EPH

EPH Sustainability Report 2015
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SUSTAINABILITY REPORT 2015

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Foreword

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Chairman's message

Dear stakeholders,

on behalf of Energetický a průmyslový holding, a.s. ("EPH" or the "Company"), it is with great pleasure that I present to you our Sustainability Report. This Report has been prepared following the Global Reporting Initiative's Sustainability Guidelines ("GRI G4"). In the Report, we respond to the information needs and expectations of our main stakeholder groups and focus on the issues that are most material to our Company and to our stakeholders. Through Sustainability Reporting we aim to provide you with a reliable information about our activities, targets and achievements in the domain of sustainability in these challenging yet exciting times.

The energy sector is currently experiencing a very turbulent period. The paradigms are changing. Old, seemingly unshakable facts and truths are often no longer valid, while concepts inconceivable only a few years ago are turning into reality. The idea of a pan-European, fully liberalised energy market has been marginalised. Individual countries pursue their own goals and priorities in the segment. It has become a reality that economically weaker countries have little chance but to adapt to their stronger neighbours. Energy and environmental goals agreed upon at the EU level are sometimes contradictory. This, in turn, creates a difficult environment for investors. Electricity prices, in particular, do not reflect their production costs, which, together with other market distortions, hinders investors from making qualified investment decisions, especially when it comes to more substantial investment cases such as the construction of new, modern power generation sources. The situation is complicated further by the continuous decline of energy commodity prices.

In this environment, EPH seeks to carefully balance the needs of our customers with principles of sustainable development and social responsibility.

Who are we?

On the basis of robust acquisition-fuelled growth in recent years, EPH has become one of the leading European energy utilities. In 2015, we initiated a transformation process by which EPH was divided into two core subsidiaries, one focused on infrastructure assets and the other on power generation, respectively. Both subsidiaries have now a clearly distinguished profile, in each case compact and comprehensible for the investors and stakeholders.

EP Infrastructure (“EPIF”), encompasses infrastructure-type companies operating in regulated or long-term contracted businesses translating into stable and strong cash flow generation even under the challenging market conditions as EPIF’s business is not linked to commodity prices, power in particular. Business activities grouped under EPIF significantly contribute to the economic results of EPH and create headroom for further acquisition growth. EPIF operates critical, vitally needed infrastructure and infrastructure-related services not only for the Czech Republic and Slovakia, but also for several other European countries that are either directly interconnected or dependent on transmission services provided by EPIF.

EP Power Europe (“EPPE”), consists of companies active in power generation, both from conventional and renewable sources, lignite mining for conventional power generation and supply & trading businesses. The growth of EPH in the last few years can largely be attributed to acquisitions of power generation assets in several European countries including the UK, Italy, Germany and Slovakia that are now part of EPPE. Target energy markets were thoroughly analysed in order to evaluate their future development. We only acquired power generation assets that will play a crucial and irreplaceable role in the security of supply in that particular market. As each of these markets is unique and specific, EPPE’s European generation portfolio now includes a variety of technologies from modern natural gas fired power plants in Italy, through to pumped storage, run-of-river hydro and nuclear plants in Slovakia, a biomass conversion project in the UK as well as efficient conventional lignite fired plants in Germany.

As regards to coal and lignite-based power generation, we are convinced that these conventional sources will continue to play an important role as a bridging technology and act for a certain period of time as a guarantor of security of supply. Electricity supply undoubtedly belongs to the basic need of every human being, uninterrupted high-quality supply being the need in the developed world. Conventional energies are, and will be, needed to provide high-quality supply until renewables, coupled with storage and demand response, are able to take over this role. Up until that time, conventional technologies, including hard coal and lignite, will play an important role in addressing these basic human needs. The process of gradual replacement of fossil technologies necessitates a sensitive approach balancing the environmental and social aspects with thoughtful timing of necessary steps.

Currently, conventional power generation sources are needed predominantly in areas where no major alternatives for non-intermittent power generation are available, be it due to geographic constraints (e.g. Sardinia) or due to lack of reserve margin (e.g. the UK) or due to grid congestions or planned decommissionings (e.g. Germany). The latter is exactly the reason behind our acquisition of a 50% stake in Vattenfall’s German mining & generation portfolio. Together with our partner, we took over a great deal of responsibility for the provision of stable power supply for the most important industrial market in Europe as well as social responsibility for approximately 8 thousand employees of the company (and further thousands in economically connected businesses) and, finally, also responsibility for all regulatory obligations including decommissioning and recultivations.
On top of that, we are convinced that, from Germany’s perspective, a combination of lignite, as the only domestic natural energy resource, together with power generation from renewables is the most appropriate energy mix that will also enable the necessary independence from global commodity markets.

“On the back of a robust acquisition fuelled growth in the last few years, EPH has become one of the leading European energy utilities.”

Responsible operations

Since its foundation, EPH has been governed by the principle of responsibility towards all stakeholders – customers, employees, business partners, local communities, regional and national governments, regulators and authorities, professional organisations and the society as a whole. The responsibility is truly significant: in 2015 we generated 22 TWh of electricity, an equivalent amount of power consumption as roughly 15 million residential customers[1], we distributed gas to 1.5 million customers, electricity to 738 thousand customers, heat to 370 thousand customers; we also transported 55.8 bcm of natural gas, equivalent of 70% of the annual consumption of the whole of Germany. The Eustream’s reverse flow to Ukraine covered 60% of Ukrainian gas imports in 2015.

All of our operations either meet or exceed their respective environmental targets. We also support the goals set in the domain of GHG emission reduction. Based on our acquisition of Slovenské elektrárne and Lynemouth, a large scale coal-to-biomass conversion project, EPH is becoming one of the top Central European operators in terms of carbon-free installed capacity. The main criterion for our conventional power plants is their overall efficiency. Most of the EPH operated power plants are very efficient conventional plants, CCGTs or even combined heat and power plants that are capable of running in highly efficient cogeneration mode. Thanks to significant investments in technology, the entire fleet complies with all of the required norms and directives.

Sustainability

At EPH we believe that sustainability is strongly interlinked with economic development, the driving force behind progress towards achievement of sustainability targets. Targets to improve energy efficiency and reduce GHG emissions; targets to achieve better energy solutions for customers or targets related to overall prosperity in regions where we operate. We provide better access to reliable and affordable energy and foster stable and attractive job environments, which both contribute to economic and social welfare development.

Both EPIF and EPPE are important service providers in respective areas where they operate. EPIF provides irreplaceable, critical infrastructure services not only to its direct customers but also to end-customers, located in the case of transit and storage services, often in other countries. EPIF also plays a crucial regional stabilization role providing reverse flow to Ukraine.
In EPPE, our recently-growing fleet of power generation sources is a sign of respect towards environmental targets but also a sign of respect towards the need to fulfil the basic needs of citizens and economies where we operate. Naturally, we foresee and support a growing role of renewable technologies and understand the role of conventional fleet – operated at the highest environmental standards – as a bridging technology while conventional sources still remain necessary.

On behalf of EPH, we would like to extend our thanks to you, our stakeholders, for your trust in our Company which makes us confident that with your support and feedback, we will continue addressing the energy needs of our customers in a sustainable way.

Daniel Křetínský
Chairman of the Board of EPH

1 Assuming average consumption per capita in household sector of EU28 at 1.5 MWh / year

About this Report

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"We feel that providing relevant information to our stakeholders is a natural next step in the development of our relatively young Company."

This publication is the first Sustainability Report of EPH. Its aim is to provide a balanced overview of our performance and activities with regards to the economic, operational, social and environmental aspects of our operations. While EPH is not a publically listed entity and we face no formal requirements on sustainability reporting, due to the size we have reached over the past few years and our commitment to responsibility we feel that providing relevant information to our stakeholders is a natural next step in the development of our relatively young Company.

As you read through the Report, please bear in mind that this is our first attempt to collect, analyse, describe and present the work that takes place across the many areas of sustainability for our numerous operations in the Czech Republic, Slovakia and internationally. In particular, the fact that EPH effectively acts as a holding Company (described further in the section 4 Governance and ethics) that has grown on the back of acquisitions, also means that our subsidiaries inherited reporting standards from their previous owners and a substantial amount of work is required to unify these. As such, we are aware that this Report includes multiple areas where data quality and quantity can be improved. Rest assured that we will do our best to increase the quality of our next reports while trying to remain consistent to allow for data comparability.

In terms of reporting period, the information presented in this Report relate to our operations during the 2015 calendar year with earlier comparative data reported where available. For the sake of comparability, we also report full year data for subsidiaries that we acquired during the calendar year. In this regard, this Report might deviate from the principles of our financial reporting.

Please note, that some of EPH subsidiaries, like MIBRAG also prepare their stand alone sustainability reports, that are publicly available and can be referred to as well.

We plan to issue our next Sustainability Report for 2016 in 2017.

The principles of our Report

We have decided to pursue an ambitious route and report following the GRI Global Reporting Initiative G4 Sustainability Reporting Guidelines ("GRI G4") including the GRI sector supplements for Electric Utilities, which is based on the standard disclosures and performance indicators of GRI including the requirements of GRI G4 "core" option.

http://www.globalreporting.org

The Report has been developed with GRI's materiality, stakeholder inclusiveness, sustainability context, and completeness principles in mind. When prioritising stakeholders, AA1000 Accountability Stakeholder Engagement Standards were taken into consideration. Further detail on our approach to materiality and stakeholder engagement undertaken during normal business activity and also as part of the preparation for this Report is included in the sections 5 Stakeholders and 6 Priorities respectively.

Report boundaries

The Report content covers all our operations in the Czech Republic, Slovakia, and internationally. For more detailed information on our countries of operation and legal entities please refer to the next sections of this Report. The Report boundaries we have used are based on the operational control approach and are the same for all GRI G4 Indicators with the exception of the G4 Economic Indicator data, which has been reported using financial control in order to align the data with the financial data reported in the EPH Annual Report under IFRS. As a result, EPH has consolidated data from all its entities locally and internationally where it holds a controlling shareholding and that were deemed material for the purposes of this Report. This list of entities covered by the Report is shown in the section 11.4 Organisational boundaries on page 168.

The aspects that EPH has reported on in this Report were determined through detailed assessment of the priorities for EPH, subsidiary companies and our main stakeholder groups. The assessment included analysis of issues and feedback from our stakeholder groups during the reporting period as well as further analysis undertaken as part of the preparation of this report. Further detail on our stakeholder analysis and engagement is provided in the section 5 Stakeholders and further detail on our approach to Materiality is given in section 6 Priorities, both included in this Report. As a result of our materiality and stakeholder analyses, this Report has focused on those areas that were deemed most material to our business and our stakeholder groups. These areas, or aspects, are explained in the different sections of this Report with further detailed data shown in the section 11.1 GRI Index included on pages 125–131 of this Report.

It is important to note that our two largest acquisitions in the power generation segment, notably the acquisition of a 50% stake in Vattenfall's German lignite & mining assets and the acquisition of a 33% stake in Slovenské elektrárne, are not included in our 2015 figures as both of these were only completed in 2016. However, EPH recognises their importance to our stakeholders and readers and we decided to include a section on their operations and their sustainability initiatives in this Report (please see the sections 3.1 Slovenské elektrárne and 3.2 Lusatia Energie Verwaltungs). Going forward, we aim to align the reported sustainability data with the rest of EPH.

Assurance

As well as publishing our first Sustainability Report, we also obtained an external assurance of certain material data included in this Report in order to enhance its credibility. The energy consumption, water withdrawal and discharge and injury data for our facilities located in the Czech Republic were assured in accordance with the ISAE 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information by the independent assurance firm EY. Their assurance statement is in the section 10 Assurance on pages 122–123 of this Report.

EPH

Vertically integrated energy utility includes more than 50 companies in the Czech Republic, Slovakia, Germany, Italy, United Kingdom, Poland and Hungary

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EPH and its business

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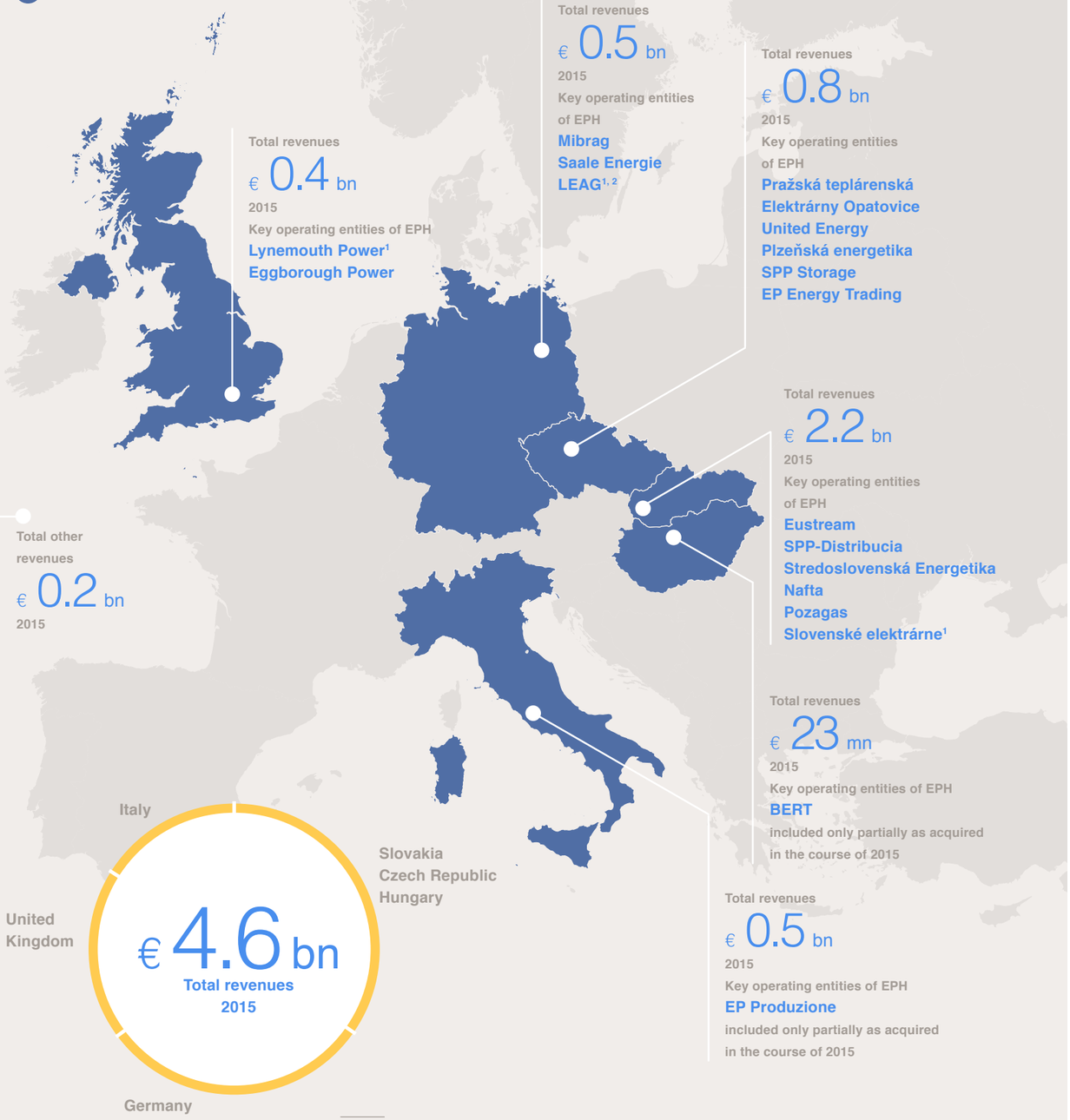


1 Revenues not inclcuded in Total revenues as shareholdings were acquired in 2016 only
2 LEAG represents Lausitz Energie Bergbau AG (former Vattenfall Europe Mining AG) and Lausitz Energie Kraftwerke AG (former Vattenfall Europe Generation)

Fig. 1 Key operating entities of EPH

Geographic presence of EPH

EPH is a leading Central Europe based energy Company operating mainly in the Czech Republic, Slovakia, Germany, Italy, United Kingdom, Poland and Hungary with its headquarters in Prague, Czech Republic.

EPH is a vertically integrated energy Company covering the complete value chain in the energy sector, including more than 50 companies operating in coal extraction, electricity and heat production from conventional and renewable sources, electricity and heat distribution, electricity and gas trade and their supply to final customers and, last but not least, EPH is an important regional player in various segments of the gas industry, including gas transmission, gas distribution and gas storage.

Following a recent internal reorganisation initiated at the end of 2015, EPH is centered around two main sub-holdings, EP Infrastructure (“EPIF”) and EP Power Europe (“EPPE”). While the reorganisation on the side of EPIF is largely complete as of the writing of this report, EPPE is still not finalised and a number of further steps are required before EPPE has a formalised structure in terms of direct ownership of the assets or corporate governance scheme in place.

Our achievements

EPH has a number of outstanding achievements including being the market leader in the following areas:

№1
Largest gas transmission route in Europe

№1
Gas distributor in Slovakia

№1
Czech district heating infrastructure

№1
Gas storage player in region of Slovakia, the Czech Republic and Austria

EPH Company Structure

EPH

100 %[1] EP Infrastructure

Gas Transmission

49%[2]

eustream SLOVAK GAS TSO

Gas & Power Distribution

49%[2]

SSE STREDOSLOVENSKÁ ENERGETIKA

49%[2]

Distribúcia SPP

100 %

ENERGY TRADING

Heat Infra

95.6 %

Budapesti Erőmű ZRt.

73.8 %

Pražská teplárenská

100%

EOP ELEKTRÁRNY OPATOVICE

100%

UNITED ENERGY

100%

Plzeňská energetika a.s.

Gas Storage

69%[3]

nafta

40.9%[4]

POZAGAS

49%[2]

SPP Storage

EP Power Europe 100 %

100 %

MIBRAG

100 %

Saale Energie

100 %

Eggborough Power Ltd

100 %

LYNEMOUTH POWER

100 %

EP PRODUZIONE

Other Assets

Equity consolidated participations (acquired in 2016)

33%[5]

SLOVENSKÉ ELEKTRÁRNE

50%[6]

LEAG

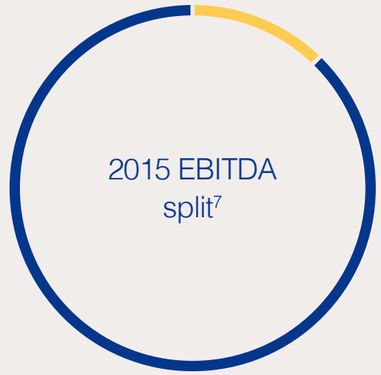


Fig. 2 EPH Company structure

1 On October 17 2016, EPH entered into agreement to sell a minority stake in EP Infrastructure to an investor consortium led by Macquarie Infrastructure and Real Assets, transaction is pending closing
2 49% including management control
3 40.45% controlled directly and 56.15% is controlled by SPP Infrastructure. EPIF stake in SPP infrastructure is 49% including management control; considers own shares held in Nafta
4 35 % is controlled by Nafta and 35 % is owned by SPP Infrastructure
5 EPPE owns a 33% share in Slovenské elektrárne (indirectly)
6 EPPE owns a 50% shareholding in the holding entity Lusatia Energie Verwaltungs GmbH, the majority owner of LEAG
7 EPH EBITDA based on audited fully consolidated 2015 financials

EP Infrastructure (EPIF)

EPIF includes predominantly regulated and/or contracted businesses with leading market positions.

