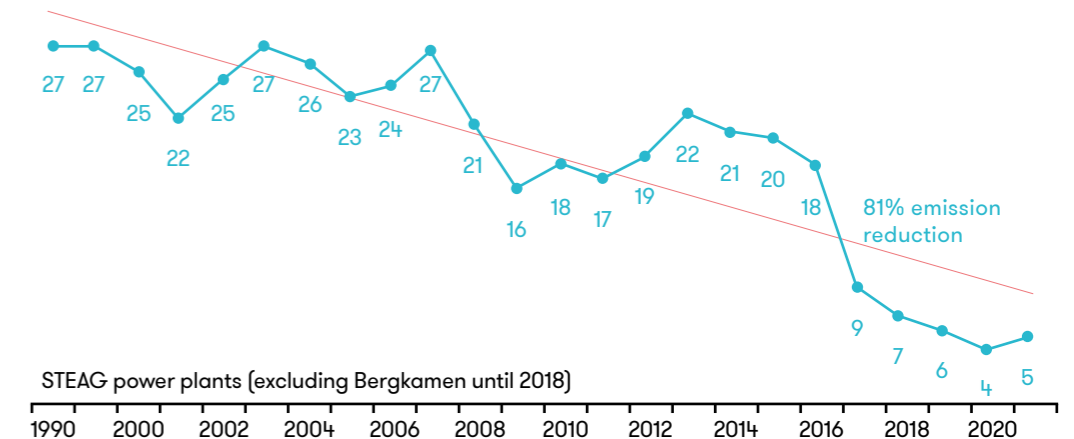
STEAG's transition risk mitigation strategies

	Risk	Impact on STEAG	Controls
Policy	Governmental and international commitments to tackling climate risks.	EU and member-state regulation setting defined targets for GHG reduction.	A clear action plan for exiting from coal power generation in Germany by mid 2026 and achieving Net Zero by 2040.
Market	The changing demand for low-carbon energy solutions, together with abrupt shifts in demand for carbon-intensive generation.	A medium-term change in the demand for low and zero carbon energy sources and away from STEAG's historical fossil-fuelled operations.	Transitioning the Group's portfolio of facilities to Net Zero generation. Securing the resources to support this transition.
Technology	The emerging technologies that support decarbonization.	The range of technology options that STEAG can apply and the capital and operational costs of deployment.	STEAG maintains expertise in a range of technology options to ensure it can apply the best technology in each location.
Reputation	The implications on society in general from the decisions taken.	STEAG's relationship with key stakeholders and society in general is undermined.	Increasing stakeholder engagement and demonstrating where value is delivered.

Mitigating Climate Change Risk: Our journey to Net Zero

GRI Standard	Description
GRI 305-1	Direct (Scope 1) GHG emissions
GRI 305-2	Energy indirect (Scope 2) GHG emissions
GRI 305-3	Other indirect (Scope 3) GHG emissions
GRI 305-5	Reduction of GHG emissions

STEAG is mindful of its responsibility to support the national and global effort to decarbonize the energy system and to help avert climate change. As a major power producer historically consuming significant volumes of fossil fuels, STEAG has worked hard over the past 40 years to reduce its emissions of greenhouse gases (GHGs). The figure shows the evolution of our GHG emissions from our hard-coal operations over the period since 1990.

STEAG Reported Emissions from 1990 (mt CO_2e/yr)

STEAG power plants (excluding Bergkamen until 2018)

1990 2000 2002 2004 2006 2008 2010 2012 2014 2016 2018 2020

Data points: 27, 27, 25, 22, 25, 27, 26, 23, 24, 27, 21, 16, 18, 17, 19, 22, 21, 20, 18, 9, 7, 6, 4, 5

81% emission reduction

Compared with 1990 levels, STEAG has achieved a significant reduction in the emissions associated with its power generation operations. This has been achieved by a combination of combustion efficiency improvements, decommissioning and divestment, and replacement of capacity with low-carbon, carbon-neutral and renewable energy sources.

Strategic reorganization supports further decarbonization efforts

Our goal is to continue to drive emissions down. The strategic reorganization resulting from the FUTURE project (see Section 2 for more information) is central to these efforts. As well as providing us with strategic options for the future ownership of the Group, the reorganization enables a sharper management focus on the coal and growth businesses with their very different growth outlooks, costs, and risks. This should in turn optimize the operation of both businesses to the benefit of their environmental impact, including their contribution to emissions. Thus, STEAG Power will manage the decarbonization of the hard coal portfolio, and Iqony the transition of other fossil-fueled facilities and the development of zero carbon heat and power generation capacity.

Iqony

As mentioned above, Iqony holds our renewable generation and distributed energy assets. Its business spans renewable solar and wind power assets, waste-to-energy and biomass, as well as a proportionately hydrogenready natural gas fired combined cycle power plant. Customers include large businesses where Iqony provides energy from its own assets or acts as a contracted operator, providing operation and maintenance services for the customer's facilities. Iqony deploys battery storage technology to maximize the benefits of green electricity by making sure it is available on demand.

Whilst Iqony already makes use of low and zero carbon technologies, such as biomass, biomethane and geothermal sources, the majority of Iqony's facilities are boilers delivering heat and combined heat and power units fueled by natural gas. Iqony plans to roll out a combination of heat pump and hydrogen fueled technology to continue to meet energy demands while reducing its net GHG emissions to zero. Iqony's strategy is based on the principles of diversification, decentralization and flexibility.

• Diversification ensures that Iqony can draw on its broad range of experience to provide the right technology in the right situation.

• Decentralization means that power and heat are produced closer to the point of need, drawing on local energy sources as appropriate and configured to meet the local demand profile.

• Flexibility reflects Iqony's ability to respond to uncertainty and external demands in a sector where technology is changing rapidly and knowledge of the environmental impact of new energy sources and their supply chains remains uncertain.

STEAG Power

STEAG Power is the business unit for our hard coal fired electricity and heat generation business. The portfolio of coal power plants comprises seven in Germany and one in Turkey. These are shown below.

Overview of coal business assets

	Asset	Location	COD*	Net Capacity (MW)**	STEAG Ownership
1	Bergkamen	Germany	1981	720	100%
2	Bexbach	Germany	1983	726	100%
3	Fenne HKV	Germany	1989	211	100%
4	Fenne MKV	Germany	1982	179	100%
5	Herne 04	Germany	1989	460	100%
6	Weiher 3	Germany	1976	656	100%
7	Walsum 10	Germany	2013	725	100%
8	Iskenderun (Isken)	Turkey	2003	1,250	51%

*COD – Commissioning date

** Net capacity is the actual usable electrical output capacity of the plant (i.e. excluding the site's own consumption)

Germany has set clear targets for exiting from coalbased power production (hard coal as well as lignite) by 2038 or earlier. This is intended to support decarbonization of the country's electricity grid and ultimately to reach the national Net Zero target for 2045 – i.e., that on a net basis (positive emissions plus negative emissions), Germany will not emit greenhouse gases from its activities by 2045. STEAG is a key contributor to successful delivery of this national target.

Our work to develop a strategy to exit coal generation predates the government's announcement. This level of forward planning was needed to:

• Reduce capacity in a controlled manner in coordination with the transmission system operators to maintain electricity supply to the nation through the German electricity grid.

• Manage the departure of staff within the facilities to ensure sufficient competence is retained to deliver safe and reliable operations, and to protect the communities surrounding the sites (see also the discussion of our program to support departing employees in the case study on Delaying Coal Exit in Section 6).

• Remediate and repurpose the sites to ensure they retain value and utility for the company, its shareholders and the local communities.

Our strategy targets decommissioning of six of the seven German assets by mid 2026, with the remaining asset, Walsum 10, being considered a candidate for conversion to a low–carbon fuel such as biomass. This would deliver on the exit from hard coal long before the German target of 2038.

Temporary Reinstatement of Coal fired Plants

As discussed in Section 2, the exit plans have been temporarily amended (at the direction of the German Government) to bridge some short–term pressures on the energy market caused by the Russian war against Ukraine. In 2022, the government put in place emergency legislation to secure the national energy supply in response to that conflict and the EU–wide reduction in dependence on Russian gas supplies. This resulted in some coal fired power stations being kept in operation. However, the government plans to stick to the 2038 deadline as the energy crisis dissipates.

STEAG has been able to respond flexibly to the emerging crisis, returning our power plants to full operation under the control of competent teams. In fact, STEAG was the largest supplier of additional power into the German electricity grid in 2022 (see discussion of the Energy Trilemma in Section 2). We continue to review our plans to ensure that the exit date is consistent with our own targets, national legal requirements, and energy security demands for the German population.

Outside Germany

Turkey, the only country outside Germany where we have a coal fired plant, has set a national target of delivering Net Zero by 2053, but there is no specific target for power generation from coal. STEAG is a key regional power provider through its 51% share in the Iskenderun plant.