Segment	EBITDA[1]	Group companies	Business profile	Asset highlight
Gas Transmission	€ 687 million	eustream SLOVAK GAS TSO	Regulated/contracted	№1 Largest gas transmission route in Europe[2]
Gas & Power Distribution	€ 431 million	Distribúcia SPP; SSE Stredoslovenská energetika; EP Energy Trading	Predominantly regulated	№1 Gas distributor in Slovakia[3] №2 Electricity distributor in Slovakia[3]
Heat Infra	€ 144 million	Plzeňská energetika a.s.; United Energy; Pražská teplárenská; Budapesti Erőmű ZRt.; EOP Elektrárny Opatovice	Predominantly regulated	№1 Czech district heating infrastructure[4]
Gas Storage	€ 180 million	nafta; SPP Storage; Pozagas	Predominantly contracted	№1 Storage capacity in the region of Slovakia, Czech Republic and Austria[5]

Fig. 3 EP Infrastructure (EPIF)

Source: Company information, internal research and analysis, Gas Storage Europe

1 EBITDA is based on 2015 combined financials of EPIF; EBITDA calculated as operating profit plus depreciation and amortisation less negative goodwill (if relevant) on a 100% basis. Excludes segment "Holding and other" as well as inter-segment eliminations
2 In terms of East – West transmission capacity
3 Based on volume distributed
4 Based on PJ distributed to final consumers
5 Based on storage capacity
6 Cash conversion ratio: represents EBITDA minus capital expenditures related to tangible and intangible assets less emission rights minus paid tax as a percentage of EBITDA

Highlights

EPIF operates critical energy infrastructure

- Active in gas transmission, gas and power distribution, heating infrastructure and gas storage
- Our assets are regulated and/or long-term contracted

Large diversified asset base

- Diversified across multiple types of infrastructure, which contributes to EPIF's stability
- No exposure to a single asset type

Partnership with a public entity further contributes to a high degree of stability

- Aligned goals and targets with local public partners, while keeping management control
- Both EPH and EPIF are private enterprises with shareholder interests as main priority

Strong cash flow generation

- Sustainable sizeable EBITDA (EUR 1.4 billion in 2015), with strong cash conversion (66% in 2015[6])
- Some of the networks we operate are newly-built or have been rebuilt recently
- Regulatory framework motivates us to optimise (not maximise) investments

Value-driven management team with proven track record

- Experienced and well-structured stable management team
- Proven track record in spotting and extracting value, implementation and integration

Track record of growth

- EPIF has historically achieved a solid track record of growth through value-accretive acquisitions and organic growth projects
- Further development and optimization opportunities as well as selective bolt-on M&A opportunities provide potential avenues for continued sustainable growth

EP Power Europe (EPPE)

EP Power Europe will consist of various power generation assets across several European markets

Country	Installed capacity/fuel	Companies	Business profille	Asset highlight
Germany	18–20 million tons annual lignite production 0.9 GW in lignite	MIBRAG HELMSTEDTER REVIER Saale Energie	Contracted/security reserve	Two lignite mines and two CHP plants Lignite mine and Buschhaus power plant that entered strategic reserve in 2016 Share in Schkopau power plant with contract until 2021
UK	420 MW biomass conversion project 2 GW in hard coal	LYNEMOUTH POWER Eggborough Power Ltd	Contracted for difference/Security reserve	Ongoing biomass conversion project with UK government backed contract for difference until 2027 Hard coal power plant placed in supplemental balancing reserve ('SBR')
Italy	4.1 GW in gas 0.6 GW in hard coal	EP PRODUZIONE	Merchant/must-run/ancillary services	Fleet of 5 modern gas-fired power plants in mainland Italy and Sicily and 1 coal-fired power plant in Sardinia
Unconsolidated participations acquired in 2016				
Slovakia	1.9 GW in nuclear 1.7 GW in hydro 0.7 GW in coal	SLOVENSKÉ ELEKTRÁRNE	Merchant/ancillary services	Largest power generation company in Slovakia with 3.6 GW of carbon free capacity
Germany	8.1 GW in lignite	LEAG	Merchant/ancillary services/ heat co-generation	Former Vattenfall fleet of 4 critical and dependable baseload power plants and associated lignite mines

Fig. 4 EP Power Europe (EPPE)

Source: EPH data for 2015

Highlights

EPPE owns and operates a portfolio of safe and controllable power generation assets and related operations

Following the formal incorporation of EPPE, the Company will own operations across well developed markets including Italy, the UK, Germany and Slovakia

Through a portfolio of controllable power plants, EPPE provides for security of supply given that renewables with their limited load factor are and will only be able to partially cover for power demand

Individual strategy for each market creating upside potential

EPPE has been able to acquire critical generation assets below their replacement values and has adopted an individual strategy for each market

EPPE will seek attractive opportunities to invest in carefully selected assets primarily within its markets of operations

Active participant in power generation market transition

Current economic circumstances with no new construction of necessary reliable sources with a managed diagram is not sustainable and could lead to capacity shortages in the future

As a result, electricity markets across UK, Italy and Germany will undergo necessary fundamental changes (e.g. market consolidation, closure of loss-making excess capacities, introduction of capacity market schemes) to re-establish stable and secure electricity supplies and EPPE will play an active role in this transition

Balanced fuel mix

EPPE's power generation portfolio provides a balanced mix of thermal, nuclear, hydro and biomass[1] power plants (e.g. 80+% of carbon-free capacity in Slovakia, modern low-carbon gas fired portfolio in Italy, biomass conversion project in the UK)

Coal and integrated mining operations only in markets that are unable to physically secure a stable power supply from alternative sources (e.g. Sardinia, Germany, UK)

Responsible and sustainable operations

EPPE is committed to operating its portfolio responsibly with the aim of gradually reducing its environmental footprint, meeting the interests of all stakeholders and standing ready to meet its liabilities, particularly associated with the future recultivation of the mining sites

1 Pending finalisation of Lynemouth biomass conversion project

New acquisitions

3.1 Slovenské elektrárne

Acquired portfolio

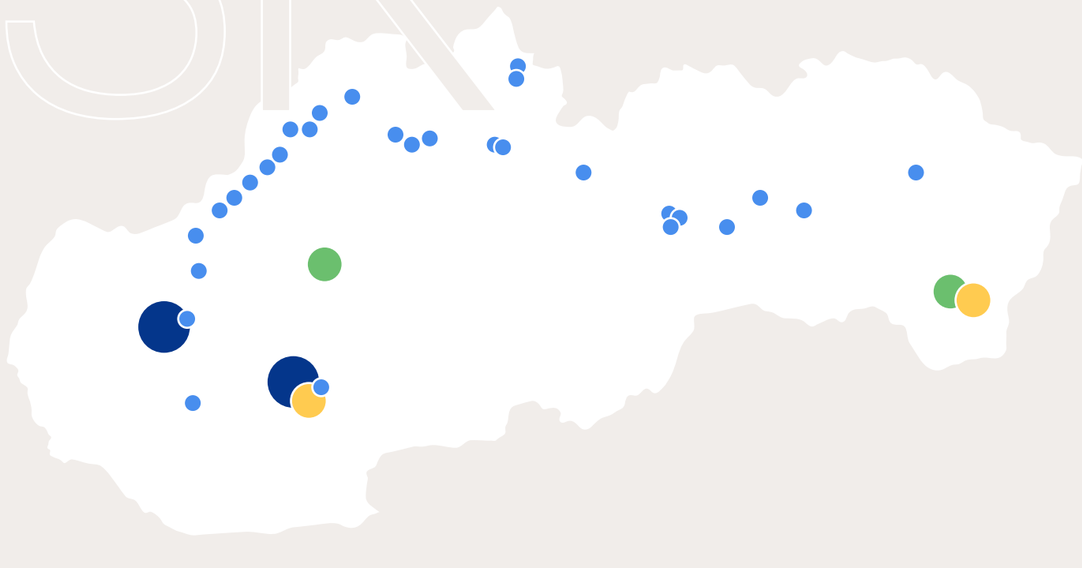
On 28 July 2016, EPH completed the first phase of the acquisition of Slovenské elektrárne (''SE''), the largest power generator in Slovakia. The joint-stock company Slovenské elektrárne was founded on 21 January, 2002 as a new entity of the state and the legal successor of the original Slovenské elektrárne, a.s., from which the assets of the Slovak power grid operator SEPS and the heating company Tepláreň Košice were spun off.

The ownership structure of Slovenské elektrárne post-acquisition is as follows: the Slovak Republic owns 34% (shareholder's rights are executed by the Ministry of Economy of the Slovak Republic) while the company Slovak Power Holding BV ("SPH") owns 66% of Slovenské elektrárne shares. Through its subsidiary, EP Slovakia BV, EPPE became a 50% shareholder in SPH and the other 50% remains under Enel's Group ownership, EPPE has an option for the acquisition of the remaining 33% stake from Enel under certain conditions.

In 2015, Slovenské elektrárne owned and operated a power plant portfolio with 4.3 GW of installed capacity, out of which 1.9 GW were nuclear power plants, 1.7 GW were hydro power plants and 0.7 GW were thermal power plants. The thermal portfolio has since been reduced to 0.5 GW following the decommissioning of two blocks at the thermal plant in Novaky. In 2015, these power plants combined for almost some 80% of the electricity generation in Slovakia.

SK

SLOVENSKÉ ELEKTRÁRNE



1,653 MW	1,940 MW	706 MW	1.9 MW
Hydroelectric power plants	Nuclear power plants	Thermal power plants	Photovoltaic power plants
31	2	2	2

Fig. 5 Slovenské elektrárne at a glance

The acquired portfolio represents critical and indispensable energy infrastructure in Slovakia.

Role of the assets in the Slovak energy market

This recent acquisition fully corresponds to the strategy of EPH and our subsidiary EPPE as the acquired portfolio represents critical and indispensable energy infrastructure in Slovakia accounting for a large percentage of the installed capacity and generated power. The importance of SE extends beyond the borders of Slovakia as the assets operate in the Centrel region, formed by Poland, Hungary and the Czech Republic and they represent approximately 8% of installed capacity and 7% of generated electricity within this region. As such, via this acquisition EPPE will not only build a strong position in power generation and supply in Slovakia, but also strengthen its position on the regional market, where we are already active in other associated areas including power generation and supply in the Czech Republic and power and gas distribution and supply in Slovakia. The position of SE on both the national and the regional level will further increase upon successful completion of the construction of the 2 nuclear blocs of Mochovce 3 & 4, which will add a further 942 MW of efficient installed capacity to the mix. As of June 1, 2016 the construction process is cca. 85% complete.

Particularly for Slovakia, these assets are a critical source of stable electricity supplies as the nuclear portfolio operates in a baseload mode and is well complemented by the unique group of run-of-river and pump storage hydro power plants, where the latter serve through ancillary services as a stabilising factor for the grid due to their flexibility. Finally, the attractiveness and importance of the assets is emphasised by their carbon neutrality where as much as 90% of the electricity supply in 2015 was completely carbon free, thus saving millions of tons of GHG emissions. Contrary to the lignite and hard coal power plants, whose role we foresee as a bridging technology for the future years, EPH believes that the nuclear and hydro portfolio will continue to provide stable, safe and environmentally friendly energy for decades to come.

3.6 GW of completely carbon-free generation, whereby both hydro and nuclear energy have an irreplaceable role in terms of EU member states' commitment to reduce GHG emissions by 20% from 1999 to 2020.

Unique hydro power plant group with 0.6 GW of run-of river and 1 GW of pumped-storage units with effectively perpetual lifetime at relatively low maintenance requirements and their pivotal role (pumped storage plants) in supporting the power system balance on the back of their variable power output and operational flexibility.

All 4 active nuclear units show excellent operational results and are ranked in the top 8 among all WWER[1] units worldwide based on INPO index (Q3 2015) and have an operational license with strict and comprehensive safety reviews every 10 years performed by the regulator based on European standards. The construction project of 2 new nuclear blocks Mochovce 3 & 4 is the largest private investment in the history of Slovakia. These units will be equipped with upgraded Generation III technology and based on the company's calculations should contribute to over 7 million tons CO_2-eq emissions reduction once in operation.

1 The Water-Water Energetic Reactor

"As much as 90% of the electricity supply in 2015 was completely carbon free."

Sustainability initiatives

Environment at thermal power plants

Novaky power plant modernised two units (1 and 2), while units 3 and 4 were shut down completely. A new GHG emission measurement system was installed in both modernised units with the objective of achieving a reduction of Nitrogen oxides emissions from 400 mg/m^3 to new limits of 200 mg/m^3; particulate matter from 50 mg/m^3 to 20 mg/m^3; SO_x emissions from 400 mg/m^3 to 200 mg/m^3.

In 2015, green combined electricity and heat generation continued in the Nováky power plant using co-combustion of biomass from local sources and local lignite. The share of biomass co-combustion in fluidised-bed boiler represented approximately 5%, saving some 12 thousand tons of CO_2-eq emissions per year.

At Vojany power plant, a successful test of biological degradable waste co-combustion was carried out in 2015. A fermented mixture of water treatment sludge and wood chips is an alternative ecological fuel which may be a means of increasing the ecological contribution of Vojany power plant and improvement of its efficiency. Successful combustion tests confirmed a possible level of biological degradable waste co-combustion rate reaching as much as 29%. At the end of 2015, certification was carried out for ancillary services provided through co-combustion of the biological degradable waste.

Reliability and safety at nuclear power plants

The stress test results from 2011 following the Fukushima nuclear power plant accident and recommendations from the European Nuclear Safety Regulators Group ("ENSREG") were used as the basis for preparing an Action Plan, the final version of which was submitted to the Nuclear Regulatory Authority in December 2012. The Authority carries out regular inspections to verify the factual fulfilment of the items in the Action Plan and their performance to schedule.

The measures also include very sophisticated projects, such as the Severe Accident Management Programme ("SAM"), Seismic Resistance Increase in Mochovce nuclear power plant 1 & 2 and new measures aimed mainly at ensuring that the critical safety functions of power plants are covered by diversified sources in extreme external events.

The ability of the nuclear power plants to withstand extreme meteorological phenomena with a probability greater than 10^{-4} was analysed. Alongside the implementation of the specific measures in the Action Plan, work is being undertaken to develop the advanced support instruments for managing potential accidents and to update the manuals for managing severe accidents, integrating these with documents on severe accident management so as to comply with the updated Western European Nuclear Regulators Association and The World Association of Nuclear Operators requirements.

At Bohunice NPP, by the end of 2015, 7 out of 18 projects were implemented, 5 projects are ready for full implementation during the general overhaul in 2016 and remaining 6 projects are in an advanced stage of procurement or project documentation preparation.

At Mochovce nuclear power plant, by the end of 2015, 8 out of 22 projects were implemented, 4 projects are ready for complete implementation during the general overhaul in 2016 and the remaining 10 projects are in an advanced stage of procurement or project documentation preparation.

Main figures 2015

all data are presented on 100% ownership basis

	Installed capacity	Electricity production[1]	Electricity supply[1]	Sales to final customers
Operations a sales	4,300 MW	19,707 GWh	17,892 GWh	6 TWh

1 Gross production and net electricity supply including Gabcikovo hydroelectric power plant (Gabcikovo HPP, Male Gabcikovo HPP, Cunovo HPP, Moson HPP) which was operated under the SE balance group until 9 March 2015, 23:59 CET

	Total revenues	EBITDA	Net income	Investments
Finances	EUR 2 billion	EUR 869 million	EUR 24 million	EUR 722 million

63% increase in EBITDA over the previous year was mainly affected by a change in the estimate of the provisions for nuclear decommissioning and storage costs, as well as continuous efforts for cost optimisation and efficiency

	Electricity supply without GHG emissions	Saved CO_2-eq emissions thanks to biomass co-firing
Environment	90%	42,250 tons

	UCF coefficient (Unit capability factor)[2]	Frequency rate
Safety & reliability	91.8%	0.4

2 Top UCF quartile for pressurised water reactor is 90.00% (WANO rating. 2013–2015)

	Number of employees	Education & training
Employees	3,800 employees	251,131 man-hours

Fig. 6 Main figures 2015

Source: 2015 Annual Report of Slovenské elektrárne a.s.

"These assets represent a significant part of the critical and dependable baseload capacity in Germany."

3.2 Lusatia Energie Verwaltungs

Acquired portfolio

On September 30, 2016 a Consortium of EPPE and PPF Investments (the "Consortium") completed the acquisition of Vattenfall's German mining and generation assets in Saxony and Brandenburg from Vattenfall. Following the acquisition, EPPE owns a 50% stake in the holding entity Lusatia Energie Verwaltungs GmbH, which is the majority owner of the two key operating subsidiaries – Lausitz Energie Bergbau AG (former Vattenfall Europe Mining AG) and Lausitz Energie Kraftwerke AG (former Vattenfall Europe Generation), commonly referred to under the shortcut "LEAG".

Vattenfall's operations represent the second largest lignite operations in Germany. They include open-cast mines in Jänschwalde, Welzow-Süd, Nochten and Reichwalde as well as 3 large lignite power plants Jänschwalde, Schwarze Pumpe, Boxberg and one block in Lippendorf, representing an installed capacity of cca. 8.1 GW and a total of around 8,000 employees. Through this acquisition, the Consortium strengthens its position in Germany, builds on the existing local activities of EPH, represented mainly by MIBRAG, becoming one of the four largest power producers and the second largest miner in Germany as well as a major employer for the region.

The acquired power plants provide a stable and reliable supply of electricity and heat in eastern Germany, with the crucial task of reacting flexibly to the fluctuating feed-in of wind and solar power and to ensure grid stability. As such, these assets represent a significant part of the critical and dependable baseload capacity in Germany.
The Consortium is fully aware that lignite assets are facing a phase out given the current direction in which the German energy market is going, however we are convinced that such a phase out will happen gradually and these assets will play an important role as an interim bridging technology providing a secure and non-intermittent energy supply.

Role of the assets in the German energy market

Electricity supply in Germany is based on a mix of conventional and renewable energy sources. Conventional energy sources are understood to be lignite, hard coal, natural gas, oil and nuclear power. Today, they cover approximately three quarters of Germany's electricity consumption. The renewable energies primarily include wind power, photovoltaic ("PV"), biomass and running water. While renewables, as well as lignite, are domestic energy resources, the remaining fossil energy (hard coal, oil and gas) and uranium for the nuclear power plants are largely imported from abroad. The rule for a stable electricity system is that the amount of electricity produced and consumed must be in continuous balance in order to have the right quality and quantity of supply. Therefore the system, including the network infrastructure, needs power plants that can balance out the deficits during the course of a day, which is not a role suitable for renewable sources. In Germany and under the current setup, this role can be assumed by lignite or gas fired power plants, pump storage plants and nuclear power plants (until their planned phase out).

Given the dynamic growth of renewable energies and their prioritised feeding into the electricity grid according to the Renewable Energie Act, the balancing tasks of conventional power plants are expanding. While in the past conventional power plants primarily provided a stable baseload generation, today their flexibility is increasingly required. Electricity generation from the sun and wind cannot meet up consumer's demand, due to the variation in wind's intensity and solar radiation and because capacities for electricity storage are still limited, so that effective production from wind and photovoltaic plants is considerably lower compared to conventional power plants. It amounts to less than 10% of the installed capacity, whereas around 90% is achieved in coal-fired power plants. Moreover, due to relatively significant geographic discrepancies between the production areas of renewables (e.g. off-shore wind) and consumption, grid development and congestions play a vital role in the equation and further support the need of controllable power production in both directions (power up as well as power down regimes).

In September 2010, the German government adopted a long-term "Energy strategy for an environmentally sound, reliable and affordable energy supply". The set targets are to halve the country's 2008 primary energy consumption figures by 2050 and to reduce electricity consumption by a quarter. The percentage share of renewable energy sources in gross electricity consumption is to be increased from 17% to 50% by 2030 and to 80% by 2050. If economic and social standards and development in Germany are not to be harmed, these targets, ambitious from today's perspective, are in our view only achievable in combination with a flexible bridging technology that will act as a backstop guaranteeing the stability of supplies. Considering the situation on the German and global energy markets, lignite is the most suitable partner for renewable energies in the supply of more sustainable electricity as it is the only domestic energy source that can be procured in sufficient quantities and cost-effectively. Geologists estimate total reserves in Germany to correspond to about 77 billion tons, of which they estimate over 40 billion tons as capable of being mined cost-effectively. In this setup, and considering the planned phase out of nuclear energy and government plans to put an end to the mining of hard coal in 2018, lignite will become an increasingly important pillar in Germany's electricity supply, with already one in every four kilowatt-hours of electricity consumed in Germany being generated from this domestic raw material.

Finally, socially and economically, lignite assets are of vital importance for the region in Lusatia. More than 8,000 people work in the Lusatian opencast mines, power stations, administrative offices and service sectors alone. A large number of jobs are created indirectly and it is estimated that over 24,000 jobs in Lusatia depend on the lignite industry. The lignite industry is also a reliable business partner and stable customer for many suppliers and subcontractors.

EPH Corporate Sustainability Report | **EPH and its business**

"In Germany, lignite is the most suitable partner for renewable energies along the route to a more sustainable electricity."

Sustainability initiatives

Under the ownership of Vattenfall, considerable amounts of money were invested into the existing power plant units which have been retro-fitted and equipped with modern combustion and environmental protection technology. For example, the new efficient blocks in Boxberg inaugurated in October 2012 have a net efficiency of almost 44%, well above the industry average (usually ranging from 32% to 42%) and thus boosts a lower GHG footprint than most older plants. Overall, Boxberg emits around 20% less GHG than older power plant generations. Increasing the flexibility of the unit to enable quick reactions to the volatile feed in of renewable energies was another area of investments and in this regard, LEAG's lignite-fired power plants meet high requirements as their output can be varied by between 100 and 50 per cent within 20 minutes.

Within mining, considerable attention is dedicated to recultivation activities on large areas of land. Lusatia as a landscape is characterised by forests, lakes and fields. The recultivation process focuses on the restoration of forested expanses, agricultural land and nature reserves for maintaining biodiversity. This presents a unique opportunity for large-scale forest reconstruction. Such a task can normally be achieved only by successive generations of forestry activity. To date, some 30 million trees have been planted on Lusatian mine dumps. For example, the mining industry prepares about 10% of the post-mining landscape for agriculture. LEAG transfers the land to the subsequent user only when the soil can be guaranteed to sustain crops and can be used for earning a living. Until then, the company and its contractors maintain the land. About 1,874 hectares of agricultural land have been created on former mining dumps so far. The post-mining landscape of the opencast mines Welzow-Süd and Jänschwalde offers particularly favourable conditions for agricultural areas. The declarations of intent, which already regulate the transfer of almost 2,000 hectares of post-mining land are evidence of how desired these areas are by regional agricultural cooperatives.

Water also plays a prominent role in the recultivated areas. Water and coal are an ambivalent combination: water signifies danger in the pit and at the same time it is indispensable for designing the post-mining landscape. For safety reasons, the lignite reserves must be free of ground water. Consequently the excavation area is dewatered. About 6 to 7 m^3 of water have to be pumped out in order to obtain one tonne of coal. This water is purified again at another site and then fed into the rivers Spree, Schwarze Elster and Neisse. Each year, these rivers receive some 300 million m^3 of water from the opencast mines. By the time mining ceases the proportion of aquatic usages in the post-mining landscape will rise to 25 %, with the lakes created from flooded former opencast pits. The landscape of the opencast mine Nochten is a good example. The "Hermansdorfer" lake with a surface area of 256 hectares is a large body of water in the Lusatia mining region, which will be reserved exclusively for nature conservation purposes. The "Hermansdorfer" lake is an environmentally protected lake that is being created parallel to the active opencast mining. Works on the lake began in 2005 by sealing the northern and eastern shores. A total of 5,000 m^3 of peat were deposited in the south of the lake to create a new habitat for rare plants from the former original moors.

Through other activities in Germany the Consortium, and particularly EPH, has proven that it is well positioned to assume all responsibilities related to the acquired assets and build on the work performed by Vattenfall. The Consortium and EPH fully respects the targets set by the government under the "Energiewende" and is committed to operate the portfolio in such a way as to achieve these targets, gradually reduce the environmental footprint and meet the interests of all stakeholders. As an initial step, we are prepared to honour the decision of Vattenfall as previous owner and place two blocks of Jänschwalde power plant into capacity reserve. This alone will contribute some 7 million tons per annum in CO_2-eq reduction once fully in the capacity reserve. Moreover, no final decision has been taken on any extension or development of any new mining fields in the region and according to EPH estimates, this will likely not be necessary in order to maintain the security of supply. EPH is actively cooperating with stakeholders including the German government on future plans regarding such power plants in Germany. With the acquisition, the Consortium will take over all regulatory obligations related to the operations, including provisions for decommissioning and re-cultivation.

The Lusatia lignite mining region

For more information, please visit www.leag.de

Fig. 7 Lusatia lignite mining region overview

Main figures 2015

	Installed capacity	Electricity production	Coal extraction	Lignite reserves
Operations a sales	8,095 MW	56 TWh	62 million ton	937 million ton

	Total revenues	EBITDA	Investments
Finances	EUR 2 billion	EUR 289 million	EUR 270 million

	Agricultural land created in 2015	Total agricultural land created on former mining dumps
Environment	120 hectares	1,600 hectares

Forest regeneration in 2015	Forest regeneration created on former mining dumps
157 hectares	3,979 hectares

Other uses of land for nature protection in 2015	Other uses of land for nature protection created on former mining dumps
48 hectares	1,069 hectares

	Number of employees	Frequency rate
Employees & Safety	8,000 employees	1.5

Source: LEAG Management data

The upper reservoir of the Čierny Váh
pumped-storage hydroelectric power plant

Governance and ethics

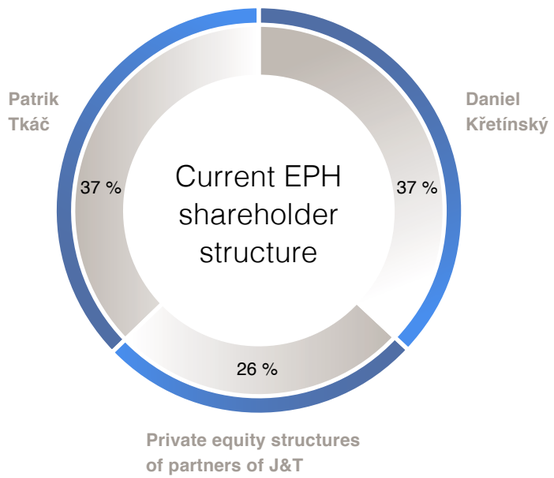
4

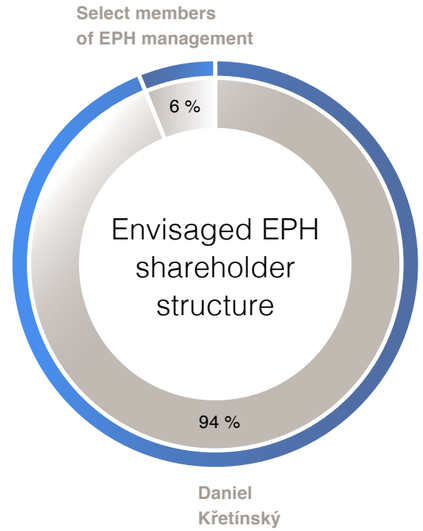
4.1 Governance

EPH shareholders

The shareholder structure of EPH is transparent.

As of the date of this Report, the controlling shareholders of EPH are Daniel Křetínský and Patrik Tkáč, who hold their interests via companies registered in Luxembourg and Cyprus, respectively. EPH expects a change in its shareholder structure. The current shareholders of EPH concluded a series of transactions, through which Daniel Křetínský and selected members of the existing management of EPH will become sole owners of EPH going forward, owning 94% and 6%, respectively. This change is connected with the agreement of EPH and an investor consortium led by Macquarie Infrastructure and Real Assets (''MIRA"), under which MIRA has agreed to acquire a minority stake in EPIF. The remaining majority of EPIF remains with EPH, which will also retain management control over EPIF. The aforementioned transactions are expected to complete in Q1 2017, following customary regulatory approvals.





EPH management

The governance of EPH is based on a two-tier management structure consisting of the Board of Directors and the Supervisory Board. The Board of Directors represents the Company in all matters and is responsible for its day-to-day business management, while the Supervisory Board is responsible for the supervision of the Company's activities and of the Board of Directors in its management of the Company and in such matters as defined in the Czech Corporations Act and the Articles of Association. Under the Czech Corporations Act, the Supervisory Board may not make management decisions. However, certain matters, defined below, are subject to the approval of the Supervisory Board. The Company has established a Risk Committee, Investment Committee and Compliance Committee. The role of these committees is described in the section 11.6 Governance committees. Furthermore, in order to emphasise risk management within the Company, particularly resulting from the acquisition growth and completion of several recent major transactions, EPH has created a centralised Risk Management role, which supervises all activities within the entire Company portfolio of EPH from a group risk perspective.

Board of Directors of EPH

The Board of Directors has four members including the Chief Executive Officer of the Company, who serves simultaneously as the Chairman of the Board of Directors. The Board of Directors is the Company's statutory body, which directs its operations and acts on its behalf. No-one is authorised to give the Board of Directors instructions regarding the business management of the Company, unless the Czech Corporations Act or other laws or regulations provide otherwise. The Board of Directors meets regularly, usually once a month. The business address of all members of the Board of Directors is Pařížská 130/26, 110 00 Prague 1, the Czech Republic.

The following table sets forth the members of the Company's Board of Directors:

Name	Position
Daniel Křetínský	Chairman and Chief Executive Officer
Marek Spurný	Member and Chief Legal Counsel
Pavel Horský	Member and Chief Financial Officer
Jan Špringl	Member of the Board of Directors

Supervisory Board

The Supervisory Board of the Company has three members elected by the General Meeting of shareholders. The business address of all of the Supervisory Board members is Pařížská 130/26, 110 00 Prague 1, the Czech Republic.

The Supervisory Board is responsible for the revision of the activities of the Company and of the Board of Directors in its management of the Company, and which resolves such matters as defined in the Czech Corporations Act and the Articles of Association. The Supervisory Board's powers include the power to inquire into all documents concerned with the activities of the Company, including inquiries into the Company's financial matters, review of the year-end financial statements, including profit allocation proposals. Moreover, the Supervisory Board's approval is required for a predefined catalogue of matters including, but not limited to, approval of the Company Budget, decisions on changes to registered capital, major capital expenditure or M&A activities etc.

The following individuals serve as members of the Company's Supervisory Board:

Name	Position
Ivan Jakabovič	Chairman of the Supervisory Board
Miloš Badida	Member of the Supervisory Board
Martin Fedor	Member of the Supervisory Board

Corporate governance on the sub-holding level

As described in the section 3 EPH and its business, EPH has undergone certain reorganisation measures during 2016 through which two separate sub-holdings EPIF and EPPE emerged.

While as of the date of this Report, the legal reorganisation steps within EPIF are largely completed, the EPPE side is still ongoing and we will be able to provide more details in the next year's Report or as part of our ongoing press coverage. Important to note, however, is that our aim for both EPIF and EPPE is to establish a separate layer of statutory bodies and executive management responsible for day to day operations as well as key business decisions. Given these two businesses substantially cover all assets of EPH, we will still maintain the decision-making capability either through personnel representation in the relevant bodies or a list of reserved matters requiring the approval of EPH as main shareholder.

EP Infrastructure management

Board of Directors

Name	Position
Daniel Křetínský	Chairman of the Management Board and Chief Executive Officer
Pavel Horský	Member of the Management Board
Marek Spurný	Member of the Management Board

Supervisory Board

Name	Position
Jan Špringl	Chairman of the Supervisory Board
Petr Sekanina	Member of the Supervisory Board
Michal Antonín	Member of the Supervisory Board

EP Power Europe management

Board of Directors

Name	Position
Daniel Křetínský	Chairman of the Board of Directors
Pavel Horský	Vice-chairman of the Board of Directors
Marek Spurný	Member of the Board of Directors
Jan Špringl	Vice-chairman of the Board of Directors
Tomáš David	Member of the Board of Directors
Leif Timmermann	Member of the Board of Directors
Jiří Feist	Member of the Board of Directors
Tomáš Novotný	Member of the Board of Directors

Supervisory Board

Name	Position
Ivan Jakobovič	Chairman of the Supervisory Board
Martin Fedor	Member of the Supervisory Board
Miloš Badida	Member of the Supervisory Board

Profiles

Daniel Křetínský

Chairman of the Board of Directors and Chief Executive Officer at EPH; Chairman of the Management Board and Chief Executive Officer at EP Infrastructure; Chairman of the Board of Directors of EP Power Europe

Mr. Křetínský has served as the Chairman of the Board of Directors and the CEO of the Company since 2009. Through his role as a partner in the J&T Group, he was also involved in the founding of EPH. Mr. Křetínský also serves on several boards of companies that are affiliated with EPH, such as NAFTA, Eustream, EPH's subsidiary company EP Investment Advisors, and also holds positions at companies unaffiliated to EPH, including Chairman of the Board of AC Sparta Praha.

Mr. Křetínský holds a Bachelor's degree in political science and a Master's and doctoral degree in law from the Masaryk University in Brno.

Marek Spurný

Member of the Board of Directors and Chief Legal Counsel at EPH; Member of the Management Board of EP Infrastructure; Member of the Board of Directors of EP Power Europe

Mr. Spurný has been working for EPH group and its legal predecessors since 2004. His main responsibilities are transaction execution, negotiations and implementation of merger and acquisition transactions, restructurings, and legal support in general. Mr. Spurný also serves on compliance committee and on Boards of Directors and supervisory boards of several of subsidiaries and affiliates of EPH. Prior to formation of EPH, Mr. Spurný held various positions at the J&T Group. Between 1999 and 2004, Mr. Spurný worked for the Czech Securities Commission (the capital markets supervisory body at that time).

Mr. Spurný holds a law degree from Palacký University in Olomouc.

Pavel Horský

Member of the Board of Directors and Chief Financial Officer at EPH; Member of the Management Board of EP Infrastructure; Member of the Board of Directors of EP Power Europe

Mr. Horský has been working for EPH since 2009. His main responsibilities include overall financial strategy and management of EPH and its subsidiaries. Mr. Horský also holds a number of other positions within EPH. Mr. Horský chairs the Risk Committee of EP Infrastructure and serves on Audit Committee of SPP-D and on boards of directors and supervisory boards of several of EPH subsidiaries and affiliate companies. Prior to joining the Company, Mr. Horský held a market risk advisory position at RBS.

Mr. Horský holds a Master's degree in mathematics and physics from Masaryk University in Brno.

Jan Špringl

Member of the Board of Directors of EPH; Member of the Management Board of EP Infrastructure; Member of the Board of Directors of EP Power Europe

Mr. Špringl has been working for EPH since 2009. Mr. Špringl is also a Vice Chairman of the Board of Directors of EP Energy and is also a Chairman of the Board of Directors in NAFTA. Prior to joining the Company, Mr. Špringl served in various management and supervisory board positions at companies controlled by EPH.

Mr. Špringl holds a Master's degree from the Faculty of Business Administration from University of Economics in Prague.

Principal management of our subsidiaries in the UK and Italy

The following case study examples summarise the involvement and influence of EPH in the management of our subsidiaries in the UK and Italy.

UK

Both our Eggborough and Lynemouth subsidiaries have an established and experienced executive management team. Supervision and key management decisions for these assets are conducted primarily via regular monthly Board meetings of Eggborough Power Limited, Lynemouth Power ltd. and EP Invest where Board Members discuss the latest developments, forecasts and news related to ongoing projects, and formally approve commitments which are beyond the regular management delegated authority. In addition, Board conference calls are organised to allow for greater flexibility in the decision making process when needed as certain projects require more interaction than the monthly basis allows. Apart from Board sessions, items such as the funding request for the ongoing Lynemouth biomass conversion project are reviewed on an ad-hoc basis whenever the funding need arises.

Italy

Executives from EPH are heavily involved in our Italian operations. EPH executives occupy four out of five Board of Directors positions (including the Chairman position) as well as three out of four Executive Committee positions in our EP Produzione entity, which serves as a holding entity for all of our Italian operations. The day-to-day business of EP Produzione itself is secured by an industry experienced Italian CEO seconded by a CFO from EPH who run the operations together with support from strong operating management of the various subsidiaries (i.e. operating management of the power plants). Middle management across the various corporate levels (including EP Produzione itself) is exercised by local managers, who regularly cooperate with EPH central functions and thus exploit the best practice shared within the Company. A notable exception to this is Ergosud (operating the Scandale power plant) as this entity is effectively a 50/50 joint venture with A2A, with an independent management team in place.

4.2 Compliance

EPH maintains consistently high standards in ethics throughout its operations and supply chain and does not tolerate corruption at any level. Any breaches of this could result in major and serious reputational damage to the Company. Compliance requirements are factored into all decisions when entering into business relations with suppliers or business partners. While these principles were adhered to in the past, their importance is increasing in today's environment and as such EPH has decided to formalise those into an overall policy applicable across the EPH, including all subsidiaries.

For the compliance issues, EPH is formalising the following internal policies:

- anti-corruption and anti-bribery policy;
- anti-money laundering policy;
- sanctions policy;
- anti-trust law policy;
- know your customer ("KYC") procedures.

These policies are based on the following principles and guidelines:

- receipt or payment of bribes, including facilitation payments is strictly prohibited;
- acceptance of gifts and donations, including charitable donations is regulated;
- know your customer ("KYC") procedures are required to be undertaken for business partners;
- the so called four-eyes principle is applicable for business transactions, and cash payments above predefined cash flows are prohibited (also by law);
- EPH or its employees do not establish or maintain business relations with persons, entities or countries that are subject to economic or financial sanctions, trade embargoes or other restrictive measures imposed by the European Union, the United Nations, the United States of America, or the United Kingdom;
- all employees and directors are obliged to observe anti-trust laws and are aware of serious consequences that any infringement of anti-trust laws may have.

EPH strives to operate all its facilities safely and in compliance with licensing regulations at all times. Our compliance with such systems is ensured with regular on-site checks. In addition, we regularly undertake analyses and evaluations of environmental issues in order to assess their relevance for our companies. The main focus of our internal compliance management is to raise the level of awareness among our employees in order to prevent any possible breaches.

Whistleblower hotline in Eustream

The whistleblower hotline was set up in Eustream several years ago. Since then, the hotline has been integrated into the Company's ethics program and is just one of the ways Eustream demonstrates its commitment to an ethical workplace.

The whistleblower hotline procedures and its use is regularly promoted via the Company's internal communication tools – intranet and newsletter. In order to enable employees to report potential wrongdoings outside of normal working hours, the whistleblower hotline is available 24/7 with reports being sent by e-mail or post.

Eustream regularly assesses and re-evaluates its whistleblower hotline procedures to ensure compliance with today's best practices.

The reports received are treated confidentially and in accordance with personal data protection requirements.

The whistleblower hotline operates under the following basic principles:

- Maintain and protect confidentiality and anonymity
  Employees can Report potential wrongdoings anonymously. The reports, whether made anonymously or not, are treated equally with the same severity level. The confidentiality of the employee is guaranteed in all cases and their identity is disclosed only after his or her consent;
- No retaliation
  We emphasise that employees reporting potential wrongdoings will not be subject to any discrimination, such as retaliation or retribution in the workplace, when communicating whistleblower hotline procedures;
- Clear rules of operation
  All reports are addressed in an appropriate and timely manner and are immediately communicated to the company top management. The top management oversees the steps taken during the investigation process and is informed, after proper analysis, of the conclusions.
  All of the investigations are conducted by the Internal audit team and a complete audit trail is archived for each investigation performed.

Stakeholders

5

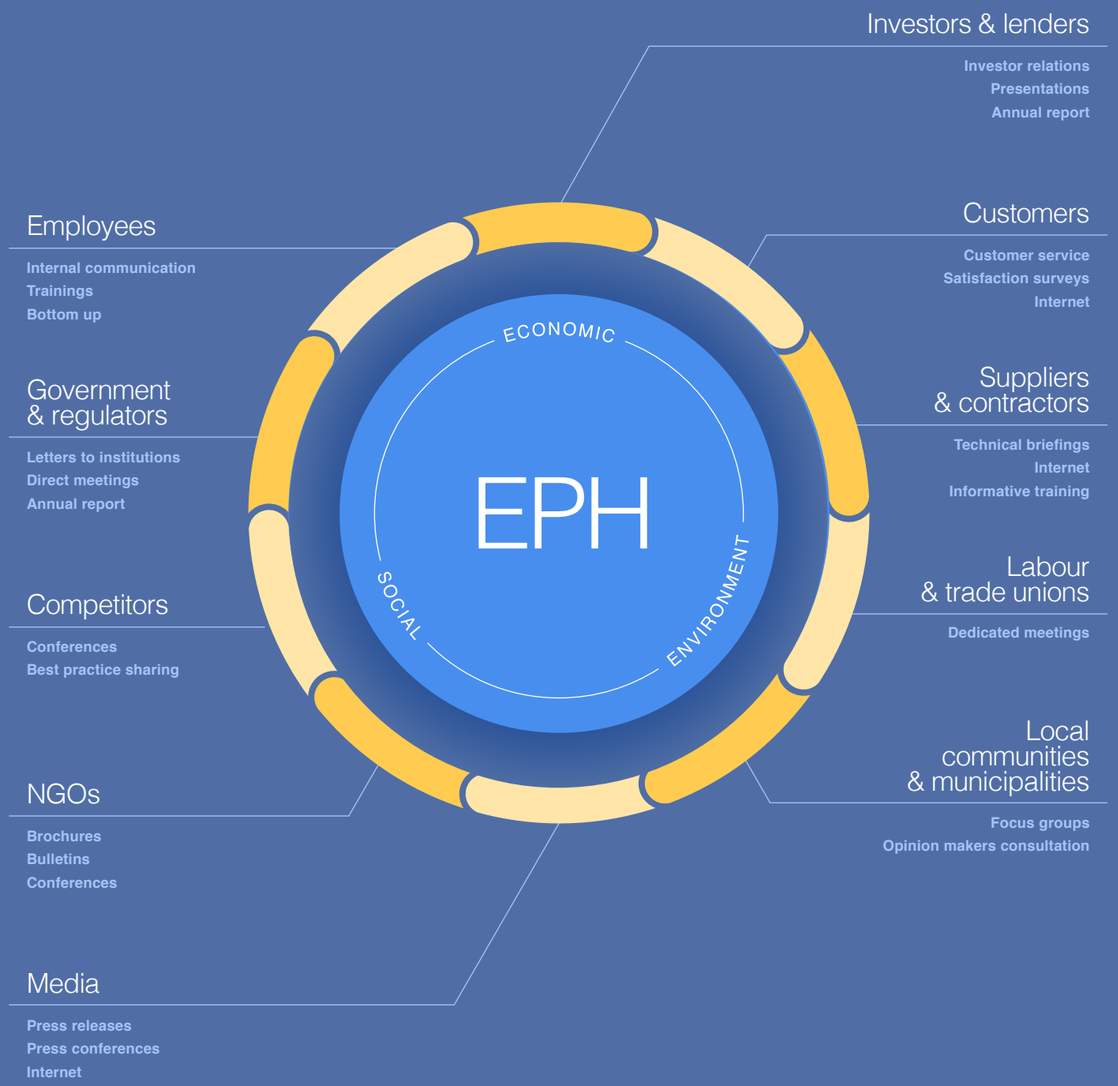


Fig. 8 Stakeholders overview

EPH Corporate Sustainability Report | **Stakeholders**

At EPH, we consider an open and transparent dialogue with our stakeholders to be an important part of the activities we perform, together with our subsidiaries, across the different businesses and geographies.

Meeting and exceeding stakeholders' expectations is one of the main drivers in our decision making process and strategy execution.

As EPH acts as a decentralised holding Company, the areas of stakeholders' interest on the level of our subsidiaries differ between our companies and the countries in which we operate. EPH considers its primary stakeholder groups those groups listed in Figure 8. In order to maintain effective relations and be able to provide timely responses to particular needs, most stakeholder groups are managed at the local level, however, on top of managing relations with the direct stakeholders of EPH, we are also actively engaged and interact with some of the stakeholder groups of our subsidiaries. Across the Company, stakeholders are monitored throughout the year and their relevance in relation to our business strategy is assessed to better understand the underlying drivers, risks and opportunities from both the EPH / subsidiary company as well as the stakeholders' perspective; consequently the most appropriate form of communication and involvement is pursued. Stakeholder engagement with regard to its sustainability performance is done through a range of channels, as summarised in Figure 8.

EPH consulted all its entities during the year in order to analyse the key topics and concerns raised by local stakeholders, balancing them with the requirements received at EPH holding level.