Iskenderun is currently planned to remain in full operation. Options are being investigated to decarbonize the plant while ensuring energy security for the communities it serves. Although the Turkish decarbonization target is set for 2053, STEAG is committed to the cessation of hard coal fired power across all locations outside of Germany by 2038.
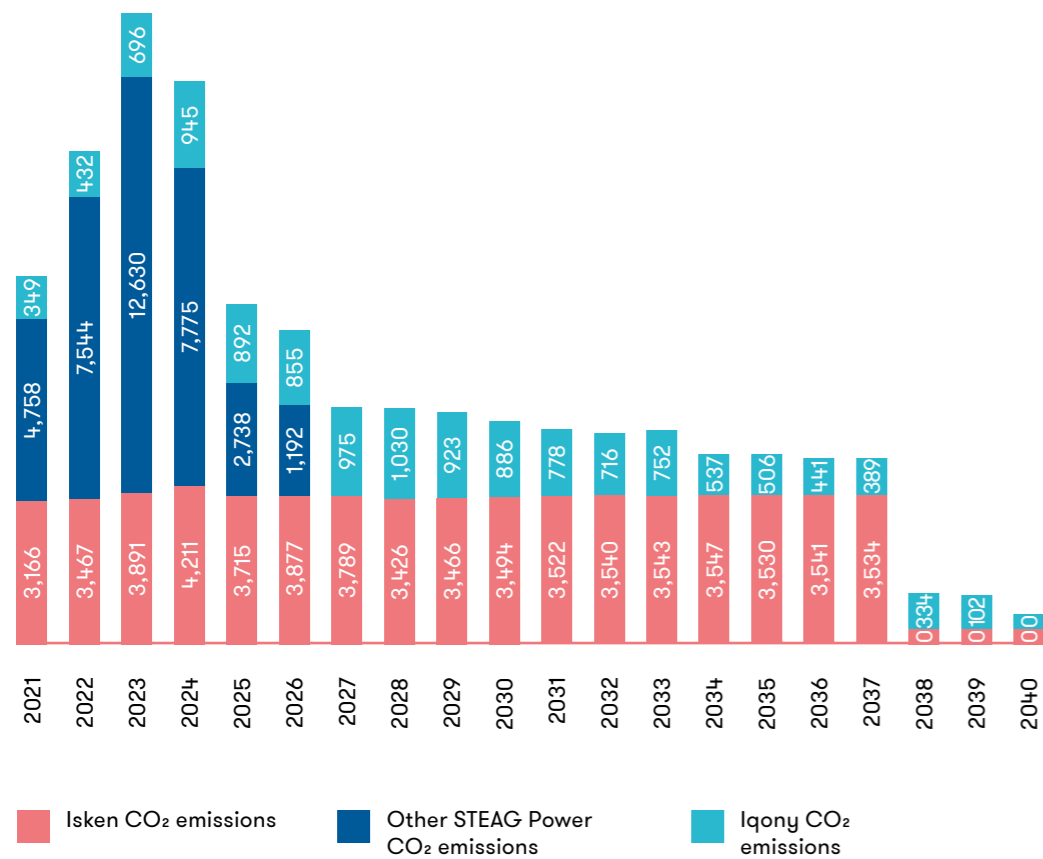
Progressing to Net Zero

Reflecting the nature of our core business, the bulk of our emissions are direct (Scope 1) emissions from generation activities. We have set a target of achieving Net Zero for the Group by 2040.

The chart below presents STEAG's current and forecast Scope 1 GHG emissions from generation activities on an equity share basis consistent with the GHG Protocol. It shows a temporary spike in emissions in 2023, as some coal fired plants were temporarily brought back online to secure the German national energy supply against potential interruptions caused by the Russian war against Ukraine.

However, by the end of 2026, these emissions will have disappeared as the coal power plants are decommissioned and decarbonized. Iqony, in contrast, produces relatively few emissions, being largely powered by natural gas. As can be seen, its emissions continue to decrease as gas and electricity grid decarbonization occurs and as Iqony actively switches its assets to zero carbon technologies.

STEAG Power's generation assets

Legend:
- Isken CO$_2$ emissions
- Other STEAG Power CO$_2$ emissions
- Iqony CO$_2$ emissions

Chart data (stacked bars by year):

Year	Isken CO$_2$	Other STEAG Power CO$_2$	Iqony CO$_2$
2021	3,166	4,758	349
2022	3,467	7,544	432
2023	3,891	12,630	696
2024	4,211	7,775	945
2025	3,715	2,738	892
2026	3,877	1,192	855
2027	3,789		975
2028	3,426		1,030
2029	3,466		923
2030	3,494		886
2031	3,522		778
2032	3,540		716
2033	3,543		752
2034	3,547		537
2035	3,530		506
2036	3,541		441
2037	3,534		389
2038	0	0	334
2039	0	0	102
2040	0	0	0

As noted, the majority of STEAG's GHG emissions are Scope 1 from generation activities, but as the company approaches 2040 other Scope 1, Scope 2 and Scope 3 emissions will become increasingly important. The company is putting into place mechanisms to correctly monitor these emissions and work to reduce them, including converting its vehicle fleet to electrical power (Scope 1), securing purchased electricity from renewable sources (Scope 2) and working to decarbonize its supply chain (Scope 3).

A Responsible Corporate Citizen: Reducing Our Environmental Footprint

In addition to limiting our contribution to global warming through the Net Zero Strategy, we also seek to reduce the environmental impacts connected with our operations.

Water Usage

GRI Standard	Description
GRI 307–2	Management of water discharge related impacts
GRI 303–3	Water withdrawal
GRI 303–4	Water discharge

STEAG uses significant volumes of water in its power plants for steam production and cooling. We recognize that water resources are finite. We have, historically, worked closely with regulators to ensure we comply with permit requirements. STEAG returns the bulk of the water we use to rivers and a small proportion to the atmosphere as water vapor. When returning water to rivers we ensure it meets standards for discharge, including cleanliness and temperature, to minimize any adverse effects on downstream ecosystems.

As STEAG Power decommissions its coal fired power plants, the Group's use of water will significantly decline.

Biodiversity and Natural Habitats

GRI Standard	Description
GRI 304–2	Significant impacts of activities, products and services on biodiversity
GRI 304–3	Habitats protected or restored

As a responsible corporate citizen, STEAG is also mindful of its obligation to limit the damage to or disruption of local environment and ecosystems by its activities. All new projects are subject to environmental impact assessments, and larger projects to environmental and social impact assessments (ESIAs) to ensure that they address risks associated with a range of topics including effects on local biodiversity and natural habitats.

We also recognize the EU's European Biodiversity Strategy 2030 and its aims to make the issue an international priority. We note that this will result in tighter controls in protected areas with a view to enhancing and restoring biodiversity. We support the intent of this strategy and will investigate where we can support it. To further underscore our commitment to biodiversity, we also align our business to the relevant UN Sustainable Development Goal (in this case, SDG 15 'Life on Land').

One potential way in which we can support the global biodiversity agenda is through repurposing the sites of our decommissioned hard coal fired plants. We are investigating options for this land including improving the local biodiversity and habitats.

Reducing Waste Footprint

GRI Standard	Description
GRI 307–2	Management of water discharge related impacts
GRI 307–3	Waste generated
GRI 307–4	Waste diverted from disposal

Reducing our waste footprint is an important way for us to reduce the environmental impact of our activities. To this end, STEAG is actively seeking opportunities to recycle the waste generated by our operations and so reduce the volume going to landfill or to environmentally damaging forms of disposal. For example, a significant proportion of industrial waste generated by STEAG over recent years has been related to fly ash – the solid combustion products from coal fired boilers.

For more than four decades, STEAG Power Minerals has been successfully innovating and marketing fly ash and other power plant residues, predominantly to the construction industry. In 2021, STEAG sold its subsidiary in accordance with its internal roadmap for decarbonization. But fly ash and other residues are still being treated for further use in building and the construction industry.

We are increasingly bringing this thinking into other areas. For example, we are working with our supply chains to specify that components we buy for our solar facilities have extended lifetimes and are recyclable at the end of their useful lives. Similar discussions are taking place in our wind business, and we will always utilize the best recyclable technology as soon as it becomes commercially available.

Delivering Stakeholder Value: Our Approach to Environmental Factors

Climate change and the associated risks of loss of biodiversity and the degradation of the environment are clear priorities for our stakeholders.

We are undertaking far–reaching changes to our core business to ensure that we remain a reliable and affordable supplier of energy to our customers, while doing so in a way that is sustainable for the planet.

We seek to be a responsible corporate citizen in our approach to developing and operating our installations. We seek to minimize the use of scarce resources, such as water, and to protect (and where possible) regenerate the local ecology within and around our sites and reduce the amount of waste going to unsustainable landfills by means of recycling initiatives.

Managing Our Key Relationships: Social Issues

6

Key Messages

STEAG recognizes that our relationships with our employees, customers, suppliers and communities is critical to our ability to generate sustainable value in the long term.