Each stakeholder group is interested in particular sets of sustainability issues. Depending on the stakeholder's presence, relevance and relation to the Company the concern can be demonstrated at the local level – only for certain subsidiaries or even assets, or at a global level, where either only EPH as a holding entity or EPH together with its subsidiaries are involved.

Investors and lenders

This group is mainly represented by banks and financial institutions. Their interest in EPH sustainability performance is demonstrated at both EPH level and local level depending on their involvement in financing within the group. The most relevant topics for them deal with economic and environmental aspects.

Customers

These stakeholders are very important for EPH as a whole, while their interest is significant mainly for our heat, gas and power distribution and supply business. Customers are mostly concerned with the economic and social aspects of our business.

Employees

EPH employees are interested in overall EPH economic performance. As internal stakeholders, they are engaged in business issues at the local level, being especially interested in the performance of the subsidiary they work for.

Government and regulators

This is a broad group, containing various national and transnational institutions. Due to this, the interest in sustainability is demonstrated at both levels. Local entities are concerned about the performance of individual subsidiaries, while European institutions are looking at the EPH business from a transversal perspective. Nevertheless, for both local and global levels the most relevant topics can be grouped under economic and environmental areas.

Suppliers and contractors

This group of stakeholders is also characterised by interest demonstrated locally and globally. Economic performance and social aspects can involve a single subsidiary or the whole Company, which is especially valid for the contractors engaged in a centralised process (large tenders, procurement for areas such as IT, pipes, etc.). These stakeholders demonstrate increased interest towards the environment on a global level as this issue can transversally affect procurement requirements.

Competitors

Depending on their size and business area, these stakeholders are more interested in economic performance and the environment of EPH as a whole. Issues such as compliance and anti-competitive behaviour are most important in relation to respective subsidiaries / geographies and thus are characterised as local interest.

Local communities and municipalities

The origin of these stakeholders predefines the level of their interest towards EPH sustainability activities. Concerns were expressed at local level but with the same importance given to all three aspects.

Labour and trade unions

Stakeholders active at the local level, they have relatively moderate interest in the economic and environmental performance of EPH subsidiaries, while social aspects are more important at both a local and global level. Strategies that EPH defines for its labour relations (for example Employment) involve all subsidiaries and thus the interest towards this issue was expressed in relation to EPH as a whole. Issues such as collective bargaining agreements are of interest to stakeholders mostly at the local level.

NGOs

The main stakeholders forming this group are Environmental NGOs, therefore most attention is paid to environmental activities both at a local level (in relation to specific business – especially generation and mining) and a global level – over how EPH is going to face challenges regarding Emission limits and other factors relating to sustainability in the upcoming years.

Media

This stakeholder is active at both a local and global level (particularly in the Czech Republic where EPH is headquartered) and demonstrates moderate concern towards the economic and environmental area, while social aspects are currently out of scope.

Based on this analysis, summarised in the Figure 9, we have defined the aspects which are material for our stakeholders and decided to provide the information split into EPH performance at a global level (through quantitative information) and into a presentation of various case studies at the local level (mainly through qualitative information). This analysis is then complemented by the full scope of data for the group and its subsidiaries, which were relevant and available, and is presented with a breakdown into various constituents.

A more precise explanation on material aspects can be found in the Materiality matrix (Figure 11)

Primary stakeholder groups and priority areas

Fig. 9 Primary stakeholder groups and priority areas

Priorities

6

GRI principles for Sustainability Reporting, including the Principles of Report Content and Report Quality as shown in the table below were the main source of inspiration for EPH in the preparation of this first Report.

Fig. 10 Principles for Report Content and Quality: EPH approach

Principles for Report Content

Principle	EPH approach
Stakeholder inclusiveness	Mapping of stakeholders at local and global level Assessment of their relevance Analysis of stakeholder concerns and expectations
Sustainability context	Analysis of sustainability framework at global, European and country level (goals application) Study of statistics and trends in utility and energy sector Definition of future challenges at local and global level
Materiality	Creation of a materiality matrix Focus on material aspects and companies in the scope of our operations
Completeness	Detailed analysis of available data in relation to all companies under management control Inclusion of information on newly acquired companies

Principles for Report Quality

Principle	EPH approach
Balance	Assessment of strengths and weaknesses in relation to 2015 results and future goals
Comparability	Introduction of 2014 – 2015 trends where available
Accuracy	Establishment of internal analysis focused on quantitative measurements for all material aspects identified
Timeliness	Introduction of all relevant information on top of data related to reporting period 2015
Clarity	Consultations with local units interacting with stakeholders in order to define the most appropriate amount and quality of data
Reliability	Engagement of external assurance provider

Materiality matrix

The finalised list of material items provided the framework for compiling the sustainability content of this report. The areas that were deemed to be the most material are shown in the materiality matrix in Figure 11 with further detail provided in Figure 12, which shows how these areas were mapped to corresponding G4 indicators.

Fig. 11 Materiality matrix

Fig. 12 Mapping of material areas to GRI indicators

Area	Priorities	GRI – G4 material aspects
Economic & Business	Economic performance	Economic performance
	Operational efficiency	Access System efficiency
	Fair conduct	Compliance and anti – corruption
	Procurement practices	Procurement practices
Environment	Reduction of emissions	Emissions
	Mitigation of environmental impact	Water Energy Effluents and waste Biodiversity
Social	Employment and employees development	Employment Training and education
	Health and safety	Health and safety

Notes on the Materiality matrix

The vertical axis represents the priority that stakeholders attributed to the topics discussed and the horizontal axis demonstrates the priority that the topics analysed represent for EPH and its strategy. The matrix demonstrates alignment between the strategy defined by EPH and the expectations of our local and global stakeholders. As a result of our materiality analysis, EPH has identified 8 priorities considered material both for the Company and our stakeholders.

Within these 8 priorities, there are various material aspects under GRI G4 that have formed the basis, both quantitatively and qualitatively, for this Report.

EPH has classified the material topics identified above into the following 4 categories:

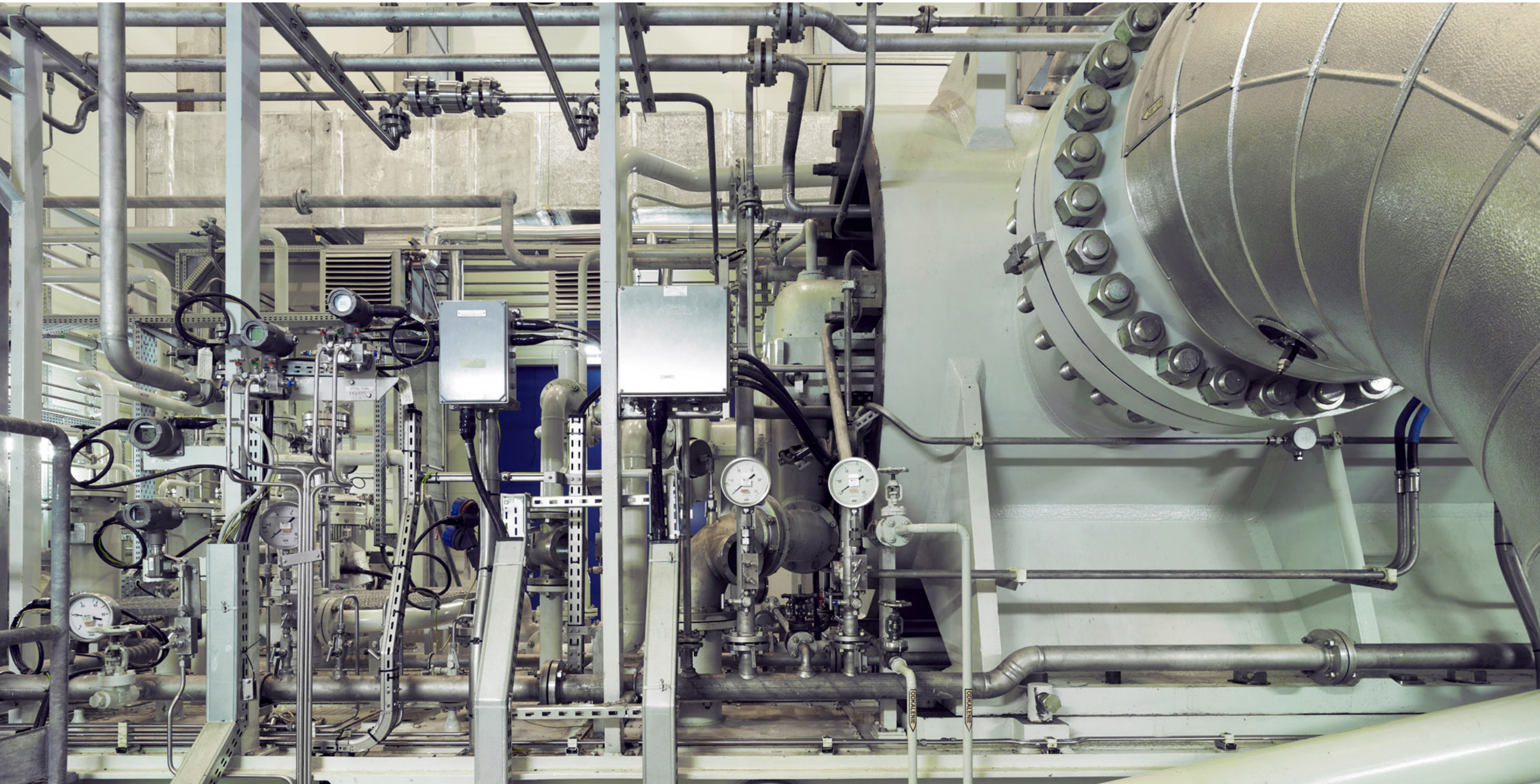
Absolute priority:
- Economic performance;
- Reduction of Emissions.

High priority:
- Employment and employee development;
- Health and Safety.

Particular attention:
- Operational efficiency;
- Fair conduct;
- Mitigation of environmental impacts.

Other focus areas:
- Procurement practices.

Newly installed compressor in Eustream compressor station near Veľké Kapušaný



Economic performance and business

7

7.1 Economic performance

2015 EPH financial performance

EPH is one of the ten largest industrial groups based in the Czech Republic in terms of sales and among the five largest industrial groups in terms of EBITDA. For the year ended December 2015, EPH recorded total consolidated sales and EBITDA of EUR 4,571 million** and EUR 1,638 million**, respectively.

EUR 2,195 million, or 48% of EPH's sales in 2015, were generated in the Slovak Republic through (i) gas transmission conducted by Eustream, which is the owner and operator of one of the major European gas pipelines and is the only gas transmission system operator in the Slovak Republic, (ii) gas distribution undertaken by SPP-D, providing access to natural gas to approx. 94% of the Slovak population, and iii) electricity distribution by SSE in central Slovakia, where it operates as the only power distribution Company with over 738,000 connection points in its network. Further operations in the Slovak Republic include mainly the storage of natural gas, provision of storage related services and supply of power and natural gas to end-customers. EPH has further strengthened its position on the Slovak market through acquisition of a 33% stake in Slovenské elektrárne, however since this took place in 2016 thus did not have any impact on the figures for 2015.

** This data has been compared with EPH's 2015 Annual Report by the independent auditing firm EY.

EPH consolidated sales per country

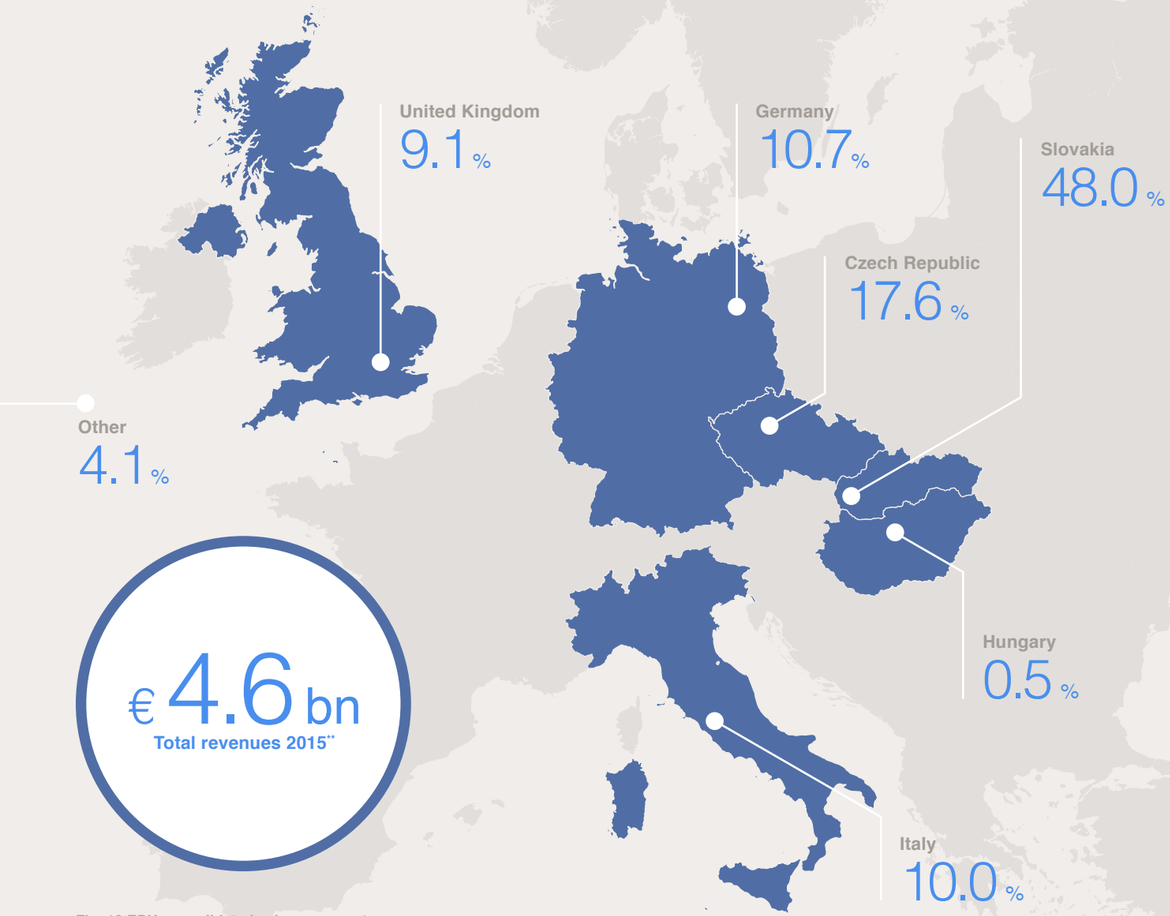


Fig. 13 EPH consolidated sales per country

Source: EPH audited consolidated financial statements

Despite the fact that the operations of Slovak companies account for 48% of EPH's total sales, Slovak operations have a 75% share in the EPH long-term asset base. This is due to the capital intensive nature of gas transmission and gas and power distribution businesses. Eustream, SPP-D and SSE have their respective gas pipeline and distribution networks on their balance sheets.

In 2015, from an economic perspective, the Czech Republic was the second most important market for EPH. EPH owns and operates 3 large-scale cogeneration power plants and also owns and operates the most extensive district heating system in the Czech Republic, which supplies heat to the City of Prague. EPH realised sales of EUR 807 million through its Czech based subsidiaries in 2015.

Sales totalling EUR 487 million were recorded in Germany in 2015 and are mostly connected with the lignite mining operations of MIBRAG and also with the power generation activities undertaken mainly by the Buschhaus power plant. Similarly to the situation in Slovakia, acquisition of the 50% stake in LEAG is not reflected in the figures for 2015.

Other important markets include Italy, the United Kingdom and Hungary which were all entered via acquisitions during the course of 2015 and consequently the results of the relevant operations are only reflected partially in the 2015 figures.

** This data has been compared with EPH's 2015 Annual Report by the independent auditing firm EY.

EPH consolidated sales and EBITDA

EPH reported significant EBITDA and sales growth

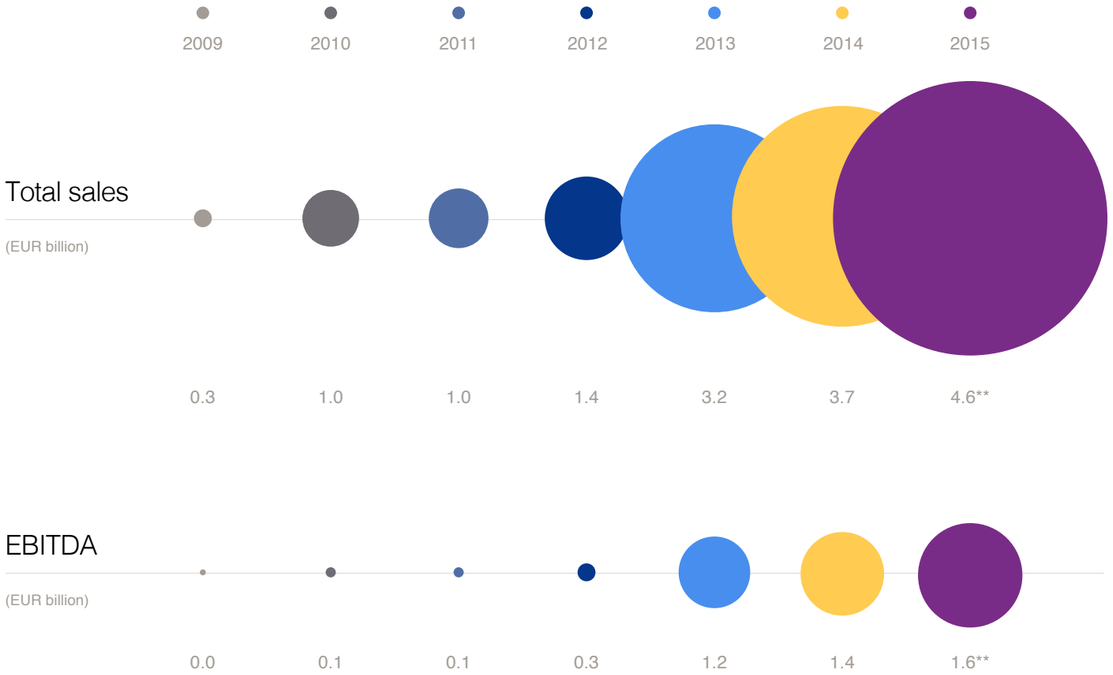


Fig. 14 EPH consolidated sales and EBITDA

Source: EPH audited consolidated financial statements

Growth of EPH

The acquisition growth of EPH can be illustrated by its sales CAGR of 50% and EBITDA CAGR of 69% between 2009 and 2015. The most significant year on year increase occurred in 2013, as EPH acquired its shareholding in SPP-I Group in January 2013 and SSE in November 2013. Although EPH owns 49% of shares in each of the groups, their results are consolidated fully as EPH holds management control over both groups. The acquisition of both groups also had a considerable impact from the balance sheet perspective, specifically on EPH's total assets, which increased year on year by EUR 9.2 billion, or by 285%, to EUR 12.4 billion as of 31 December 2013.

** This data has been compared with EPH's 2015 Annual Report by the independent auditing firm EY.

EPH total assets and equity

EPH performance is backed by heavy and well invested asset base

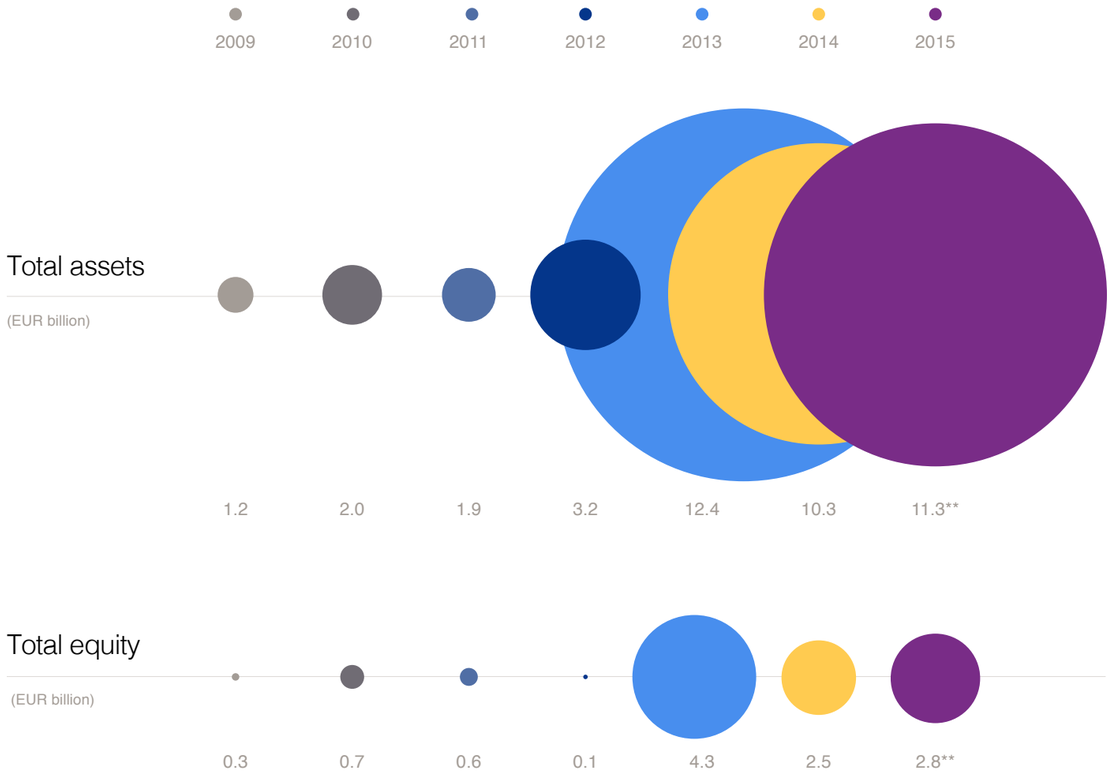


Fig. 15 EPH total assets and equity

Source: EPH audited consolidated financial statements

The growth of the business and its profitability has not only transformed EPH into one of the leading industrial conglomerates in the region, but naturally also means that EPH and its subsidiaries are becoming a very important contributor to the state budgets of the respective countries via paid taxes that amounted to approximately EUR 800 million cumulatively in the last three years alone, particularly driven by the acquisitions of SPP-I and SSE.