We have established a range of structures, strategies, and policies to steward these critical relationships and to balance our stakeholders' interests with our own to deliver a mutually beneficial outcome. These structures and policies cover issues such as diversity, equity and inclusion, occupational health and safety, and community engagement.

We continue to enhance our approaches to meet changing regulatory requirements and stakeholder expectations. For example, we plan to strengthen our approach to supplier due diligence to meet the demands of the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz, or LkSG).

In this section we discuss our approach to the key people–centered relationships that support and enable our business. Specifically, how we manage our relationships with:

- Our employees
- Our customers
- Our suppliers
- Our communities

Employees: Our Most Valuable Asset

GRI Standard	Description
GRI 2–7	Employees
GRI 2–8	Workers who are not employees

At STEAG, we recognize that our employees are the Group's most valuable asset. We understand that the long-term success of our business depends on our ability to attract, retain, and motivate high-caliber individuals.

The sub–section below provides data on the workforce composition and trends within the two principal business units: STEAG Power and Iqony. The following sub–sections discuss our strategic approach to and performance with the key human resource issues that span both business areas, such as compensation, Diversity, Equity & Inclusion, and Occupational Health & Safety.

Workforce Composition and Trends

As at the end of December 2022, the STEAG Group had 5,500 full time employees (FTEs).

Iqony

Iqony operates in the Group's renewable generation and distributed heat segment. Total employment across the various business units and support functions was 2,350 FTEs at the end of December 2022, of whom 1,900 are located in Germany and the others abroad.

As discussed in Section 2, beginning in 2021, the unit's operating structure was re-organized as part of the FUTURE project. This aimed to improve the unit's ability to achieve sustainable growth, whether inside or outside the STEAG Group. Under the FUTURE plan, several business support functions were established to support Iqony's ability to operate as an independent entity if that is the route eventually chosen for the unit.

Typically, Iqony aims to have all its functions performed by its own staff. Subcontractors are only employed if external support is needed for a specific project.

STEAG Power

As of the end of 2022, STEAG Power had 3,150 FTEs, of whom approximately 1,000 were in Germany and the others abroad.

The unit operates in a single segment - hard coal fired power generation – and employees are distributed across a variety of functions including the operations and maintenance of the company's hard coal fired power plants, technical services and management provided to company owned and third-party assets, and other support functions.

Group-wide strategies and policies

Spanning the specific policies to manage the employment needs of the two main business units are Group-wide strategies in respect of key human resource issues. These include the promotion of equality and diversity, the work and family life-balance, flexible working, and the integration of severely disabled individuals into the workforce.

Rewards and benefits

STEAG is committed to providing compensation to its employees in line with its peers and the industry as a whole.

Our participation in collective bargaining agreements gives confidence to our employees that compensation is in line with industry levels. All employees within our operations in Germany are covered by collective bargaining arrangements, which means our domestic employees benefit from nationally negotiated wage agreements.

Case Study: Employee Engagement: Life Brand

STEAG has implemented a leading health and social management platform, 'LIFE', through which we can support our employees' health and welfare needs and in the process strengthen our bond with our staff, with additional benefits including reduced employee turnover. LIFE is an integral part of our human resource policy. Initially, its focus was to raise awareness of health–related issues, but subsequently, the focus has broadened to encompass lifestyle issues which can affect performance and health. The platform offers lifestyle advice and guidance on preventing illness, counselling in crisis situations and emergencies, and help following disability and in the preparation for retirement.

There is also a suggestion box feature that allows employees to submit suggestions for improvements to processes and workflows in occupational health and safety, and to indicate potential energy savings. These suggestions are reviewed and often implemented by the Group and have resulted in significant improvements in efficiency.

Diversity, Equity and Inclusion

GRI Standard	Description
GRI 405–1	Diversity, Equity and Inclusion

STEAG believes that a diverse workforce is central to the Group's long-term success. Diversity improves decision-making by disrupting group thinking and by bringing a plurality of viewpoints and experiences to bear. It is also an important source of the Group's social license to operate, in that it makes the composition of its workforce more reflective of the populations it serves.

STEAG is committed to promoting diversity across gender, age, ethnicity, and disability. This commitment is enshrined in our Code of Conduct, which includes a commitment to treat all employees and business partners with fairness, free from discrimination, and provide equal opportunities for men and women (see Section 7 for more information on the Code of Conduct).

On gender, we are committed to ensuring equality of opportunity for women and men. We are a signatory to the European Charter for Equality, under the terms of which, signatories must ensure equal pay for women and men and equal career development opportunities. The Charter also requires that work should pay a living wage and that working hours should be aligned to the various stages of life of the individual.

Case Study:
Work/Life Balance:

STEAG offers its employees the opportunity to take sabbaticals after spending two years in the company. These sabbaticals are not paid, but STEAG allows employees to divert part of their salary into a sabbatical account in the months prior to their leave.

During the sabbatical, this money is then paid out to the employee.

'STEAG Time-Out'

Another important step in promoting diversity is to create an inclusive workplace. STEAG understands that this requires the organization to accommodate, where practical, the differing preferences of its employees in terms of the location, duration, and frequency of work. To this end, we offer flexible hours to our employees, with the option of remote working. In 2019, the range of options for employees was further broadened with the addition of the "STEAG Time–Out" Group agreement that provides employees with the opportunity to take a sabbatical to fulfil a personal goal. These initiatives also aim at producing a better work–life balance for our employees (an important social goal), together with broadening the scope of inclusion.

Employee Engagement

GRI Standard	Description
GRI 401–1	New employee hires and employee turnover
GRI 2–30	Collective bargaining agreements

It is important for companies to engage with their employees on a regular basis. This helps to identify and address frustrations or grievances that may be developing, measure the success of workplace initiatives in areas such as Diversity, Equity & Inclusion, and, generally, gauge the level of morale within the organization.

For German companies, the Works Council is an important forum for employee engagement and dialog. Grievances and issues can be raised via these councils (notably, no issues have been raised by the Works Council in the past three years, which attests to the Group's supportive corporate culture and effective HR policies). As well as raising grievances, works councils can also partner with management to develop mutually beneficial solutions. For example, STEAG worked with its works councils to understand how a better work–life balance could benefit both employees and the organization.

The Works Council also appoints representatives to the Supervisory Board. This provides employees with a say in the governance of the Group, including the area of strategy formation through the Supervisory Board's oversight and strategy role. The involvement of employees in governance helps build consensus and support for more

complex and challenging decisions that affect the organization, such as the strategic reorganization of the Group and the coal exit plan, which will entail a significant reduction in employment levels in the Group (mainly at STEAG Power) in the course of time.

Around 120 employees at STEAG are involved in the various works councils at the head office and branches. Strengthening the role of works councils is a key aspect of the Corporate Responsibility Program at STEAG.

STEAG continues to evaluate additional future methods of engaging with employees and obtaining feedback on employee attitudes. These could include, for example, staff surveys.

Occupational Health & Safety

STEAG recognizes its responsibility to provide a safe working environment: for our employees, our contractors and for all individuals visiting our offices and plants.

Safety Management

Responsibility for occupational health and safety ('H&S') is vested in our Management Board. Our Group health and safety policy contains a formal statement of commitment from management regarding the importance of H&S performance, and is signed by all the members of the board.

STEAG adopts a centralized approach to H&S issues with common standards applying to both STEAG Power and Iqony. The Health, Safety and Environment (HSE) department is responsible for coordinating H&S activities across the Group. This includes the implementation of H&S principles and rules, setting and monitoring targets, helping sites to implement H&S management systems, carrying out H&S audits, and providing additional support, such as training courses.

The HSE department is supported by the H&S Steering Group Committee. This meets on a quarterly basis and consists of representatives of the Management Board, the H&S Division, and other senior management and/or members of the Works Council. Its role is to discuss H&S-related issues affecting all the business units.

Group Health & Safety Governance

STEAG Group coordination link
(centralized HSE Management)

Iqony
CEO
HR (Human Resource) as Division lead

Department

Department of Health, Safety and Environment

STEAG Power
CEO
HSE Division

Department

Department of Safety, Health & Environment
Approval Management
CO₂ Management & Energy Audit
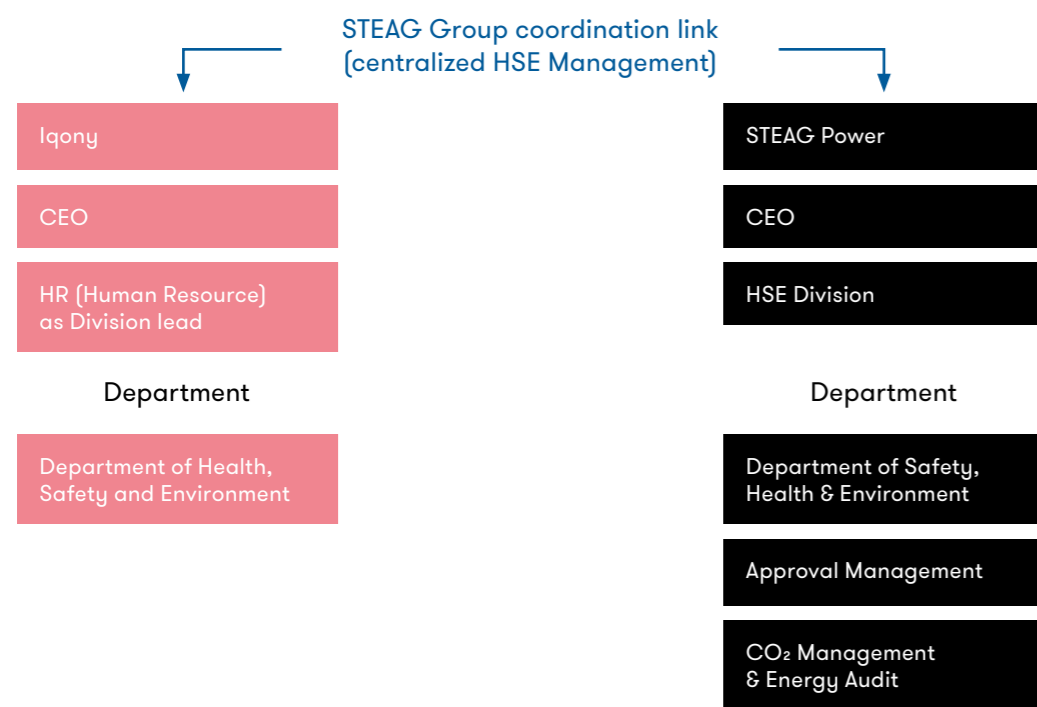
HSE Policy and Management System

GRI Standard	Description
GRI 403–1	Occupational health and safety management system

STEAG has a Group–level Health, Safety & Environmental (HSE) policy that is implemented through a centralized HSE Management System ('HSE MS'). The system, which was last reviewed and updated in October 2022, is applicable to all German and foreign locations where STEAG is the majority shareholder, and is in conformity with local laws and regulations.

To ensure the system meets the standards for best practice, it is aligned to the two international standards DIN ISO 45001 (Occupational Safety Management) and DIN EN ISO 14001 (Environmental Management). STEAG Fernwärme GmbH, since January 2023 Iqony Fernwärme GmbH, was the first of the Group business units to be successfully certified to DIN ISO 45001 in October 2019. STEAG has DIN ISO 45001 certificates in place covering its power plants and most of its subsidiaries, specifically Herne, Walsum, Bergkamen, Saar–KWS, RKB Raffinerie-Kraftwerks-Betriebs GmbH (Leuna), Krantz GmbH, Iqony Fernwärme GmbH, Iqony Solutions GmbH, Iqony Energies GmbH and Iqony Technical Services GmbH.

Next Steps
STEAG is committed to continuous improvement of the integrated HSE management system. Planned enhancements include a review of the integrated HSE management system to determine any any need for adjustment with regard to ESG criteria, strengt-

hening HSE awareness by ways of a campaign on monthly key issues via so called "safety impulses" and the extension of the group of users of HSE software to improve the processes in occupational safety, health and environmental protection.

HSE Training

GRI Standard	Description
GRI 403–5	Worker training on occupational health and safety

The provision of employee training is an important part of an effective Health & Safety Management System I'HSE MS'). Processes are in place to ensure that training is provided to employees as part of the onboarding process and on a continuing basis, tailored to the type of location where the employee will be working, and the nature of work undertaken. Individual business units are responsible for carrying out training and for ensuring that the training obligation has been met.

Health & Safety Performance

GRI Standard	Description
GRI 403–9	Work–related injuries

STEAG closely monitors H&S performance and tracks the trend in incidents over time to measure progress and help assess the effectiveness of the group's HSE MS. The chart below shows the historical lost-time injuries resulting in an absence lasting longer than 1 day since 2018. The downward trend over this period is a testament to the effectiveness of the Group's approach to occupational health and safety.

STEAG is committed to further improving workplace health and safety, with the goal of reducing the number of incidents to zero embedded in its 'Vision Zero' program (see case study overleaf).

Historical lost-time injuries (absence lasting longer than 1 day)

Year	STEAG Group	STEAG Power	Iqony
2018	43	17	26
2019	29	14	15
2020	20	11	9
2021	25	16	9
2022	28	14	14

■ STEAG Group   ■ STEAG Power   ■ Iqony
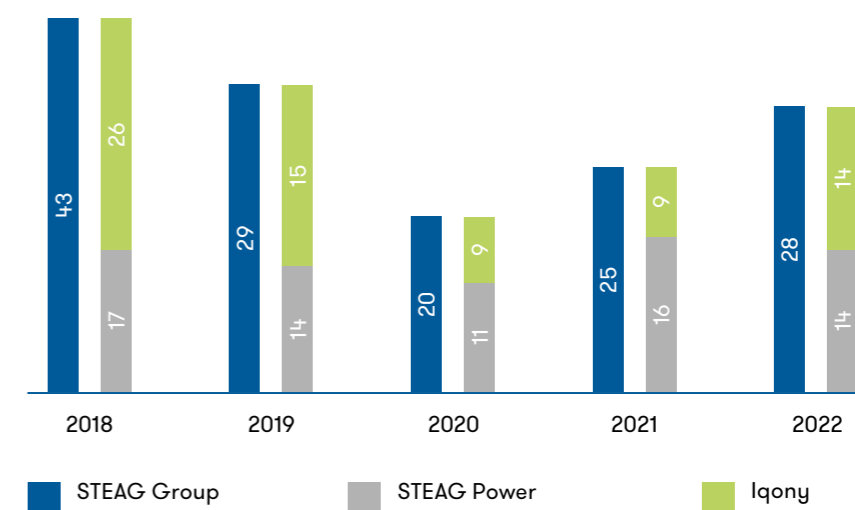
Case Study:
Vision Zero

Vision Zero is STEAG's program to reduce workplace health and safety incidents to zero. The program has several elements, including:

• The implementation and documentation of risk assessments

• HSE instructions and training, and workshops

• Internal/external audits (cross-inspections)

• Communication campaigns, reporting, and management reviews.

Customers

Our customers are, together with our employees, a key stakeholder group for STEAG. Our principal customer is the wholesale power market in Germany. STEAG is conscious of its responsibility to be a reliable electricity supplier. Our decision to reactivate our hard coal fired plants in 2022 to compensate for lower gas-fired generation due to the Russian war against Ukraine resulted in our providing the largest share of additional energy fed into the grid in 2022.

In addition to upholding our status as a reliable energy supplier, we also seek to support our industrial and commercial customers' needs with tailor-made solutions that help to optimize their energy usage. For example, our IT tools assist our customers in reliably controlling complex plants, optimizing operating processes and communicating securely. By applying machine learning processes and AI, we offer a software tool that analyses operational data e.g. from a solar power plant, and, by comparing real-time data with historical figures, can make predictions of the plant's future behavior.

In this way the package helps to prevent more significant malfunctions and related damage, in line with the goals of predictive maintenance.

Suppliers

STEAG has a well-established process to manage its supplier relationships. Contractor selection is managed centrally through the procurement function, with approved contractors and framework agreements in place for STEAG Power and Iqony. These are accessible through the company's procurement system, where the relevant personnel can select approved contractors and services required internally online.

Management of Supply Chain Risks

GRI Standard	Description
GRI 308-1	New suppliers that were screened using environmental criteria
GRI 408-1	Operations and suppliers at significant risk for incidents of child labour
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour
GRI 414-1	New suppliers that were screened using social criteria

The management of supply chain risks is based on a due diligence process carried out prior to onboarding new suppliers and on a regular basis once suppliers are established. Suppliers are required to confirm that they have implemented certain ESG-related procedures and processes. This process includes a review of the prospective supplier's Code of Conduct and HSE Management System together with associated certificates, and the provision of historic accident statistics. Suppliers must also complete a Supplier Assessment Questionnaire which covers issues such as their controls to prevent bribery and corruption or anticompetitive behavior, to safeguard the human rights of their employees and ensure that no cases of child or forced labor occur in the company or its value chain. Suppliers must also comply with STEAG's "Purchasing Terms and Conditions for General Goods and Services", which include a clause expecting them to abide by STEAG's Code of Conduct, the Minimum Standards of the UN Global Compact and the Core Labor Standards of the ILO.

Case Study:
Enhanced Supplier Due Diligence:
Photovoltaic Value Chain Review

SENS circulated supplier self-assessment surveys online more than 40 key suppliers in its solar PV supply chain. The survey contained 66 specific questions on 24 ESG topics in 6 subject areas. Questions aimed at revealing how well suppliers know their own upstream suppliers were included. A 90% response rate was achieved and the survey found that 82% of the identified risks are covered by sustainability management processes at direct key suppliers.