** This data has been compared with EPH's 2015 Annual Report by the independent auditing firm EY.

EPH income tax paid

EPH is a responsbile tax payer

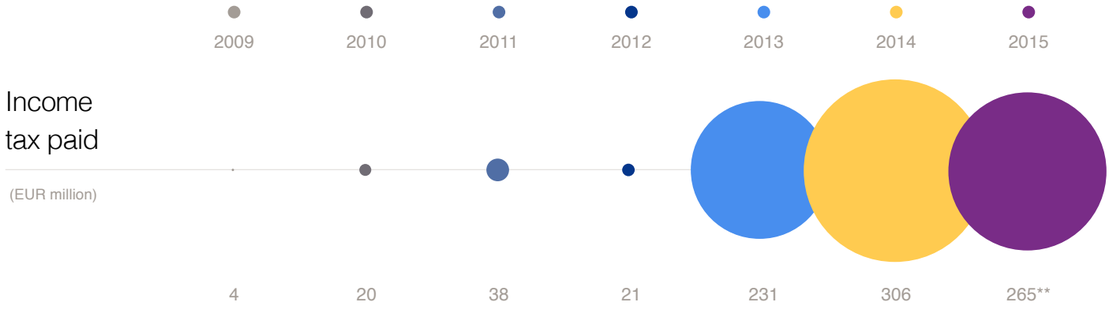


Fig. 16 EPH income tax paid

Source: EPH audited consolidated financial statements

Although the majority of EPH total sales is realised in the Slovak Republic (48.0% of 2015 total sales) and in the Czech Republic (17.6% of 2015 total sales), EPH is subject to the tax laws of several other jurisdictions. EPH, as a Czech based Company with multiple operating subsidiaries across the different countries, is a responsible tax payer according to the tax rules of the respective jurisdictions and most taxes are paid locally, in the countries where we operate. Specifically, in the Slovak Republic, our four major subsidiaries (Eustream, SPP-D, SSE and Nafta) represented approximately 2.95% of Slovak Republic's budget income for 2015 with Eustream being the largest corporate income tax payer with a bill of some EUR 152 million in 2015.

Furthermore, EPH operates in an energy sector that is subject to certain special levies which further increase our contribution to public finances. In Slovakia, a special levy on businesses in regulated industries was introduced in 2013 and is payable by any regulated entity (i.e. a licensed entity) with revenues from regulated business activities exceeding 50% of the total Company's revenues. In 2015, Eustream, SPP-D, Nafta and SSE group incurred costs of some EUR 25.2 million, EUR 6.1 million, EUR 4.4 million and EUR 4.2 million, respectively for this special levy. In Hungary, a similar situation is occurring where a special levy imposed on companies operating in the energy sector is impacting our subsidiary BERT.

EPH foundation

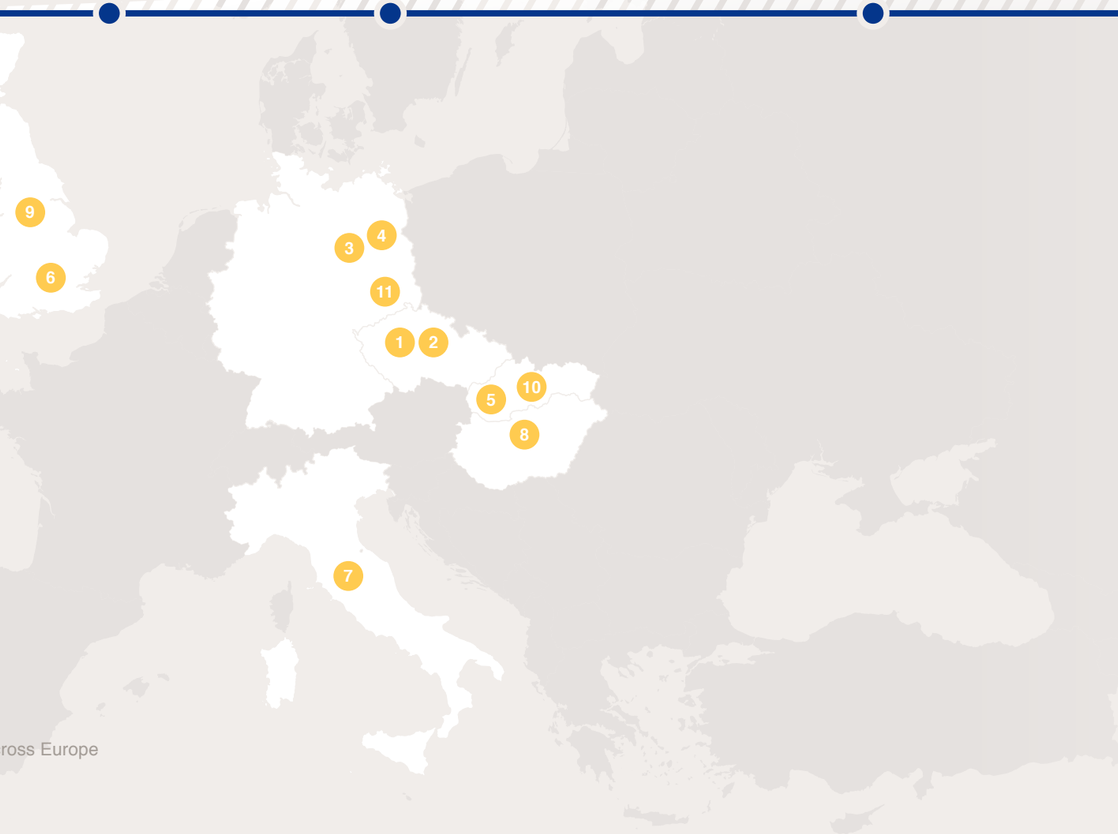
However, EPH is not only a regular and responsible tax payer but together with our subsidiaries we strive to take an active part in voluntary charitable projects and initiatives that go beyond the financial obligations that we have towards the state or our other stakeholders. Our efforts led to the recent creation of the EPH Foundation, which has so far participated and funded a number of projects such as reconstruction of several heritage sites in Slovakia, support of youth sport clubs in Slovakia or support of activities of civil associations in the social sector. The latter included help for abused children and mothers in the Žilina region (EUR 13 thousand), support of dedicated child hospice care (EUR 30 thousand), funding of associations dealing with homeless people in the Bratislava region etc. Through the foundation, EPH also responded to the humanitarian and migration crisis in 2015, when it supported Vysoká škola zdravotníctva sv. Alžbety, who operated a clinic for refugees from war affected areas in northern Iraq. The fund has contributed EUR 15 thousand to the purchase of a mobile ambulance and also sponsored language courses for Iraqi immigrants in Slovakia.

** This data has been compared with EPH's 2015 Annual Report by the independent auditing firm EY.

EPH Corporate Sustainability Report | **Economic performance and business** | **Case study**

History and development of EPH

The core of the management team of the current EPH began to take shape in 2001 headed by Daniel Křetínský. Shortly after the formation of the team, it began to focus on corporate investments in the energy business and changed its approach from being a financial investor to being a strategic investor. The formal foundation of EPH took place in 2009, when its original shareholders (J&T and PPF) contributed certain assets and cash to the Company in order for EPH to become a platform for strategic investments in the energy and ancillary industries, headed by Daniel Křetínský who then had a 20% stake in EPH.



- Growth through acquisitions
- Accelerated growth via selective acquisitions
- Smaller add-on infra + growth in generation segment across Europe

2001

Creation of investment team within J&T led by Daniel Křetínský

2009

EPH established as partnership of J&T, PPF and Daniel Křetínský in the energy sector. Selected assets formerly acquired by J&T contributed to EPH

1 Pražská teplárenská — Minority stake

1 EOP Elektrárny Opatovice — 100 %

3 MIBRAG — 50 %

2010

2 Pražská teplárenská — Investment increased to 73%

2011

EP Energy created within EPH and established as a fully vertically integrated undertaking

2012

4 Saale Energie — 400 MW stake in Schkopau power plant

3 MIBRAG — 50 %

2013

5 eustream (Slovak Gas TSO)

5 Distribúcia SPP — 49 % + management control, as part of SPPI

5 SPP Storage

5 SSE Stredoslovenská energetika — 49 % + management control

5 nafta — Additional 40 % purchased by EPH, overall shareholding increased to 67.9 %

2015

6 Eggborough Power Ltd — 100 %

7 EP Produzione — 100 %

8 Budapesti Erőmű ZRt. — 95.6 %

EP Energy created within EPH and established as a fully vertically integrated undertaking

Internal reorganisation of EPH resulting in the formation of two pillars: EP Infrastructure and EP Power Europe

2016

Consolidation of the Company expansion to Western European markets

9 Lynemouth Power — 100 %

10 Slovenské elektrárne — 33 %

11 LEAG — 50 %

Fig. 17 EPH growth

Community investments

Through its foundation, EPH fund projects to encourage tourism in the central region of Slovakia, as in the following examples:

Reconstruction of the Tiesňany hiking trail in the Malá Fatra National Park in Vrátna valley. EPH has so far invested EUR 14 thousand on reconstruction works and the project is currently around two-thirds complete. The money spent has helped increase tourist safety in a difficult mountainous terrain and also slow down the process of soil erosion. Through this, the Company aims to continue supporting tourism and visitor safety in the region.

EPH and one of its subsidiary companies, Stredoslovenská energetika, a.s., have supported the restoration of the unique Baroque Calvary in Banská Štiavnica in Slovakia. The Calvary is a complex of 3 decoratively painted churches and 22 chapels. In 1993, the Calvary was recognised as part of the world heritage of UNESCO while in 2007 it was placed on the list of the hundred most endangered monuments in the world. In 2011, Stredoslovenská energetika committed to providing EUR 30 thousand of funding each year, for the following five years, for restoration work. The Company also participated in the design and construction of lighting for this unique monument and the electrification of the surrounding area. The restoration of this unique monument not only helps to preserve it for future generations but also increases tourism in the region and the subsequent economic benefits for the city. In 2015, the monument was visited by 50 thousand people, up from only 20 thousand in 2009. EPH and Stredoslovenská energetika intend to continue supporting the repair work of the monument.

7.2 System efficiency

If the European climate protection targets or the goals as adopted at the Paris climate conference in December 2015 are to be met, it is clear that energy efficiency needs to be improved. At EPH, we are well aware of this and improvements to energy efficiency at our facilities is a key focus area for us. We strive to modernise our installations and make use of innovative technologies but at the same time we are also prepared to face reality and undergo decommissioning in the case of obsolete technology, risk of no compliance with environmental standards or simply where prolonged operations make no business sense.

The commitment to improving energy efficiency across our operations is not only good for the environment but it also makes good sense for business. Improving efficiency allows us to decrease our combustion fuel costs, one of our main cost drivers, and reduce our GHG emissions for each converted unit of energy. Moreover, this also reduces the amount of CO_2 certificates that our installations need to buy and helps mitigate the risks of potentially higher GHG costs in the future. A few examples of energy efficiency measures within EPH are listed below:

Cogeneration

We are improving our energy efficiency by placing a strong focus on EU supported heat and electricity cogeneration in particular through our operations in the Czech Republic and Hungary. The heat produced by these units is effectively a by-product of electricity generation. EPIF owns three lignite fired heat co-generation units in the Czech Republic as well as three gas fired units in Budapest, Hungary. All of the units are cogeneration sources, meaning that they produce heat and electricity simultaneously allowing for much higher overall efficiency (70–85%) compared to even the most efficient gas fired units (50–60%), which is also one of the reasons why cogeneration is widely supported by EU legislation. Cogeneration centralised heating systems carry a significant environmental advantage that are described in more detail in section on GHG Emissions in this Report.

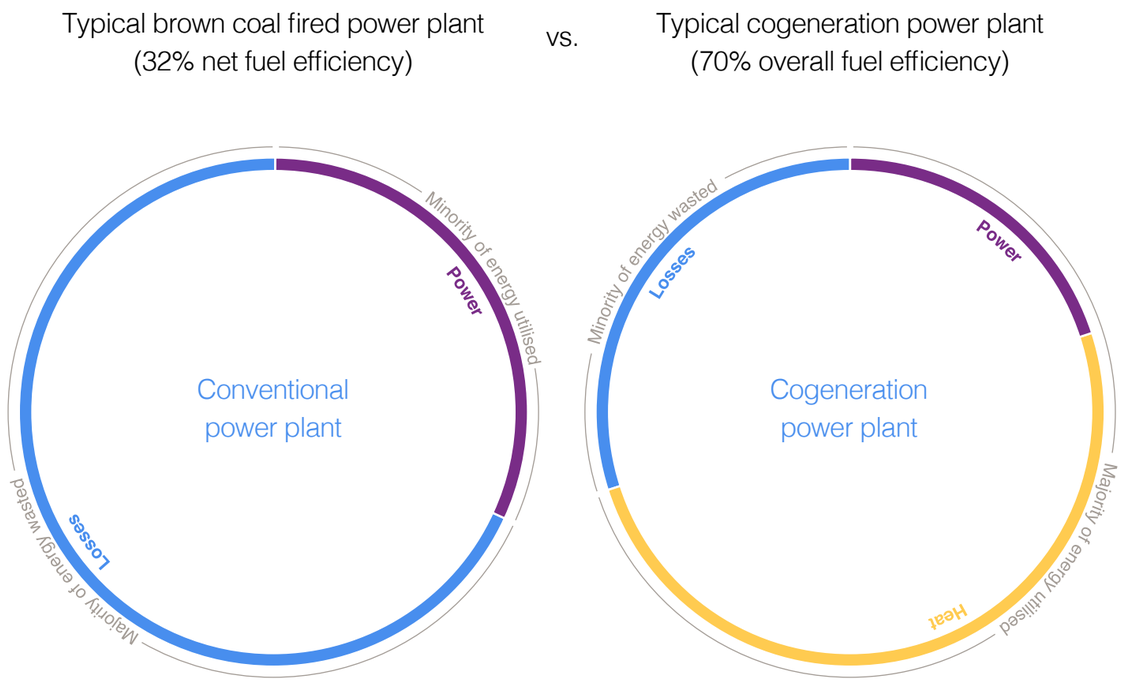


Fig. 18 Conventional vs. cogeneration power plant

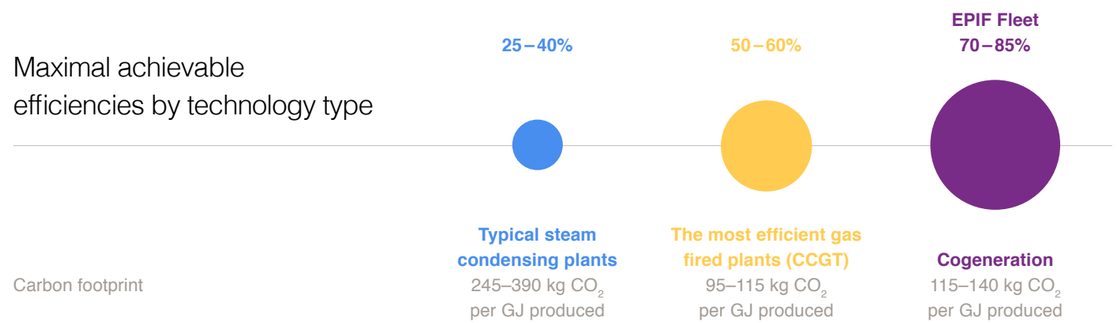


Fig. 19 Maximal achievable efficiencies by technology type

Optimisation of the gas transmission system in Slovakia

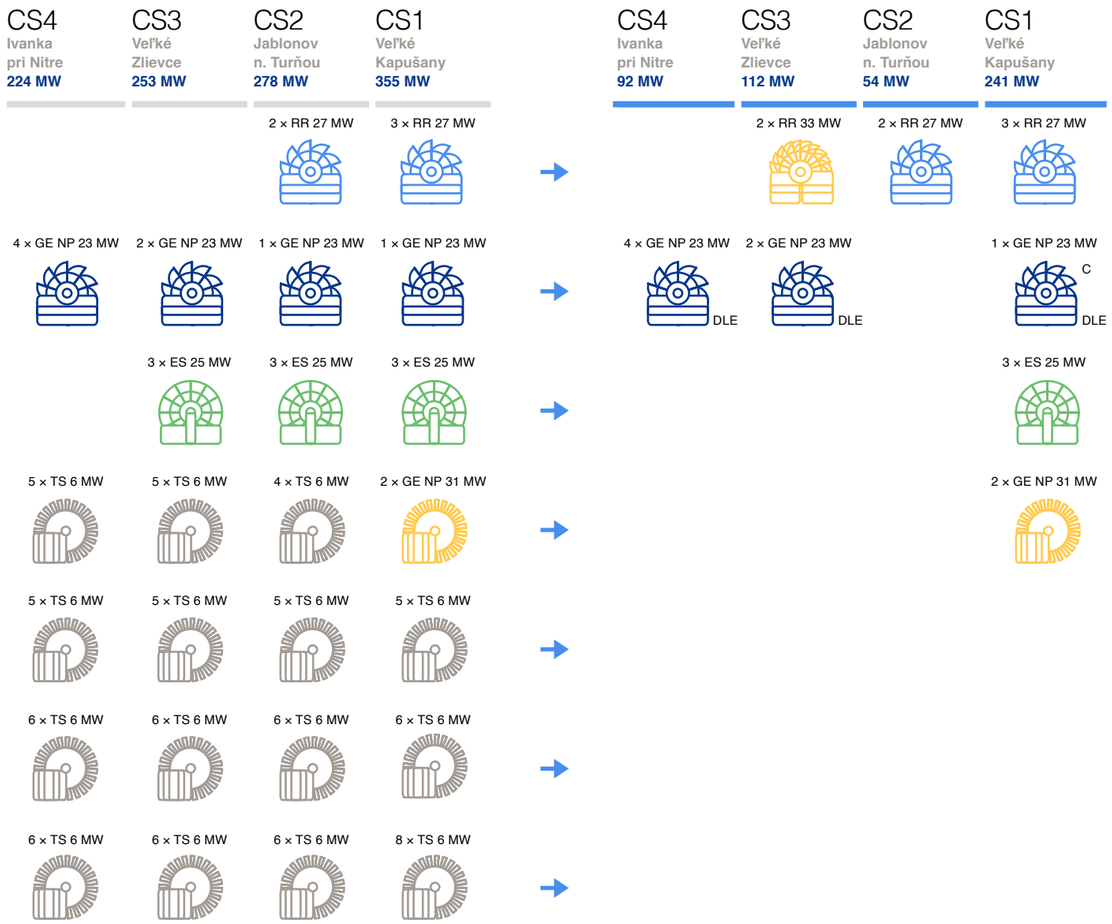


Fig. 20 Transmission system before and after optimisation

Over the past few years, Eustream's transmission network underwent an important process of optimisation and modernisation, with overall costs in the range of EUR 180 million, in order to achieve higher efficiency, lower overall consumption and as a result lower overall emissions within the network.

In 2010, when the works started, Eustream operated a total installed capacity of 1,110 MW in compressor stations which enabled the transportation of gas within the network. 45% of those compressors were relatively obsolete technologies (machines TS6 MW) with low drive efficiency (27%) and high emissions (NO_x = 300 mg/m³) (Fig. 20).

By 2016, following a multi-year gradual upgrade, Eustream managed to reduce the required installed capacity to only 541 MW and currently 92% of the employed technologies are state of the art. 14% of the power is covered by machines with an electric drive, 13% by machines with Standard Annular Combustor technology and the remainder by the latest high-efficiency technology (with an efficiency increase from 36% to 41%) of Dry Low Emissions ("DLE") combustion, which meets all applicable EU legislative requirements on industrial emissions (NO_x = 75 mg/m³). Through gradual decommissioning of the old fleet, Eustream successfully cut the CO and NO_2 emissions within its network by 74% and 90% respectively between 2010 and 2015.

Fig. 21 NO_2 and CO emissions reduction

Emissions	Unit	2010	2011	2012	2013	2014	2015
NO_2	ton/year	2,297	2,299	696	671	186	228
CO	ton/year	186	160	83	66	63	48

The current compressor fleet still includes 7 machines of the old TS6 MW type and we expect these to be decommissioned in the coming years, allowing the network to be operated on a fully modernised basis, with only 499 MW of installed capacity.

The latest installation of Rolls-Royce compressor station 2 x RR 33 MW at CS03, consists of a gas generator RB 211 24 GT DLE, power turbine RT 61 and two centrifugal compressors RF BB 36. This Turbo package is able to achieve power of up to 33 MW with thermal efficiency of the equipment up to 41 %. In order to increase the operational flexibility each turbo-set includes one gas turbine driving two compressors arranged in tandem and each compressor is equipped with Variable Inlet Guide Vanes. This solution is able to keep high efficiency and low emissions (NO_x = 75 mg/m³) in the whole operational range of the compressor station.