Based on the aforementioned outcome, SENS is following up closely with its suppliers and has implemented an initiative in order to reach continuous improvement and excellence under relevant ESG aspects. In 2023, STEAG plans (1) to engage with Solar Power Europe to participate in an international Supply Chain Traceability Initiative and (2) to perform a risk review on its other supplier segments.

German Supply Chain Due Diligence Act

The German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz, or LkSG) enforces mandatory human rights and environment related due diligence obligations. The LkSG entered into force on 1st January 2023, starting with companies which have at least 3,000 employees and, from 2024 onwards, also applying to companies with at least 1,000 employees.

These companies will be required to carry out human rights and environmental due diligence to identify existing and potential negative impacts which may occur within their own operations and along their supply chains and take steps to prevent, end and minimize the extent of those impacts.

Planned enhancements

We plan further enhancements to policies and processes to strengthen the management of supply chain risks and bring the Group into line with industry best practice, and to comply with applicable laws and regulations, notably, the German Supply Chain Due Diligence Act (see above).

• Implementation of a written Supplier Due Diligence Policy and Procedure in 2025. This will be supported by an electronic supply chain due diligence tool. We also plan to perform on-site ESG audits of key ('Tier 1') suppliers and distribute worker voice surveys.

• Adoption and dissemination of Supplier Code of Conduct in 2023 and starting to obtain supplier commitment.

• Introduction of a supplier diversity program and other appropriate actions to increase the diversity of the supply chain.

• Introduction of KPIs related to sustainable procurement to align reporting with relevant international standards (GRI, CSRD and SASB).

To underscore our commitment to preventing human rights abuses (and other ESG issues) within our supply chain, we have set a clear target. By 2025, 100% of our Tier-1 suppliers must have agreed to our Supplier Code of Conduct and passed a business partner audit.

Managing Our Impacts

GRI Standard	Description
GRI 413-1	Operations with local community engagement, impact assessments, and development programs
GRI 413-1	Operations with significant actual and potential negative impacts on local communities

Community engagement ('A responsible corporate citizen')

STEAG is committed to being a responsible corporate citizen. We seek to contribute to society as a whole and to the communities located close to our assets and operations.

We engage with our communities in two dimensions:

• Through our contribution to the local economy and our support for charitable and other community initiatives, and

• Through our processes to reduce the negative impact of our activities on the environment and on the quality of life of people living near our installations.

Contributing to the local economy and community

STEAG encourages its employees to support various charitable causes. For example, employees of STEAG in Germany raised funds for the relief of victims of the earthquake in Turkey in February 2023.

Reducing the impact of our operations on local communities

STEAG performs environmental and social impact assessments (ESIAs) prior to the construction of any large-scale power plants to ensure that any potential negative impacts on local communities are identified and mitigated and that the expectations of members of the community are understood.

Informing our communities

STEAG also seeks to keep our communities informed about developments that may affect them. STEAG communicates sustainability-related information to key stakeholders through various channels.

Delivering Stakeholder Value: Our approach to social factors

Our relationship with our key stakeholder groups is key to our ability to generate value for all those involved.

By engaging with these groups in a structured way (through specific policies and procedures) we aim to generate mutually beneficial outcomes.

We will seek opportunities to deepen and strengthen our relationships with our key stakeholders in the years ahead.

Operating Ethically: Governance Issues

Key Messages

STEAG has comprehensive structures, policies, and procedures in place to deliver effective corporate governance.

We view ethical behavior as a cornerstone of good governance and have developed a corporate code of conduct to guide our employees to do the 'right thing' and help embed the desired behavior in our culture.

Together with our governance arrangements and code of conduct, we have also built an effective internal control framework – driven and coordinated by our compliance function.

We recognize that, as an operator of critical national infrastructure, we have a special responsibility to protect our assets against cyber and physical attack that could imperil our ability to supply the grid. STEAG has developed robust processes and controls and invested in technology to prevent and deter such threats and to strengthen our resilience to attacks.

This section of the report deals with our approach to corporate governance and to other issues, such as our approach to conduct and ethics, that shape our performance as a responsible business.

STEAG attaches great importance to maintaining high standards of governance. We comply with all relevant corporate regulations and codes. These include the German Law on Limited Liability Companies and the German Co-Determination Act ('GCDA' or Mitbestimmungsgesetz), which applies to companies or groups with more than 2,000 employees in Germany.

Governance

Good corporate governance is the cornerstone of effective management control within an organization. Governance structures and processes should ensure that directors are accountable to shareholders, and provide oversight and challenges to executive management.

Board Structures

GRI Standard	Description
GRI 2–9	Governance structure and composition
GRI 2–10	Nomination and selection of the highest governance body
GRI 2–11	Chair of the highest governance body

STEAG operates a two–tier board structure which consists of a Supervisory Board and a Management Board.

1. Supervisory Board

The Supervisory Board ('SB') is the highest corporate body within STEAG. It includes representatives of our principal stakeholders (shareholders, employees and the main employee union). Under German company law it functions as a non–executive body. In other words, it is not involved in the day–to–day management of the Group although there are some matters that are subject to the SB's approval. Its main role is to appoint the members of the Management Board, and to provide oversight and challenges to the Management Board and senior managers.

To enable it to discharge its responsibilities, the SB has established three board committees:
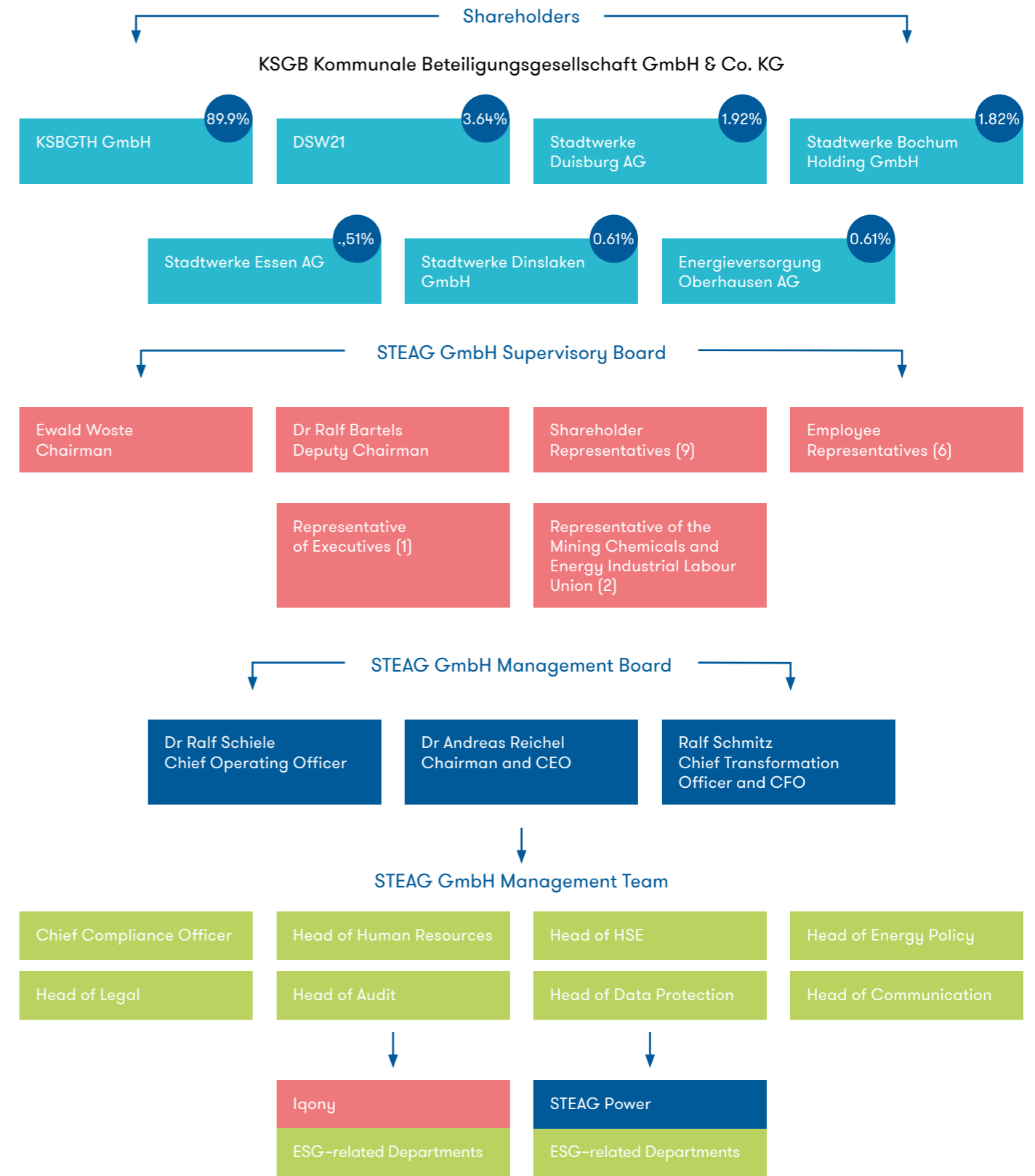
• Audit Committee – responsible for overseeing the company's financial accounting processes and the effectiveness of the company's risk management, internal audit and compliance systems.

• Transformation Committee – responsible for decisions on issues relating to the transformation of the company into two separate units (Iqony and STEAG Power).

• Mediation Committee – responsible for the appointment of members of the Management Board (consistent with Section 27 (3) of the GCDA).

2. Management Board

STEAG GmbH's Management Board consists of a chairman and two executive directors who are responsible for overseeing the various departments within the company, including those which manage ESG–related topics (e.g. H&S, HR, etc.).

The Management Board meets every two weeks (daily meetings may take place if necessary). The maximum tenure for directors within STEAG is 4 years and incumbent directors can apply for re–appointment at the end of that period.

STEAG Governance Structure

Shareholders

KSGB Kommunale Beteiligungsgesellschaft GmbH & Co. KG

KSBGTH GmbH 89.9%	DSW21 3.64%	Stadtwerke Duisburg AG 1.92%	Stadtwerke Bochum Holding GmbH 1.82%

Stadtwerke Essen AG .,51%	Stadtwerke Dinslaken GmbH 0.61%	Energieversorgung Oberhausen AG 0.61%

STEAG GmbH Supervisory Board

Ewald Woste Chairman	Dr Ralf Bartels Deputy Chairman	Shareholder Representatives (9)	Employee Representatives (6)
	Representative of Executives (1)	Representative of the Mining Chemicals and Energy Industrial Labour Union (2)	

STEAG GmbH Management Board

Dr Ralf Schiele Chief Operating Officer	Dr Andreas Reichel Chairman and CEO	Ralf Schmitz Chief Transformation Officer and CFO

STEAG GmbH Management Team

Chief Compliance Officer	Head of Human Resources	Head of HSE	Head of Energy Policy
Head of Legal	Head of Audit	Head of Data Protection	Head of Communication

Iqony	STEAG Power
ESG–related Departments	ESG–related Departments

Knowledge Enhancement, Performance Evaluation and Remuneration Policies

GRI Standard	Description
GRI 2–17	Collective knowledge of the highest governance body
GRI 2–18	Evaluation of the performance of the highest governance body
GRI 2–19	Remuneration policies
GRI 2–20	Process to determine remuneration

Conduct & Ethics

Responsible business conduct is a core value. We understand that failing to act ethically can undermine the trust of stakeholders, result in fines and penalties, and damage the Group's reputation. This is especially important as we are a global company, operating in numerous countries worldwide, some of which have weaker legal frameworks and where there are higher perceived levels of corruption than within our home country, Germany.

The main components of our approach to promote, implement and assure ethical behavior at STEAG are the Compliance Management System and our Group Code of Conduct.

Compliance Management System

The Compliance Management System is covered in more detail below, but in summary it enables the identification of significant breaches of rules, regulations, and standards, including those covering key conduct risks such as conflicts of interest, and where appropriate (and following investigation) the sanctioning of those breaches. The system also facilitates reporting of compliance incidents to senior management and the Management Board. It is also the main vehicle through which we deliver employee training in appropriate business conduct.

Group Code of Conduct

Our group Code of Conduct ('the Code') sets out our standards for the approach to important conduct issues, such as bribery and corruption, fraud, and conflicts of interest. As well as providing a reference source for employees on good practice, the Code also seeks to embed the desired behavior within our corporate culture.

As a participant in the UN Global Compact Initiative, STEAG supports the implementation of its principles in respect of human rights, labor standards, environmental protection and anti–corruption, and has sought to reflect those principles in the Code.

The Code comprises 18 points covering issues, such as fairness, occupational health and safety, and the prohibition on discrimination, harassment, and bullying (see inset box).

The Code is owned by the Management Board. Its principles are subject to regular review by the board to ensure that they remain relevant to STEAG's business and meet regulatory requirements and societal norms. The Group Chief Compliance Officer (and the compliance function) are responsible for promoting awareness of the Code within STEAG, for monitoring compliance and for advising on issues relating to the Code.

Compliance with the Code is mandatory. All new employees are required to attest that they have read and understood (and will abide by) its principles and provided with regular training are subsequently provided with regular training in business ethics topics (including those covered by the Code) to ensure that their knowledge remains current. The same holds true for the company guidelines regarding data protection.

Risk & Controls: The Role of the Compliance Function

GRI Standard	Description
GRI 205–1	Operations assessed for risks related to corruption

The compliance function has primary responsibility for the Group's system of internal controls to prevent, detect and correct financial, operational and compliance risks.

The function is implemented by the Central Compliance Department, which is supported by compliance officers within the individual business units. These individuals, along with the associated policies, procedures and controls, form the Group's Compliance Management System.

The Central Compliance Department is headed by the Group's Chief Compliance Officer ('GCO'). The GCO is a member of STEAG's senior management team and reports directly to the Management Board. The GCO is supported by an assistant.

The compliance officers within the business units are responsible for handling routine employee enquiries; for providing training in various compliance and conduct issues (including in the application of the Group Code of Conduct), and for reporting material breaches of laws and internal guidelines to the Compliance Department. On a quarterly basis, they are required to submit a report on compliance matters to the Central Compliance Department.

Remit

The function has responsibility for business ethics issues (such as bribery, corrup-tion and conflicts of interest) and for financial ('property') risks (such as theft, breach of trust and fraud). Specifically, its role is to:

- Advise on the design of business processes and contracts to limit risks.

- Prepare and interpret compliance–related guidelines, in particular the Group Code of Conduct.

- Provide training in the prevention of bribery and corruption prevention, other 'white collar' crime and the Code of Conduct.

- Undertake detection and investigation of property offences such as fraud.

In addition to this core set of responsibilities, the compliance function (through the compliance officers embedded within the business units) assumes responsibility for a broader range of financial, non-financial and operational issues at STEAG. These include:

• Labor, health and environmental protection
• Compliance with tax law
• Data protection, IT security and data security
• Compliance with labor law
• Personal rights (e.g., General Equal Treatment Act, or Allgemeines Gleichbehandlungsgesetz, AGG), Customs law.
• Protection of intellectual property
• Product Liability Law

Training

GRI Standard	Description
GRI 205-2	Communication and training about anti-corruption policies and procedures

STEAG believes that training in the purpose and application of policies and controls is a critical part of an effective approach to controlling risks (financial and non-financial) across the organization.

The Central Compliance Department provides one-to-one training to all individuals in management positions to inform them of their responsibilities relating to compliance and legal matters.

As noted, the workforce is periodically required to complete e-learning modules on business ethics topics, and on occupational health & safety matters. STEAG also ensures that employees are updated on conduct and other risk issues through our intranet and internal publications. The intranet has a dedicated page to cover cyber and data security as well as data protection issues.

Reporting Incidents and Grievances

GRI Standard	Description
GRI 2-26	Mechanisms for seeking advice and raising concerns
GRI 2-27	Compliance with laws and regulations
GRI 205-3	Confirmed incidents of corruption and actions taken
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices

As well as providing training, STEAG has also established procedures to facilitate the reporting of breaches of the Code and of other rules, regulations and policies, and the notification of personal data breaches. Employees have a duty to report all such breaches. Reports can be made directly to the Central Compliance Department, or to

the employee's union, or indirectly through the employee's line manager (depending on the nature of the complaint and the method the employee feels most comfortable with). Reports regarding personal data breaches have to be made directly to the Data Protection Officer. Importantly, employees are given a commitment by the Group that they will be protected against retribution or other disadvantages for complaints made in good faith.

Customers, suppliers and members of the public can also raise complaints using the general contact form on STEAG's website or contact the Company via a customer contact number provided on the website.

Historical business ethics incidents within STEAG over the past 3 years comprise the following:

• Incidents of non-compliance with laws and regulations – no major instances of non-compliance with laws and regulations occured in the last three years.

• Incidents of bribery and corruption – these incidents have been solved at department level and are not usually escalated up to the Central Compliance Department. We plan to introduce the tracking of such incidents as part of our 2023 roll-out of centralized ESG KPIs.

• Incidents of anti-competitive behaviour, anti-trust and monopolistic practices – no major instances of any such violations occured in the last three years.

Planned improvements
As part of an initiative to strengthen our approach to sustainability, STEAG has planned a number of improvements to our risk and controls framework. These include instituting the tracking of compliance incidents as part of the 2023 roll-out of our centralized system for the reporting of ESG metrics from 2023.

We also aim to enhance our surveillance of potential Code breaches and control issues by establishing a whistleblowing/'speak out' hotline to supplement our existing reporting channels, and are currently in discussions with a third-party vendor with a view to using acquiring their whistleblowing tool.