Four machines of the GE NP 23 MW type with the SAC technology were modified into DLE within the re-engineering programme in the period 2010–2014. The goal of the combustion turbine modification was to replace the combustion system with the highly efficient combustion of the DLE system. The modified machines meet the requirements of the best available technologies (NO_x = 75 mg/m³).

The modification of two subsequent units is planned for the next four years and a similar solution with the tandem turbosets is being developed for the new compressor station CS05 in the west part of Slovakia.

Distribution networks

Within our power, gas and heat distribution operations we continuously invest in our networks, with the aim of reducing network losses through constant monitoring and preventive maintenance of pipelines and the regular replacement of network components by new ones made of more durable materials. Both our distribution companies (SPP-D and SSE) follow widely recognised asset management standards, in order to implement 'best practice' asset management.

Power generation

Within our power generation portfolio, the situation varies country by country or even region by region (depending on physical constraints between power supply and power demand) according to the specific power generation market setup. In general, EPH strategy is to acquire and operate power plants that are relatively more efficient and hence well placed in the merit order of the given location which can serve as the backbone of secure and reliable power supplies. In certain cases, when our power plants come to the point of becoming obsolete and relatively less efficient, EPH is prepared to decommission these or place them in special security schemes (e.g. Eggborough in the UK, Buschhaus in Germany, Teverola or Ferrara in Italy) if approved in the given country and as back-up facilities in case of power shortage risks. This particularly holds true for lignite where we recognise that lignite power plants (across Europe and in Germany in particular) will only play a transitional role as a bridging technology that will eventually be phased out.

EPH Corporate Sustainability Report | **Economic performance and business**

7.3 Access

As one of our crucial responsibilities, we strive to provide high quality and reliable electricity, gas and heat supply, which is affordable for our customers.

Electricity is essential for a country's economic and social development, as well as for facilitating and enriching people's daily lives in the modern world. Consequently providing access to electricity and other basic commodities across all the communities where we operate is a primary goal of the Company, through the use of new technologies and the development of specific projects to create shared value. It is our responsibility to guarantee that the national electricity, gas and heat systems of the countries where we operate as a distributor or transmission system operator enjoy a continuous and safe energy supply. The quality of the supply is closely linked to the reliability and efficiency of the transmission and distribution infrastructure, which must be able to handle the levels of demand requested. EPH, in coordination with our partners, works continuously to develop the distribution and transmission networks and make them more efficient.

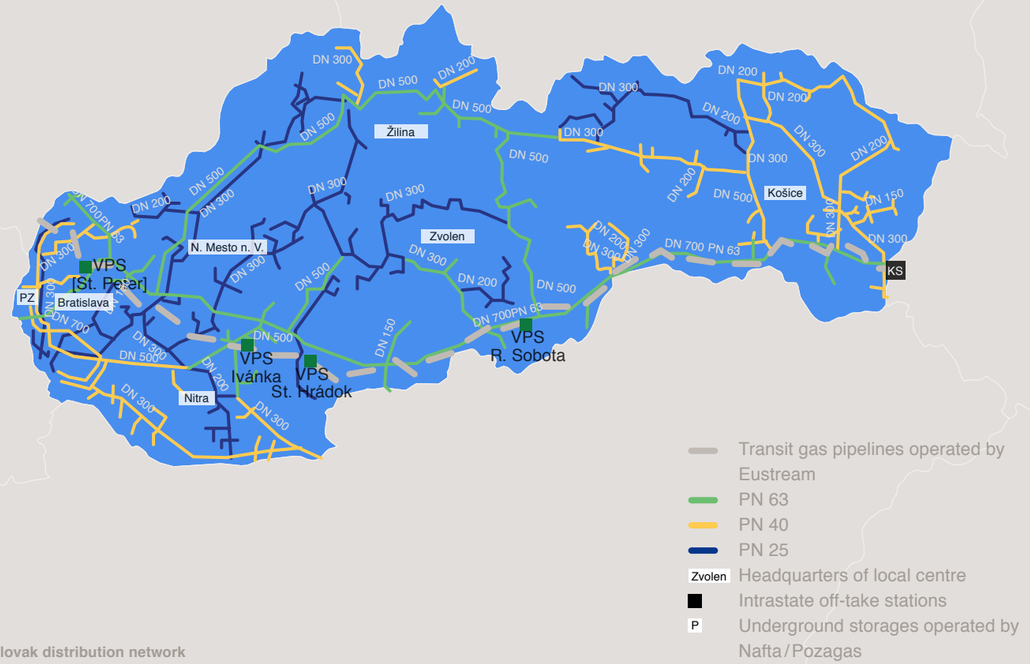


Fig. 22 Slovak distribution network

Distribution

As one of the leading distributors of electricity and gas in Slovakia and heat in the Czech Republic we are responsible for ensuring reliable and safe deliveries.

EPIF owns 49% and has management control in SPP-Distribúcia which is Slovakia's key strategic gas infrastructure asset constituting a natural monopoly of gas distribution with approximately 98% market share of gas distributed in Slovakia. It has a modern network with a total length of over 33 thousand km spanning the whole country and includes high-pressure long-distance gas pipelines as well as local gas distribution networks. SPP-D has a leading position in Europe in infrastructure penetration and has approximately 1.5 million connection points in the country with over 94% of the population of Slovakia connected to piped natural gas. In 2015 and 2014, SPP-D distributed 4.6 billion m^3 and 4.2 billion m^3 of gas, respectively.

Central Slovakia region

Over 700 thousand customers

Stredoslovenská energetika

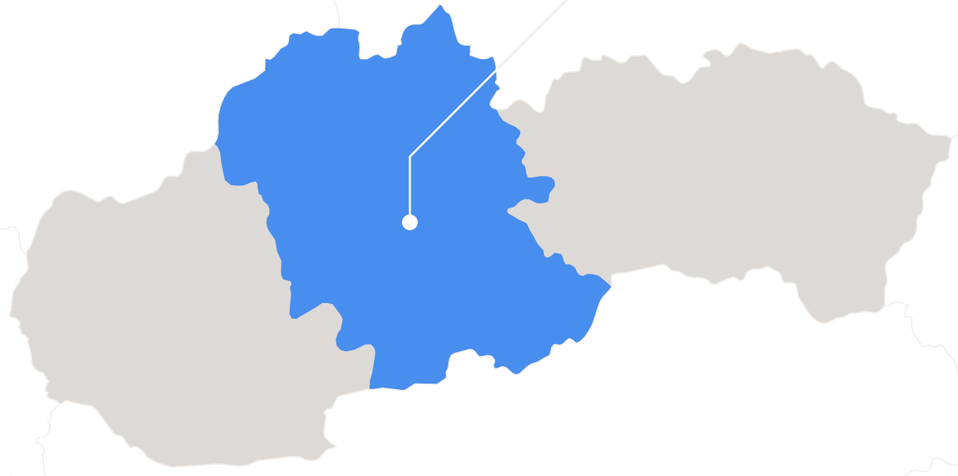


Fig. 23 Region covered by the SSE-D electricity distribution network

EPIF owns 49% and has management control in Stredoslovenská energetika ("SSE") which is predominantly active in electricity distribution and is the second largest out of three electricity distributor networks in Slovakia with approximately 5.9 TWh of power distributed of approximately in 2015.

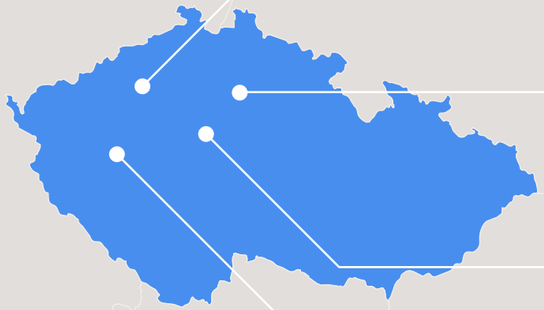
Key distribution network data in 2015		
High Voltage (HV)	km	2,640
Medium Voltage (MV)	km	11,186
Low Voltage (LV)	km	21,024
Total network length	**km**	**34,850**
HV Substations	#	4
Transformers HV / MV	#	105
Switching stations HV / MV	#	55
Distribution substations	#	8,614

Fig. 24 Key distribution network data in 2015

SSE maintains low System Average Interruption Frequency Index ("SAIFI") (total n° of customer interruptions / total n° of customers served) and System Average Interruption Duration Index ("SAIDI") (sum of all customer interruption durations in minutes / total n° of customer served) as follows:

		2015	2014
SAIFI	Index	1.9	1.6
SAIDI	Index	81.6	70.7

Fig. 25 SAIFI, SAIDI



Most and Litvínov
38 thousand and 27 thousand inhabitants, respectively

United Energy

Pardubice, Hradec Králové and Chrudim
88 thousand, 93 thousand
and 23 thousand inhabitants, respectively

Elektrárny Opatovice

Praha
1,26 million inhabitants

Pražská teplárenská

Plzeň
163 thousand inhabitants

Plzeňská energetika

Cogeneration and networks
Networks only

Fig. 26 Czech network

EPIF operates heat generation plants and distribution networks in the Czech Republic with 1,100 km of district heating networks, distributing 22.2 PJ of heat to approximately 370,400 customers in 2015.

Company	Overview
Pražská teplárenská	Owns and operates the largest district heating network in the Czech Republic, as well as 33 heating stations and four CHP plants Although PT owns and operates cogeneration sources (which do not run in condensation mode), the company only directly generates heat and power through these sources during peak demand in the winter months PT as a business focuses on heat distribution and buys most of its heat from Energotrans, a former PT subsidiary, currently owned by ČEZ Group
EOP Elektrárny Opatovice	Owner and operator of a combined heat & power plant and heat distribution network, supplier of heat to households and commercial customers in Hradec Králové – Pardubice – Chrudim area Provides among the lowest-priced heat in the Czech Republic because of its cogeneration capabilities EOP is also an important provider of grid balancing services to ČEPS, the Czech TSO
United Energy	Together with its 100% subsidiary, Severočeská teplárenská, owns and operates a combined heat & power plant and heat distribution network and supplies heat to households and commercial customers in North-West Bohemia
Plzeňská energetika a.s.	Owner and operator of a combined heat & power plant and heat distribution network, supplier of heat to end consumers in Pilsen

Fig. 27 EPH Czech district heating companies

Project Holešovice

Pražská teplárenská continuously invests in extending its centralised district heating network supplied in Prague.

This centralised district heating network setup provides for sustainable and environmentally friendly heat supplies for citizens as local emissions, in what is the most densely populated city centre are practically eliminated.

The most important and financially ambitious project with a planned investment of about EUR 41 million, is a development and restoration of the heat distribution system in the Prague district of Holešovice, which has a population of some 40 thousand; upon its completion in 2019 it will transform the heat supply from locally produced steam to centrally sourced hot water.

335 new supply points connected to an efficient centrally sourced network

The first phase, completed in 2012–2014, included renovation of the heat network in the lower Holešovice area, bound by the River Vltava and Argentinská street. 9 km of heating networks were restored; an investment of about EUR 8 million which connected 127 new supply points with an overall heat capacity of about 30 MWt.

Restoration of heat distribution in the upper Holešovice area, including the construction of a feeder backbone, is planned for 2016–2018. In the upper Holešovice area a total of 13.4 km of heating networks will be restored with a total investment of about EUR 15 million. This will connect 208 supply points with an overall heat capacity of about 40 MWt.

This reconstruction of heating networks in Holešovice was preceded by the construction of a heat supply pipeline 2 x DN 500 Libeň – Holešovice, at a length of approximately 3.7 kilometres and costing about EUR 8 million, which brought hot water supply into the area.

Replacement of the local steam source

The project also includes EUR 5.2 million construction of a new hot water peak source with an output of 47 MWt that will provide heat only in the coldest days of the year. The source is set to be in trial operation by November 2016. The adjacent newly built pumping station will provide a redistribution of heat across the upper part of Holešovice. For most of the year, thermal energy will be distributed from the central heat source. The project has successfully passed the EIA process and been issued a zoning permit.

Construction of a new peak hot water source is a prerequisite for a gradual phase-out and closure of the existing steam source, which has served as a basic heat source but no longer fits the needs of heat supply in Holešovice. The new hot water source will serve as a peak and backup source. Thanks to the new unit, significant reduction in emissions is expected including a CO_2 reduction of 27 thousand tons annually from the current 33 thousand tons. NO_x emissions are also expected to drop to 10% of the current emissions, approximately 23 thousand tons per annum. Simultaneously, heat losses in the Holešovice district heating networks will be dramatically reduced from over 28% in the original steam pipes to under 6% in the new hot water pipes.

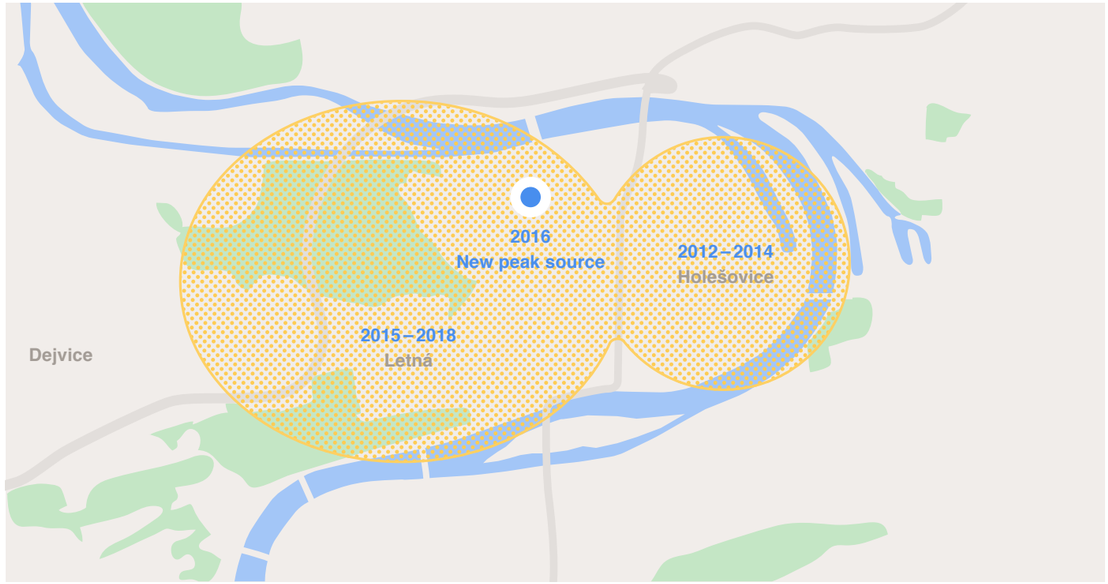


Fig. 28 Project Holešovice map

Fig. 29 Emission balance and consumption of natural gas for evaluated variants – 2019 outlook

Variant	Heat source	Boiler unit	Natural gas consumption (m^3 /year)	Emission balance NO_x (tons /year)	Emission balance PM_{10} (tons /year)	Emission balance SO_2 (tons /year)	Emission balance CO_2 (tons /year)
Measurement without the construction of peaking hot water unit							
Var 0	Current THOL3	K15	2,489.4	22.828	0.351	0.169	33,138
		K16	2,489.4				
		K1	6,373.6				
		K2	6,373.6				
Outlook after the construction of peaking hot water unit							
Var 1	Proposed THOL4	K21	3,128.1	2.736	0.063	0.030	5,903
Differential balance positive effect		**Var 1 - Var 0**	**(14,597.9)**	**(20.092)**	**(0.289)**	**(0.139)**	**(27,235)**

Volumes of gas transmitted by Eustream

59 billion m³ — 2013

47 billion m³ — 2014

56 billion m³ — 2015

Fig. 30 Gas volumes transmitted by Eustream

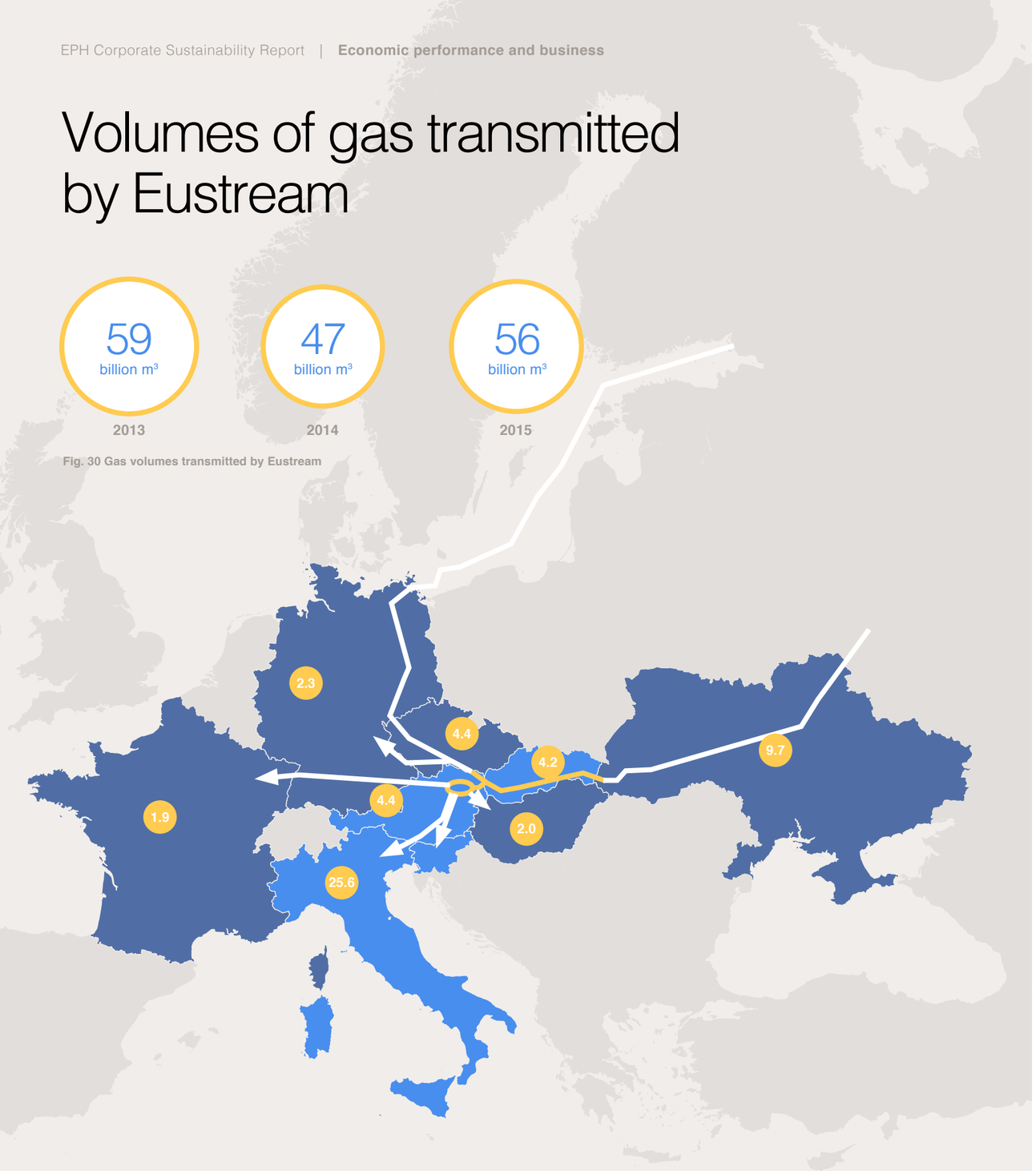


Fig. 31 Eustream pipeline within European network

Transmission

Through EPIF, EPH has 49% shareholding and management control in Eustream, a strategic gas transmission network asset in Central Europe. Eustream is the largest transporter of Russian gas into Western Europe which represents almost half of the total Russia-to-Western Europe gas transporting capacity. It has experienced high utilisation over the past years with 56 billion m³ of gas transported in 2015. At the same time, Eustream's pipeline offer the flexibility of gas flows in both directions and thanks to this feature, 2015 marked the first full year of reverse gas flow operations to Ukraine, thus contributing to the country's supplies and access to gas.

Eustream's network is well invested in with high quality, well maintained pipelines and significant investments in compressor stations in previous years (see Section 7.2 System efficiency section for a case study on Optimisation of the gas transmission system in Slovakia).

Company	Overview
eustream SLOVAK GAS TSO	Critical infrastructure for Southern, Central Europe and Ukraine
	No other existing transmission route with sufficient capacity to supply major part of the above region
	Majority of the volume was off-taken under long-term take-or-pay supply contracts
	Gas transmission business is a regulated activity in Slovakia since 2005
	Full applicability of EU regulatory principles
	Efficient third-party access implemented
	No request for network access has ever been rejected
	Entry / exit tariff system with fees being directly set by the regulator

Fig. 32 Eustream

7.4 Procurement practices

Centralised procurement on the EPH Company level was established in 2014 (“EPH Procurement”). The key role of EPH Procurement is to develop and consistently apply best practices in procurement across individual subsidiary companies primarily with the aim of optimising the procurement.

EPH Procurement has a matrix responsibility over individual procurement departments within our subsidiaries, whereby the centralised function focuses mainly on Strategic areas – large tender process and contract renewals negotiations are made in collaboration. Where appropriate, EPH Procurement tenders selected categories for the entire Company (e.g. IT, Office supplies, Pipes, etc.).

EPH Procurement has a well-defined and comprehensive process through which it drives the EPH/subsidiary cooperation during end-to-end tendering. This process contains a full set of guidelines and tools, which are consistently applied across the Company.