Also from 2023, the Central Compliance Department will begin logging metrics relating to our training programs to help us assess the effectiveness of the training and, where necessary, implement improvements.

Engagement Activity
In addition to company-specific improvements, STEAG also engages more broadly with the organizations which define standards and with the compliance community to help improve best practice in the area of compliance management. For example, we participated in the consultation exercise conducted by the DIN Standards Committee for Organizational Processes (NAOrg) on the ISO 37301 standard which replaced the previous standard (ISO 19600) for compliance management systems.

Cyber and Data Security Measures

To us, as an operator of critical infrastructure in Germany and internationally, cyber and data security are of paramount importance. Our operations use the currently best information and operational technology (IT and OT) infrastructure to connect our various plants and other assets. This effectively manages the Group's potential vulnerabilities to cyber-attack with consistently high performance.

Nature of Exposure

Generally, the risk of breach of the General Data Protection Regulation (GDPR) at STEAG is deemed to be low as the Company largely operates on a B2B model and stores sensitive user information only to a limited extent.

As noted, the more substantial risk to STEAG is from cyber-attack that disables critical parts of our infrastructure or interferes with our ability to communicate with our various locations and assets. Either event could result in a significant loss of availability of our generation assets, restricting our ability to supply the grid.

Cyber and data security

To safeguard personal data and provide a shield against cyber-attack, STEAG has implemented a comprehensive set of policies and controls, and physical and technological solutions to protect the Group:

• STEAG has a group-wide Information Security Management System (ISMS) which is based on ISO 27001 in line with German legal requirements for critical infrastructure. One business unit has already obtained official ISO 27001 certification while others stand ready to follow.

• STEAG also has a procedural instruction in place, "Minimum Security Requirements for IT Infrastructure (V300-8)", which specifies the minimum physical and virtual measures which are required to protect the Group's IT infrastructure.

• IT Disaster Recovery Plans are in place at global, regional and local levels and annual penetration tests are performed by specialist third parties.

The effectiveness of STEAG's cyber security measures at its energy production sites and ancillary facilities in Germany is assessed by the regulatory authorities during periodic critical infrastructure audits. This provides assurance that the measures in place are in line with the latest standards of protection.

As well as implementing measures for protection against cyber-attack, STEAG has also taken appropriate steps to deter and protect against any physical threat to its infrastructure and operations.

Cyber and Data Security Incidents

GRI Standard	Description
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data

STEAG is required to report cyber-incidents and breaches above a certain threshold to the German government. No material cyber or data security breaches have been recorded in the past three years.

Corporate Policies

Corporate policies are high level policies, owned by the Management Board, where board direction is required. STEAG has several such policies:

Human rights and labour standards

STEAG attaches great importance to protecting human rights and upholding labour standards across our various operations and activities. Importantly (and as noted), we seek to extend this obligation to our main suppliers.

We are committed to abide by the standards of the International Labour Organization and principles of the UN Global Compact. As such, we support freedom of association for our employees and, as reflected in the Group Code of Conduct, expect our suppliers and business partners to do the same.

Political Influence

GRI Standard	Description
GRI 415-1	Political contributions

STEAG maintains a policy of strict political neutrality. We do not donate to any political party, nor do we endorse any particular party or political viewpoints, for exampleby providing support for a political campaign.

Delivering Stakeholder Value: The Role of governance

STEAG understands that good corporate governance is key to a company's ability to thrive over time and to consistently deliver value to stakeholders.

We believe that effective governance has three key elements, which we have sought to embed in our approach:

• Appropriate, i.e. which means compliant and proportionate, governance structures, policies and processes.

• A strong corporate culture rooted in ethical values and behaviors.

• Strong internal controls to manage key financial and non-financial risks to which the company is exposed.

We will continue to review, and when necessary enhance our governance processes as our business evolves to ensure they remain relevant and effective.
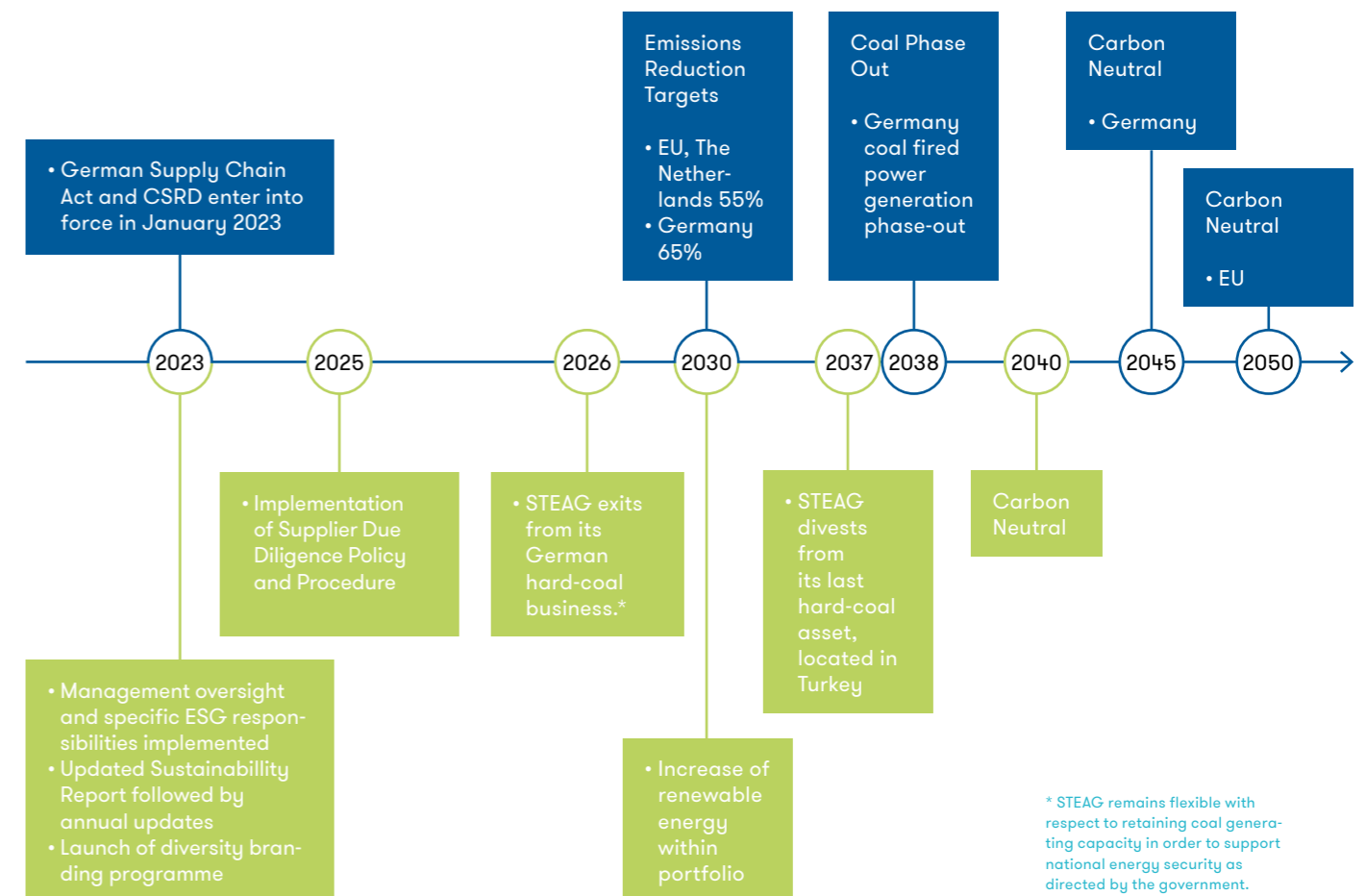
ESG Roadmap

As discussed in this report, during 2022 (and into 2023) STEAG has taken a number of measures to improve the management of ESG issues across the organization. These included the following:

- The establishment of an ESG office to coordinate sustainability activity throughout the organization, together with the appointment of an ESG Manager and ESG assistant (see Section 4).

- Agreement on an initial set of targets covering several key performance indicators within the environmental, social and governance spheres (see Section 4).

- The formalisation of our Net Zero Strategy and plans to decarbonize our operations (see Section 5).

From this foundation, we plan to continue to enhance and strengthen our approach to the management of sustainability or ESG issues. The figure below illustrates the planned timeline and key milestones that make up the roadmap for the development of our ESG/sustainability strategy over the period to 2050.

Our goal is to create a business in which the management of sustainability factors is both comprehensive and effectively integrated with the management of 'traditional' risks: financial and non–financial. In this way, we will ensure that STEAG continues to deliver on the needs of its stakeholders in the years ahead.