Thanks to the standardised and unified approach towards suppliers across EPH, EPH Procurement activities are transparent, fair and correct and we are viewed as a stable and reliable partner for our suppliers.

To further foster transparency, EPH Procurement has actively introduced an electronic auction process (eAuction) across EPH and tripled coverage of tenders via eAuctions since 2014.

Recently, together with the EPH web page rebrand, we have introduced on-line publishing of selected tenders from across our subsidiaries on the EPH web page (http://www.epholding.cz/en/suppliers/), which led to increased supplier participation.

Total spend covered by EPH Procurement is a function of the budgeting process within the organisations which is based on prudent demand management and evaluation of actual needs. In general, the spend value under the umbrella of EPH Procurement is growing proportionately to the overall growth of EPH. In 2015, EPH Procurement was involved in tenders with a total value of over EUR 185 million and in 2016, we expect this value to exceed EUR 200 million.

Joint cooperation among EPH Procurement and EPH companies’ procurement has brought significant monetary savings (in the range of 15% of the overall tendered amount), however there are multiple other additional aspects through which we believe EPH as well as its stakeholders are benefitting:

- Cross border cooperation and coordination among EPH companies;
- Supplier sharing leading to increased suppliers tender participation;
- Standardised approaches and methodologies across EPH for increased transparency;
- Know-how and best practice sharing for people development;
- Group synergies in selected categories.

Going forward, EPH Procurement will diligently focus on demand management aspects of procurement activities, engaging broader function across organisation, to drive down cost.

Finally, at EPH Procurement we also strive to promote environmentally friendly methods of communication using emails for document exchanges, prefering telephone conversations over physical meetings including the use of video conferencing for supplier negotiations with face to face meetings limited to the final stages of negotiations.

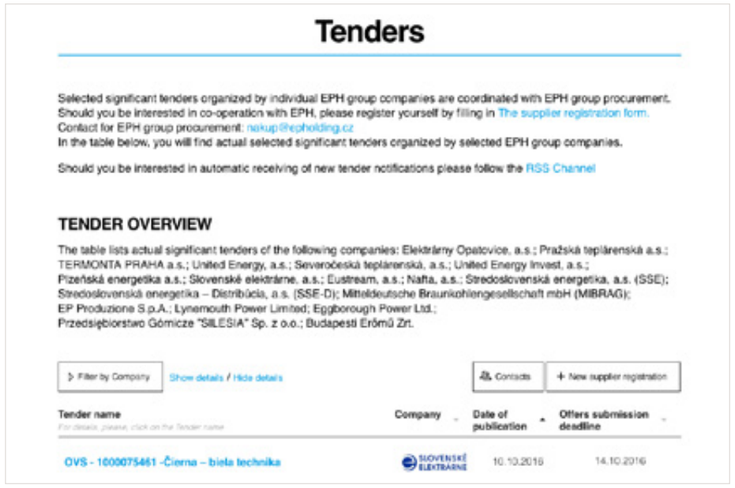


Fig. 33 Snapshot of EPH web page – supplier section

EP Fleet

In 2014, EPH launched a project aimed at optimising and modernising the car fleet within its subsidiaries and aligning fleet standards across the entire Company.

By recommending a short-term operative leasing scheme, EPH has been able to almost entirely renew its large car fleet within 2 years, leading to very positive outcomes from an environmental and economic perspective:

- Lowering the emissions of GHG by renewing a major part of its car park with vehicles meeting the latest EURO 6 emissions standards;
- Reducing average fuel consumption and resulting savings across the fleet;
- Increasing the safety of its employees thanks to usage of cars with improved safety equipment.

In 2014, the fleet of EPH and the subsidiaries comprised approximately 3,300 cars including various utility cars and trucks. With an average age of 4.7 years for cars and vans and 11.3 years for trucks, the EPH car park mostly consisted of cars meeting EURO 3 or EURO 4 emission standards. During the past 2 years, more than one third and up to 93% of the EPH fleet has been replaced in the Czech Republic and Slovakia, respectively. All the newly procured vehicles comply with the latest EURO 6 standards or in certain cases with EURO 5 standards at worst. As of the date of this report, 87% of cars and vans in the EPH fleet comply with EURO 5 and EURO 6 standards.

The reduced fuel consumption associated with these new vehicles comes as a side benefit; many of the newly-used cars brought into the fleet are very fuel efficient with average consumptions in the range of 4–5 l/100km.

Finally, the replacement also carries an aspect of improved safety and comfort for our employees as all new cars come equipped with high standards including modern safety elements that are highly recommended to the subsidiary companies when placing orders for car replacements.

Forrest located over the NAFTA
underground gas storage near Gajary

Environment

8

Our environmental performance and impacts

In this section of the report, EPH reports information relating to its environmental performance and impacts and general approach during the reporting period. The topics reported in this section have been driven by our materiality analysis as described in the section 6 Priorities. Given the importance of climate change and the level of interest amongst our stakeholders on this topic, the first part of this environmental section focuses on our performance and impact in terms of climate change. In addition, given the close connection between energy and climate change management, this section reports our combined approach and footprint for both these topics. The next parts of the Report then focus on the other environmental topics identified as material to our organisation.

8.1 Climate change and energy

EPH operates in industries that are essential to the development of the communities and areas where we are present or which are impacted by our products and services. These industries are, however, also associated with high energy intensity. Consequently, we place great importance on managing our environmental risks as we fully appreciate we will only be able to operate our installations in the future if we handle these resources carefully and efficiently now. Governments, society and our stakeholder groups have increasingly high expectations that we must meet in order to secure our continued licences to operate, avoid financial penalties or other burdens that may be placed on us. We are proud to Report that during 2015, there were no major incidents or fines at any of the businesses of EPH that resulted in significant impacts relevant to the environment. Compliance with all licensing regulations was consistently ensured across our operations. There have also been no major incidents or fines since the reporting year-end.

We take environmental matters very seriously within our organisation. This is underpinned by hard facts along with a number of initiatives and measures that EPH and our subsidiaries have taken or are planning to undertake. A non-exhaustive list of such measures is shown below and more detail is provided throughout this report. However, we realise that sustainability is a journey that requires continual improvement and therefore, by working with our key stakeholders, we are committed to driving further improvement across our businesses in the upcoming periods, including but not limited to improvement of our environmental performance and reduction of our GHG footprint.

The greenhouse gases (“GHG”) are those currently required by the United Nations Framework Convention on Climate Change and the Kyoto Protocol. These GHGs are currently: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3).

Examples of key measures and initiatives in sustainability

Reducing GHG emissions

Agreement with the UK government to place the 2 GW hard coal power plant Eggborough into Supplemental Balancing Reserve, reducing GHG emissions by some 7–8 million tons on an annualised basis compared to 2014.

Conversion into **biomass**

Acquisition of Lynemouth, a hard coal power plant which ceased burning coal in December 2015 and financing of its full conversion into biomass, which will avoid up to 2.7 million tons annually in CO_2-eq.

Saving CO_2 emissions

Decommissioning of Mumsdorf power plant in Germany in 2013, saving some 800 thousand tons of CO_2-eq annually.

Agreement in Germany

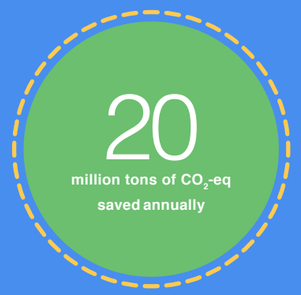
Agreement to place Buschhaus power plant in Germany into a capacity reserve scheme from October 2016, 14 years prior to the end of its technical lifetime, which is expected to reduce CO_2-eq emissions by some 30–35 million tons compared to original plans.

Capacity reserve scheme

Commitment to adhere to the decision of Vattenfall to place two units of Jänschwalde power plant into a capacity reserve scheme by 2018 and 2019, respectively saving a further 7 million tons CO_2-eq annually and preparedness to meet all targets as set out in the German Energiewende, and further reduce the GHG emissions of our German lignite assets.

Focus on **co-generation**

Focus on EU supported heat and electricity co-generation in the Czech Republic and Hungary, eliminating local GHG emissions within city centres and maintaining overall fuel efficiency on 70–85% levels.



Modernisation of CHP fleet

Complete modernisation of the Czech CHP fleet and active involvement in the closure of coal fired source in the district of Prague saving local GHG emissions.

Fig. 34 Examples of key measures and initiatives in sustainability

EP **Infrastructure**

EP Infrastructure

Approx. 90% of EPIF EBITDA is derived from gas transportation, gas and electricity distribution and gas storage activities that are very marginal emitters of GHG emissions. GHG emissions from these activities are effectively linked only to compressor stations within our gas transmission, gas storage and exploration businesses. In total, the infrastructure / distribution part of EPIF produces approx. 230 thousand tons CO_2-eq per annum. GHG emissions produced by Eustream via its natural gas fuelled compressor operations amounted to only 186 thousand tons CO_2-eq in 2015, which is a substantial reduction as compared to previous levels due to the refurbishment of the facilities. For example, the corresponding GHG emissions were 439 thousand tons CO_2-eq in 2012.

A smaller part of EPIF's business (approx. 10% of 2015 EPIF EBITDA) is concentrated around heat infrastructure in the Czech Republic and Hungary, which is a unique type of asset specific mainly to the regions of Eastern and Northern Europe. EPIF owns and operates over 1,100 km of central district heating networks that circulate around 20 PJ of heat (through hot water within the pipelines) to over 370 thousand end customers in the Czech Republic. Such centralised systems provide a meaningful environmental advantage, given that the co-generation heating unit is usually located outside of the main city perimeter leading to a reduction of GHG emissions within the most crowded areas.

EPIF is an environmentally responsible operator and we continue to commit significant investment in order to further decrease our GHG emissions footprint, including initiatives such as a complete changeover of the car fleet within EPH, whereby most of the vehicles in the fleet are less than 1-year-old and hence meeting all the latest GHG emissions criteria.

EP Power Europe

EP Power Europe

As explained in the business introduction section to this report, our EPPE business is in the process of being formally set-up. Once finalised, EPPE will comprise the following operations; i) Italian operations represented by EP Produzione (acquired in 2015), ii) UK operations represented by Eggborough power plant (acquired in 2015) and Lynemouth Power (acquired in 2016) and iii) German operations represented by MIBRAG (initial acquisition in 2009 with an additional share increase in 2012) and Saale Energie[1] (acquired in 2012). The recently approved transactions between EPH and Enel (relating to acquisition of 33% stake in Slovenské elektrárne) and with Vattenfall (relating to the acquisition of a 50% stake in its German lignite assets), will be transactions through which EPPE acquires minority stakes, or stakes without management control and as such these will not be consolidated.

Our acquisitions in the power generation segment already include significant low carbon assets as underlined by the following figures:

- 84% of the installed capacity of the 4.3 GW acquired in Slovakia is carbon free technology;
- 76% of the acquired installed capacity in Italy is based on modern gas-fired CCGT low carbon technology;
- the acquisition of Lynemouth in the UK will lead to conversion of an already shut-down coal plant into a very low carbon emission free biomass unit.

At the same time, we are well aware of the fact that our fleet also consists of a number of carbon intensive assets. This is fundamentally a result of a lack of viable alternative technologies at scale in some areas where we operate. As a matter of fact, EPH has only acquired hard coal or lignite fuelled power plants in markets that are or will physically be unable to secure stable power supplies from alternative sources (Germany, UK, Sardinia). We are convinced that rejecting the operation of coal sources in markets with no physical alternatives is an unacceptable gesture that ignores the basic needs of citizens in such countries. The fact that EPH is prepared to take on the role of provider of this basic security of supply service in such markets does not mean that we are not conscious that our role is only temporary and more importantly, it does not mean that EPH will not actively contribute to fulfilment of European or local environmental targets.

Each of the markets where we operate or where we aim to establish our operations is very specific, with unique determinants of its current and prospective energy mix (e.g. geography, natural resources, legislation). In order to preserve the security of supply and economic continuity of a given country, it is our view that any change of the energy mix needs to happen gradually whereby all market participants from legislators, through to energy companies all the way to financing institutions need to behave rationally and responsibly in order to make such a transition successful. At EPH, we have adopted a separate approach to each of our markets of operations and have carefully considered their respective energy market situation. Hence, all our actions and plans need to be viewed from the perspective of the respective country's prevailing energy market conditions.

1 Since Saale Energie is an equity investment it has not been consolidated in this Report as a control approach has been followed in reporting the sustainability data.

United Kingdom

Eggborough power plant plays a crucial role in securing the electricity supply in the UK market, with its extremely tight reserve margins. Following agreement with the Authorities in the UK, Eggborough entered into a Supplemental Balancing Reserve regime in December 2015 and is now going to serve as a strategic reserve for the TSO until March 2017, which was a result of our continuous dialogue with stakeholders.

Under the current scheme, the overall GHG emissions are expected to be below 0.5 million tons CO_2-eq annually compared to approx. 8 million tons CO_2-eq emissions p.a. in 2014.

In line with our strategy to build a sizeable and lasting presence in the UK market and diversify into the renewables segment, EPH acquired Lynemouth power plant (420 MW hard coal power plant due for conversion into biomass), which is now in a development phase.

- The power plant stopped burning hard coal in December 2015, which alone will result in an estimated c. 2.7 million tons reduction in CO_2-eq per year, compared to 2014, the last year of full operations;
- Lynemouth is currently being converted in to 100% biomass fuel, with very low carbon intensity, with commissioning expected in Q4 2017 and backed by the full support of the UK government;
- The plan is to operate the power plant as a base-load unit generation with about 2.3 TWh (equivalent to the annual consumption of approximately 0.7m homes) of low carbon emission electricity production under the contract with the UK Government until 2027 for 100% of station output.

As such, within its UK activities, EPH is on track to decrease GHG emissions by at least 8 million tons CO_2-eq annually.

Italy

We own and operate a fleet of 4 modern, efficient and active CCGT power plants (total installed capacity of 3.7 GW) in Italy as well as 1 OCGT power plant in Sicily (0,2 GW) and 1 hard coal power plant in Sardinia (0.6 GW).

EPH is decommissioning 2 older gas plants and is focusing its strategy on the more efficient gas generation units. This strategy, together with other measures, was reflected in a lower GHG emissions intensity for the Italian assets in 2015, being an improvement of 14% in the year compared to 2014 to 546 kg of GHG per MWh of net electricity produced.

The situation in Sardinia, where the Fiume Santo power plant is the key generation source on the island, is different and EPH considers that local production of hard coal power is irreplaceable to ensure a stable and non-intermittent energy supply. However, the Fiume Santo power plant has also already decommissioned older units in line with valid legislation and environmental requirements. A conversion to other fuel source in the current Italian economic environment is not possible economically and Fiume Santo is expected to remain as the backbone of power supply in Sardinia for the foreseeable future.

Germany

In 2013, EPH decommissioned the Mumsdorf power plant, which caused GHG emissions within MIBRAG to decrease by over 40% or approximately 800 thousand tons CO_2-eq p.a.

In 2015, we agreed to voluntarily participate in the capacity reserve that was being set up by the German Government in relation to our Buschhaus power plant. This effectively shortened the power plants' lifetime by 14 years. We are currently working in full cooperation with the German authorities to finalise the formalities and allow the plant's entry into the capacity reserve in Q4 2016 and hence reduce GHG emissions by over 2 million tons CO_2-eq p.a. and approximately 30–35 million tons CO_2-eq for its remaining technical life time[1].

Following the entry of the Buschaus plant into the capacity reserve, we will only own smaller combined heat and power generation units in MIBRAG that are mainly producing power for the need of our mining operations (please note that the majority of the machinery is powered by electricity and not by oil/diesel).

Furthermore, via Saale Energie, we own a share in the Schkopau power plant where all our capacity is rented out until 2021 (which was the case at the time of the EPH acquisition of the share in Schkopau) and as such we have no influence on the utilisation of this plant.

Finally, EPH's position in Germany will be influenced by our recent acquisition of a 50% stake in LEAG. Please refer to the section 3.2 Lusatia Energie Verwaltungs.

Renewables

EPH also owns and operates other smaller renewable energy generation assets (solar, biomass, wind and hydro) in Italy and Germany, as part of EP Produzione and MIBRAG, as well as further assets in the Czech Republic and Slovakia, currently placed within EPIF. The biomass conversion project underway in Lynemouth, together with the acquisition of the unique 1.7 GW run-of-river and pumped storage hydro generation fleet in Slovakia puts us among the largest central European based utilities in terms of installed renewable capacity.

EPH will continue to closely follow the renewable energy segment across all our markets and we are prepared to invest in projects that will operate under stable regulatory regimes, will be economical and that can generate long-term and sustainable returns and that do not create unacceptable environmental risks.

1 It is assumed that power plants will only be called into operation for a very limited number of hours until 2020 and then decommissioned while the original business plan was to operate the power plant until approximately 2030.

EPH Corporate Sustainability Report | **Environment**

Climate Protection targets

The reduction of GHG emissions is a key objective for European energy policy as well as in the energy policies of the EU member states. We recognise that we have an important role to play in helping achieve this objective and that we can make substantial contributions by expanding renewable energy and by reducing the specific GHG emissions from our conventional power stations and mining facilities. In addition, in some of our businesses (e.g. SSE) we also offer our customers energy efficiency products and advice which allows them to bring down the amount of electricity and heat that they consume, and as a result also reduce corresponding GHG emissions.

According to the assessments by the Intergovernmental Panel on Climate Change ("IPCC"), climate change risks causing significant modification to the living conditions of people and the environment the world over and resulting in significant additional macroeconomic costs. The resolutions passed by the Paris Climate Conference ("COP 21") in December, 2015 have jointly committed all the countries to limiting the global temperature increase to significantly below 2 degrees Celsius compared with the pre-industrial level.

Though many of the details will be clarified in upcoming periods, EPH welcomes the climate change agreement since a broad international consensus is the only way of bringing about genuine structural change at a global level that can create a more sustainable economic model. That being said, EPH believes, however, that the transition process needs to happen gradually to minimise unnecessary risks that would hinder economic development or cause other problems that could have unimaginable impacts on the society as a whole (e.g. a longer period of black-outs etc.). In reality we also believe that this will be the case considering that i) environmentally friendly sources were built only on the back of huge state subsidies, which are being substantially reduced (solar and on-shore wind) and future development might slow-down and ii) important investments into associated infrastructure would also be necessary to support this new system.

As such, a fully-fledged transition towards purely renewable and carbon free energy sources that will be able to provide security of supply in reliable base load operations (e.g. through possible inventions of energy storage) will be a longer and financially intensive process. However, EPH is prepared to take an active part in this process in our markets of operation.

The ambition of the European Union is to achieve a 40% reduction in the GHG emission by 2030 compared to 1990 as a baseline year. Furthermore, some countries where we operate, such as Germany, have already made even more ambitious commitments to achieving this reduction by 2020. As a major emitter of GHG, EPH intends to make a substantial contribution and support these targets and has already taken certain important steps into this direction as described through this report.

EU ETS

The European Union regulation concerning the method of GHG emissions level monitoring, provides in detail how measurements and calculations should be conducted so that the annual GHG emission report can be prepared, and the accuracy of the adopted calculations can be confirmed during the independent verification. The financial risks associated with GHG emissions trading are reflected in our risk management approach. We seek to manage and reduce these risks through hedging. At the same time as we sell a specific amount of electricity in the futures market, we procure the combustion fuel required and purchase any necessary GHG emission certificates.

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN15	**Direct GHG Emissions (Scope 1)**					
	EP Infrastructure					
	Czech Republic	million tons CO_2-eq	2.7	3.3	(0.6)	(19%)
	Slovakia	million tons CO_2-eq	0.2	0.2	0.0	2%
	Hungary	million tons CO_2-eq	0.7	0.6	0.1	11%
	Total – EP Infrastructure	**million tons CO_2-eq**	**3.6**	**4.1**	**(0.5)**	**(13%)**
	EP Power Europe					
	Germany	million tons CO_2-eq	3.5	3.9	(0.5)	(12%)
	UK	million tons CO_2-eq	6.0	10.5	(4.5)	(43%)
	Italy	million tons CO_2-eq	5.3	5.4	(0.1)	(1%)
	Total – EP Power Europe	**million tons CO_2-eq**	**14.8**	**19.9**	**(5.0)**	**(25%)**
	Total – EPH	**million tons CO_2-eq**	**18.4**	**24.0**	**(5.6)**	**(23%)**

Fig. 35 Total direct GHG emissions for EPH split by sub-holding and by country of operation for 2014 and 2015

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN18	**Emissions intensity – Including heat component**					
	EP Infrastructure					
	Czech Republic	tons CO_2-eq/GWh	662	716	(54)	(8%)
	Slovakia	tons CO_2-eq/GWh	24	29	(5)	(18%)
	Hungary	tons CO_2-eq/GWh	244	250	(6)	(2%)
	Total – EP Infrastructure	**tons CO_2-eq/GWh**	**491**	**553**	**(63)**	**(11%)**
	EP Power Europe					
	Germany	tons CO_2-eq/GWh	1,088	1,085	3	–
	UK	tons CO_2-eq/GWh	930	923	8	1%
	Italy	tons CO_2-eq/GWh	546	638	(92)	(14%)
	Total – EP Power Europe	**tons CO_2-eq/GWh**	**763**	**845**	**(83)**	**(10%)**
	Total – EPH	**tons CO_2-eq/GWh**	**692**	**778**	**(86)**	**(11%)**

Fig. 36 Direct GHG emission intensity for EPH split by sub-holding and by country of operation for 2014 and 2015

Note: Calculation of Emissions intensity indicators excludes emissions from non-energy producing operations, namely Eustream, SPP Distribúcia, Nafta and Pozagas in Slovakia and SPP Storage in Czech Republic and in respective summary indicators, in amount of 0.2 mil. ton CO_2-eq for both years.