STEAG: ESG Roadmap

Timeline above (blue boxes):

- German Supply Chain Act and CSRD enter into force in January 2023 (2023)

- Emissions Reduction Targets
  - EU, The Netherlands 55%
  - Germany 65% (2030)

- Coal Phase Out
  - Germany coal fired power generation phase-out (2038)

- Carbon Neutral
  - Germany (2045)

- Carbon Neutral
  - EU (2050)

Timeline years: 2023 · 2025 · 2026 · 2030 · 2037 · 2038 · 2040 · 2045 · 2050

Timeline below (green boxes):

- Implementation of Supplier Due Diligence Policy and Procedure (2025)

- STEAG exits from its German hard-coal business.* (2026)

- STEAG divests from its last hard-coal asset, located in Turkey (2037)

- Carbon Neutral (2040)

- Management oversight and specific ESG responsibilities implemented
- Updated Sustainability Report followed by annual updates
- Launch of diversity branding programme

- Increase of renewable energy within portfolio

* STEAG remains flexible with respect to retaining coal generating capacity in order to support national energy security as directed by the government.

Appendix

Disclosures relating to the GRI (Global Reporting Initiative) standard

Standard	Disclosure	Description	Report Chapter	Subsection
GRI 2: General Disclosures 2021	2-1	Organizational details	2. A Sustainable Power Producer	Our Business
	2-2	Entities included in the organization's sustainability reporting	2. A Sustainable Power Producer	Our Business
	2-3	Reporting period, frequency and contact point	1. Foreword	
	2-5	External assurance	1. Foreword	
	2-6	Activities, value chain and other business relationships	3. Addressing the Energy Trilemma	Our Business
	2-7	Employees	6. Managing our Key Relationships (Social)	Employees: Our most important asset
	2-8	Workers who are not employees	6. Managing our Key Relationships (Social)	Employees: Our most important asset
	2-9	Governance structure and composition	4. Delivering Sustainability	Governance
	2-10	Nomination and selection of the highest governance body	7. Operating Ethically (Governance)	Board Structures
	2-11	Chair of the highest governance body	4. Delivering Sustainability	Governance
	2-12	Role of the highest governance body in overseeing the management of impacts	4. Delivering Sustainability	Governance
	2-14	Role of the highest governance body in sustainability reporting	4. Delivering Sustainability	Governance
	2-20	Process to determine remuneration	7. Operating Ethically (Governance)	Board Structures
	2-22	Statement on sustainable development strategy	1. Foreword	
	2-23	Policy commitments	3. Addressing the Energy Trilemma	Supporting Global Initiatives
	2-24	Embedding policy commitments	3. Addressing the Energy Trilemma	Supporting Global Initiatives
	2-26	Mechanisms for seeking advice and raising concerns	7. Operating Ethically (Governance)	Reporting Incidents and Grievances
	2-28	Membership associations	Appendix	Appendix
	2-29	Approach to stakeholder engagement	3. Addressing the Energy Trilemma	Engaging with our Stakeholders
	2-30	Collective bargaining agreements	6. Managing our Key Relationships (Social)	Employee Engagement
GRI 3: Material Topics 2021	3-1	Process to determine material topics	4. Delivering Sustainability	Materiality Assessment
	3-2	List of material topics	4. Delivering Sustainability	Materiality Assessment
	3-3	Management of material topics	4. Delivering Sustainability	Materiality Assessment

Appendix

Standard	Disclosure	Description	Report Chapter	Subsection
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	7. Operating Ethically (Governance)	Our Risk and Controls
	205-2	Communication and training about anti-corruption policies and procedures	7. Operating Ethically (Governance)	Risk and Controls
	205-3	Confirmed incidents of corruption and actions taken	7. Operating Ethically (Governance)	Reporting Incidents and Grievances
GRI 304: Biodiversity 2016	304-2	Significant impacts of activities, products and services on biodiversity	5. Driving Net Zero (Environment)	Other environmental impacts
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	5. Driving Net Zero (Environment)	Climate change
	305-2	Energy indirect (Scope 2) GHG emissions	5. Driving Net Zero (Environment)	Climate change
	305-3	Other indirect (Scope 3) GHG emissions	5. Driving Net Zero (Environment)	Climate change
	305-5	Reduction of GHG emissions	5. Driving Net Zero (Environment)	Climate change
GRI 307: Waste 2020	307-2	Management of significant waste related impacts	5. Driving Net Zero (Environment)	Other environmental impacts
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	6. Managing our Key Relationships (Social)	Employees
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	6. Managing our Key Relationships (Social)	Governance
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	6. Managing our Key Relationships (Social)	Occupational Health & Safety
	403-5	Worker training on occupational health and safety	6. Managing our Key Relationships (Social)	Occupational Health & Safety
	403-9	Workrelated injuries	6. Managing our Key Relationships (Social)	Occupational Health & Safety
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	6. Managing our Key Relationships (Social)	Training and Development
	404-2	Programs for upgrading employee skills and transition assistance programs	6. Managing our Key Relationships (Social)	Training and Development
	404-3	Percentage of employees receiving regular performance and career development reviews	6. Managing our Key Relationships (Social)	Employees
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	6. Managing our Key Relationships (Social)	Appendix
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	6. Managing our Key Relationships (Social)	Supply Chain

Appendix

Standard	Disclosure	Description	Report Chapter	Subsection
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	6. Managing our Key Relationships (Social)	Supply Chain
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	6. Managing our Key Relationships (Social)	Community Engagement
	413-2	Operations with significant actual and potential negative impacts on local communities	6. Managing our Key Relationships (Social)	Community Engagement
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	6. Managing our Key Relationships (Social)	Supply Chain
GRI 415: Public Policy 2016	415-1	Political contributions	7. Operating Ethically (Governance)	Political Influence
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	7. Operating Ethically (Governance)	Cyber and Data Security

Appendix

Disclosures relating to the principles of the UN Global Compact

UN Global Compact Principle		Report Chapter	Subsection
Principle 1:	Businesses should support and respect the protection of internationally proclaimed human rights	7. Operating Ethically (Governance)	Conduct & Ethics
		7. Operating Ethically (Governance)	Human Rights and Labour Standards
Principle 2:	Businesses should make sure that they are not complicit in human rights abuses	6. Managing our Key Relationships (Social)	Management of Supply Chain Risks
Principle 3:	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	6. Managing our Key Relationships (Social)	Employee Engagement
		7. Operating Ethically (Governance)	Human Rights and Labour Standards
Principle 4:	the elimination of all forms of forced and compulsory labour	6. Managing our Key Relationships (Social)	Management of Supply Chain Risks
Principle 5:	the effective abolition of child labour	6. Managing our Key Relationships (Social)	Management of Supply Chain Risks
Principle 6:	the elimination of discrimination in respect of employment and occupation	6. Managing our Key Relationships (Social)	Diversity, Equity and Inclusion
Principle 7:	Businesses should support a precautionary approach to environmental challenges	5. Driving Net Zero (Environment)	Mitigating Climate Change Risk: Our Journey to Net Zero
		5. Driving Net Zero (Environment)	A Responsible Corporate Citizen: Reducing Our Environmental Footprint
Principle 8:	undertake initiatives to promote greater environmental responsibility	5. Driving Net Zero (Environment)	Mitigating Climate Change Risk: Our Journey to Net Zero
Principle 9:	encourage the development and diffusion of environmentally friendly technologies	2. A Sustainable Power Producer	Iqony - Continuing to Drive Innovation
		5. Driving Net Zero (Environment)	Mitigating Climate Change Risk: Our Journey to Net Zero
Principle 10:	Businesses should work against corruption in all its forms, including extortion and bribery	7. Operating Ethically (Governance)	Conduct & Ethics

Disclosures relating to the UN Sustainable Development Goals

	UN Sustainable Development Goal	Report Chapter	Subsection
High Impact	SDG 7: Affordable and Clean Energy	2. A Sustainable Power Producer	Our Business
		3. Addressing the Energy Trilemma	Creating Stakeholder Value
		5. Driving Net Zero (Environment)	Mitigating Climate Change Risk: Our Journey to Net Zero
	SDG 9: Industry, Innovation and Infrastructure	2. A Sustainable Power Producer	Our Business
		3. Addressing the Energy Trilemma	Creating Stakeholder Value
	SDG 11: Sustainable Cities and Communities	2. A Sustainable Power Producer	Our Business
		3. Addressing the Energy Trilemma	3. Addressing the Energy Trilemma
	SDG 13: Climate Action	3. Addressing the Energy Trilemma	Mitigating Climate Change Risk: Our Journey to Net Zero
Moderate Impact	SDG 3: Good Health and Well-being	6. Managing our Key Relationships (Social)	Occupational Health & Safety
	SDG 8: Decent Work and Economic Growth	6. Managing our Key Relationships (Social)	Employees - Group-wide Strategies and Policies
	SDG 12: Responsible Consumption and Production	5. Driving Net Zero (Environment)	Mitigating Climate Change Risk: Our Journey to Net Zero
		5. Driving Net Zero (Environment)	Water Usage
		5. Driving Net Zero (Environment)	Reducing Waste Footprint
	SDG 15: Life on Land	5. Driving Net Zero (Environment)	Biodiversity and Natural Habitats