The GHG intensity of our operations decreased by approximately 11% for both sub-holdings and for EPH overall in 2015. However, our countries of operation have substantial differences in GHG intensity. This can for example be illustrated by the difference between our Czech, Hungarian and German operations. The GHG intensity of our German operations is relatively higher as lignite is the main fuel and use of co-generation is limited. Our Czech operations are also lignite based, however they are run in co-generation mode, producing heat and electricity simultaneously which lowers their overall GHG intensity. Finally, our Hungarian operations also run in co-generation mode, but are based on gas which means that they have comparably lower GHG intensity.

However, as explained previously, absolute GHG emissions in Germany will decrease significantly in the upcoming periods due to some assets being placed into the capacity reserve scheme. For example, the agreement to place the Buschhaus power plant into a capacity reserve scheme from October 2016 is expected to reduce GHG emissions by some 30–35 million tons CO_2-eq in total compared to the original plans. The situation is similar for our operations in the UK where the GHG intensity of our plants was 930 tons CO_2-eq/GWh in 2015 but where absolute GHG emissions are expected to reduce significantly. For example, the agreement with the UK government to place the Eggborough plant into Supplemental Balancing Reserve is expected to reduce GHG emissions by some 7–8 million tons CO_2-eq on an annualised basis compared to 2014. In addition, the full conversion of the Lynemouth hard coal power plant into biomass is expected to avoid up to 2.7 million tons CO_2-eq. per annum. GHG intensity for our operations in Hungary was 244 tons CO_2-eq/GWh in 2015, reflecting the fact that the CHP operations are efficient and powered mainly by natural gas. The GHG intensity of our operations in Italy was higher at 546 tons CO_2-eq/GWh in 2015, reflecting the combination of efficient CCGTs and the more conventional facility at Fiume Santo. Finally, our operations in Slovakia have the lowest GHG intensity (2015: 24 tons CO_2-eq/GWh) due to their wide-scale use of renewables, biogas generation and some photovoltaic.

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN3	**Energy consumption**					
	EP Infrastructure					
	Hard Coal	PJ	5.8	3.1	2.8	90%
	Lignite	PJ	22.0	31.1	(9.2)	(29%)
	Natural Gas	PJ	19.6	18.3	1.3	7%
	Other	PJ	0.4	0.4	0.1	16%
	Total – EP Infrastructure	**PJ**	**47.8**	**52.9**	**(5.0)**	**(10%)**
	EP Power Europe					
	Hard Coal	PJ	90.1	147.0	(57.0)	(39%)
	Lignite	PJ	33.5	37.7	(4.3)	(11%)
	Natural Gas	PJ	52.5	39.5	13.0	33%
	Other	PJ	2.6	1.8	0.8	43%
	Total – EP Power Europe	**PJ**	**178.7**	**226.1**	**(47.4)**	**(21%)**
	Total – EPH	**PJ**	**226.5**	**278.9**	**(52.5)**	**(19%)**

Fig. 37 Energy consumption for EPH split by sub-holding and by fuel for 2014 and 2015

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN3	**Energy consumption**					
	EP Infrastructure					
	Czech Republic	PJ	30.9*	37.3	(6.4)	(17%)
	Slovakia	PJ	5.0	4.9	0.1	2%
	Hungary	PJ	11.9	10.7	1.2	11%
	Total – EP Infrastructure	**PJ**	**47.8**	**52.9**	**(5.0)**	**(10%)**
	EP Power Europe					
	Germany	PJ	34.0	38.2	(4.2)	(11%)
	UK	PJ	66.4	114.7	(48.3)	(42%)
	Italy	PJ	78.2	73.2	5.0	7%
	Total – EP Power Europe	**PJ**	**178.7**	**226.1**	**(47.4)**	**(21%)**
	Total – EPH	**PJ**	**226.5**	**278.9**	**(52.5)**	**(19%)**

Fig. 38 Energy consumption for EPH split by sub-holding and by country of operation for 2014 and 2015

* This data has received limited assurance from the independent auditing firm EY.

Note: Energy consumption figures include fuels consumed mostly for electricity and heat generation sold to third parties and as such do not represent energy consumed within the Company. Electricity and heat production figures are not netted from the figures provided.

Total direct GHG emissions for our EPH portfolio of companies was 18.4 million tons CO_2-eq in 2015, representing a reduction of 5.6 million tons CO_2-eq, or 23%, from the previous year (2014: 24.0 million tons CO_2-eq). Though most of our business from a financial perspective sits within EPIF, their corresponding GHG emissions were less than 20% of the total and underlines the fact that within EPIF we operate predominantly pure infrastructure assets with marginal carbon footprint and highly efficient co-generation plants. Total direct GHG emissions for our EPIF sub-holding reduced by 13% or 0.5 million tons CO_2-eq from the prior year, mainly due to reduced production in the Czech Republic. Since materially, all GHG emissions from EPIF sub-holding arise from combustion, the trend in GHG emissions is also closely aligned with the trend in energy consumption data between the 2 years. Total energy consumption for EPIF was 47.8 PJ in 2015, down 10% from 52.9 PJ in 2014. Hence, energy and GHG emissions both reduced substantially in 2015 mainly due to reduced production.

Though closely aligned, the energy consumption trend does not exactly follow the GHG emissions trend since it also reflects changes in fuel mix, and their correspondingly different contribution to GHG emissions. The main fuels used in EPIF in both years were hard coal, lignite and natural gas. There were also other fuels used in some of our operations but in aggregate these were minor and under 1%.

Most of the GHG emissions in both years came from our businesses within the EPPE sub-holding. Total direct GHG emissions in EPPE reduced by 5.1 million tons CO_2-eq, or 25%, from the prior year to 14.8 million tons CO_2-eq (2014: 19.9 million tons CO_2-eq), mainly due to reduced production from the Eggborough plant during 2015, which was driven by placement of the power plant into the Supplementary Balance Reserve. As with EPIF, the trend in direct GHG emissions from the EPPE sub-holding closely follow the trend in the underlying energy consumption data and for the same reason. Total energy consumption in EPPE reduced 21% to 178.7 PJ in 2015 from 226.1 PJ the prior year. As with EPIF, the main fuels used in operations were hard coal, lignite and natural gas. More detailed quantitative information on our GHG emissions and energy performance is included in the appendix.

Lynemouth power station

Significantly lowering emissions of sulphur oxides and nitrogen oxides and saving approximately 2.7 million tons CO_2-eq emissions compared to coal. Lynemouth will burn sustainably sourced wood which will meet ridged assurance criteria.

Lynemouth Power Station is located on the North East coastline of England. The original 420MW coal-fired plant was commissioned in 1972 and was owned and operated by Alcan (later Rio Tinto Alcan) as part of an integrated primary aluminium smelter and power generation facility. For 40 years the plant operated to the highest standards of health and safety and with regular and significant capital investment, it became the most thermally efficient coal-fired station in the UK. In December 2012 the power station was sold to RWE, with the creation of Lynemouth Power Limited as a wholly owned subsidiary.

Lynemouth Power Limited subsequently progressed with plans to convert the station to biomass in order to comply with the EU Industrial Emissions Directive.

In May 2014, the UK government selected the Lynemouth biomass conversion as one of several to receive support under its Final Investment Decision Enabling for Renewables ("FIDeR") scheme. The mechanism was introduced by the government in order to provide a level of assurance for renewable developers.

The European Commission subsequently investigated Lynemouth Power Limited's eligibility for FIDeR. During this process, the Commission received numerous expressions of support for the conversion from political and economic stakeholders in the UK. In December 2015, the Commission ruled the FIDeR support to be compliant with State Aid rules, confirming: "the project will further EU environmental and energy goals without unduly distorting competition".

EPH Corporate Sustainability Report | **Environment** | **Case study**

In January 2016, RWE announced the sale of Lynemouth Power Limited to EPH. The project to complete the conversion to biomass is ongoing and in May 2016, EPH announced:

"Following its acquisition of Lynemouth Power Ltd in January 2016, EPH can confirm plans to convert the station to biomass are proceeding according to schedule. Most recently, we have signed agreements with our chosen contract partners covering a range of work streams including fuel handling, combustion, electrical systems and controls. This positive development is an important milestone as we move towards conversion. EPH is delighted with the progress that has been made to date on this important piece of work."

The conversion is essential to secure the long-term future of the plant, will positively contribute to the stability of power supplies in the UK and will secure the future for the existing 131 direct jobs that depend upon it alongside many more in the supply chain. During construction, the existing and contract workforce will peak at 750 individuals. Lynemouth Power Limited is committed to investing in the future and its people, employing local apprentices and engaging the workforce in all aspects of safety and the environment.

Accreditation has been awarded to ISO 14001 (Environmental Management), ISO 18001 (Health and Safety) and ISO 50001 (Energy Management). In the case of ISO 50001, Lynemouth Power Limited was one of the first to be certified by this international standard.

The converted plant will generate sustainable, low-carbon energy supporting security of supply in the UK by providing 395MW of baseload power to the National Grid. Enough to power 450,000 homes.

Biomass is a carbon-neutral technology. The Lynemouth conversion will bring a number of environmental benefits, including a substantial reduction in the amount of ash created by the power station; significantly lowering emissions of sulphur oxides and nitrogen oxides and saving approximately 2.7 million tons CO_2-eq emissions compared to coal[1]. Lynemouth will burn sustainably sourced wood which will meet ridged assurance criteria.

Once complete, the supply chain created by the conversion will have a positive impact on the wider community, notably through the expansion of local port facilities to handle and store 1.8 million tons of biomass annually. This is a change to the port fuel handling facilities which had been handling coal for Lynemouth Power Limited.

1 Compared to 2014, the last year of full operations.

"Within EOP we have invested over EUR 100 million towards reduction of SO_x and NO_x emissions in the last 2 years. 4 out of 6 boilers have been refurbished and EOP now meets the strict IED requirements for all our units, which has led to a reduction of almost 50% of these emissions."

8.2 Air emissions

The biggest atmospheric pollutants associated with our activities are sulphur oxides (SO_2), nitrogen oxides (NO_x), and particulate matter that can be generated in the following ways.

Sulphur dioxide emissions

The combustion of sulphurous coal is the primary source of SO_2 emissions. Two ways we can reduce our SO_2 emissions are by improving desulphurisation equipment and by increasing the proportion of natural gas in our energy mix.

Nitrogen oxide emissions

Nitrogen oxide (NO_x) is mainly generated from the combustion of nitrogen contained in the air at high temperatures. For example, the combustion of gas or coal in our power plants is connected with NO_x emissions. This gives us a special responsibility to achieve further reductions in NO_x emissions.

Particulate emissions

Coal-fired power plants emit dust particles, despite highly sophisticated filters.

Mercury emissions

Coal-fired power plants also emit small amounts of mercury. New European legislation sets limits for the first time on mercury emissions from large coal-fired power plants throughout Europe. Hence, we are developing the respective technical measures to reduce our mercury emissions.

In almost all large plants these pollutants are measured continuously through analysers installed on stacks, while in small plants it is done periodically through analysis and measurement campaigns or by using statistical parameters.

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN21	**Total SO_2 emissions**					
	EP Infrastructure	thousand tons	11.8	11.9	(0.1)	(1%)
	EP Power Europe	thousand tons	22.7	34.9	(12.2)	(35%)
	Total – EPH	**thousand tons**	**34.5**	**46.8**	**(12.3)**	**(26%)**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN21	**Total NO_x emissions**					
	EP Infrastructure	thousand tons	3.9	4.1	(0.2)	(5%)
	EP Power Europe	thousand tons	15.2	23.9	(8.7)	(37%)
	Total – EPH	**thousand tons**	**19.1**	**28.0**	**(8.9)**	**(32%)**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN21	**Total dust emissions**					
	EP Infrastructure	thousand tons	0.2	0.2	0.0	5%
	EP Power Europe	thousand tons	1.1	1.6	(0.5)	(33%)
	Total – EPH	**thousand tons**	**1.3**	**1.8**	**(0.5)**	**(29%)**

Fig. 39 Total air emissions for EPH split by sub-holding for 2014 and 2015

Total SO_2, NO_x and dust emissions all reduced from 2014 and mainly reflected the decrease in production within EPPE, as explained in Section 8.1 on Climate change and energy. Overall, SO_2 emissions reduced by 26%, NO_x emissions by 32% and dust by 29%. More detailed quantitative information on our air emissions performance is included in Section 11.1 GRI Index.

8.3 Water

Water is extremely important to our operations, including in i) heat distribution where water is the main medium, ii) coal mining and iii) the production of electricity, where water is the direct energy source (hydro power plants) or where water acts as cooling agent. The efficient use of water is a top priority for all our operations and our aim is to always consume the minimum quantities of water required to run our production processes. For example, we strive to ensure that our use of water exerts minimum impact on natural resources when we supply our thermal power plants with cooling water. We also endeavour to provide the best protection for aquatic habitats and other ecosystems against adverse effects from supplying our mining operations with water.

We strive to reduce our water footprint through methods including reuse and recycling of water, more intensive use of pumped water from opencast mines and using collected rainwater, as well as recovering and re-using process water from operations. Our internal wastewater treatment and continuous monitoring of the process ensure that potential contamination is eliminated. We provide verifiable compliance with the statutory threshold values, enabling us to avoid negative impacts on nature and human health.

Water withdrawal from our total operations reduced by 18% to 1,516.1 million m³ in 2015 (2014: 1,840 million m³). Since water is overwhelmingly used for cooling in closed flow-based cooling in our plants, the trend in water discharge from our operations followed the same trend as withdrawal, reducing 18% to 1,474.0 million m³ in 2015. The decrease in both water withdrawal and water discharge from 2014 is broadly aligned with the trend in energy and emissions data and reflects the reduction in production from the prior year as explained in the previous sub-section 8.1 on Climate change and energy.

The vast majority of water extracted is sourced from surface water sources (sea or river) with smaller amounts from ground-water sources, mainly in EPPE, and minor amounts sourced from the municipality in both EPIF and EPPE. More detailed quantitative information on our water performance is included in the section 11.2 Appendix – Performance indicators.

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN8	**Quantity of water withdrawn**					
	EP Infrastructure					
	Czech Republic	million m³	62.7*	135.7	(73.0)	(54%)
	Slovakia	million m³	0.1	0.1	0.0	8%
	Hungary	million m³	14.0	12.3	1.7	14%
	Total – EP Infrastructure	**million m³**	**76.8**	**148.0**	**(71.3)**	**(48%)**
	EP Power Europe					
	Germany	million m³	108.4	108.5	(0.1)	–
	UK	million m³	137.6	385.2	(247.6)	(64%)
	Italy	million m³	1,193.3	1,198.5	(5.1)	–
	Total – EP Power Europe	**million m³**	**1,439.4**	**1,692.2**	**(252.8)**	**(15%)**
	Total – EPH	**million m³**	**1,516.1**	**1,840.0**	**(324.1)**	**(18%)**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN22	**Quantity of water discharged**					
	EP Infrastructure					
	Czech Republic	million m³	59.8*	132.5	(72.7)	(55%)
	Slovakia	million m³	0.1	0.1	0.0	25%
	Hungary	million m³	13.6	11.8	1.8	16%
	Total – EP Infrastructure	**million m³**	**73.5**	**144.3**	**(70.8)**	**(49%)**
	EP Power Europe					
	Germany	million m³	77.4	80.9	(3.5)	(4%)
	UK	million m³	129.4	372.8	(243.4)	(65%)
	Italy	million m³	1,193.7	1,198.8	(5.1)	–
	Total – EP Power Europe	**million m³**	**1,400.5**	**1,652.5**	**(252.0)**	**(15%)**
	Total – EPH	**million m³**	**1,474.0**	**1,797**	**(322.8)**	**(18%)**

Fig. 40 Total water withdrawal and discharge for EPH split by country of operation for 2014 and 2015

* This data has received limited assurance from the independent auditing firm EY.
Water withdrawal and discharged water in the Czech Republic in 2015 includes 58.3 million m³ and 56.1 million m³, respectively, related to Elektrárna Opatovice plant ("EOP"). In the absence of direct measuring, this data has been calculated using formula agreed with the supplier in order to estimate the surface water withdrawn and discharged. Since 1 January 2016 external supplier's meters have had been installed at inlet. During 2016 EOP has been analyzing quantity of water withdrawn based on direct measurements comparing it with water withdrawn calculated based on formula in use until 2015 year end. So far the results indicate the actual water withdrawn and discharged might be higher than quantity estimated based on the formula used until 2015 year end. However, it has been decided not to adjust the 2015 data as only estimated data is available in the absence of metered records and also since the new meters have only been in place for a short time period and thus it is not yet possible to establish an accurate baseline using the new approach.

Successful water management in Budapest's district heating

Through our subsidiary BERT in Hungary, EPH operates 3 co-generation gas-fired power plants with a total heat and electricity installed capacity of 847 MWt and 406 MWe, respectively. These 3 plants cover the district heating and utility hot water needs of some 140,000 flats and 4,000 other consumers in Budapest.

Water is needed to operate the combined cycle units as well as the connected district heating network (in this case owned and operated by a separate company, FÖTAV, belonging to the City of Budapest). A considerable amount of industrial water is consumed i) as a means of heating for the district heating network, ii) for cooling the CCGT units and iii) for various other purposes including steam for customers, water treatment, boiler use and partially natural network losses.

Thanks to a strong focus on water management, at 2 of the plants that are dependent on industrial water (note that the third plant, Kelenföld plant uses water from the Danube river in its closed flow cooling system) BERT has successfully managed to reduce the overall industrial water consumption by over 640,000 m^3, representing a 52% reduction between 2004 and 2015. A noticeable improvement also happened in the area of subsequent water discharge to the sewage network, which saw a decrease of over 785,000 m^3 or 69% in the same period.

On top of internal analysis and identification of areas for water reduction, the key milestones in achieving this reduction include i) an upgrade at the Újpest and Kispest plants which replaced old boilers, ii) introduction of a water recirculation system collecting waste and cooling water and iii) a recent installation of a small boiler at Újpest power plant, which converts relatively large amounts of water into steam used by a neighbouring factory. Not only have these measures led to a considerable decrease in water consumption in recent years, they have also contributed to a reduction in the use of chemicals, where the discharge level of mineral substances with a technological origin dropped by some 7.3%.

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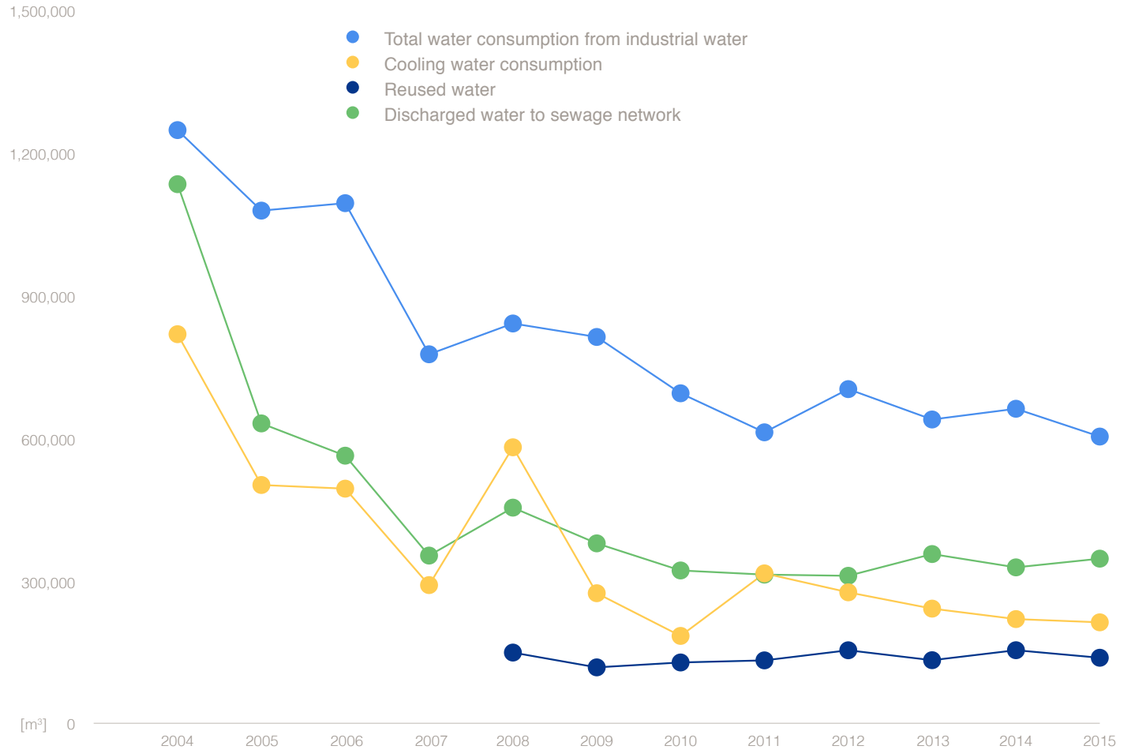

Fig. 41

Construction of a new water treatment facility at Profen mine

During the last few years, the amount of water pumped for raw coal mining purposes has been steadily increasing from levels below 90 m³ per minute to levels of over 120 m³ per minute. Given the geological conditions, water pumping from Profen mine is expected to continue at similarly high levels also in the coming years (see figure 42).

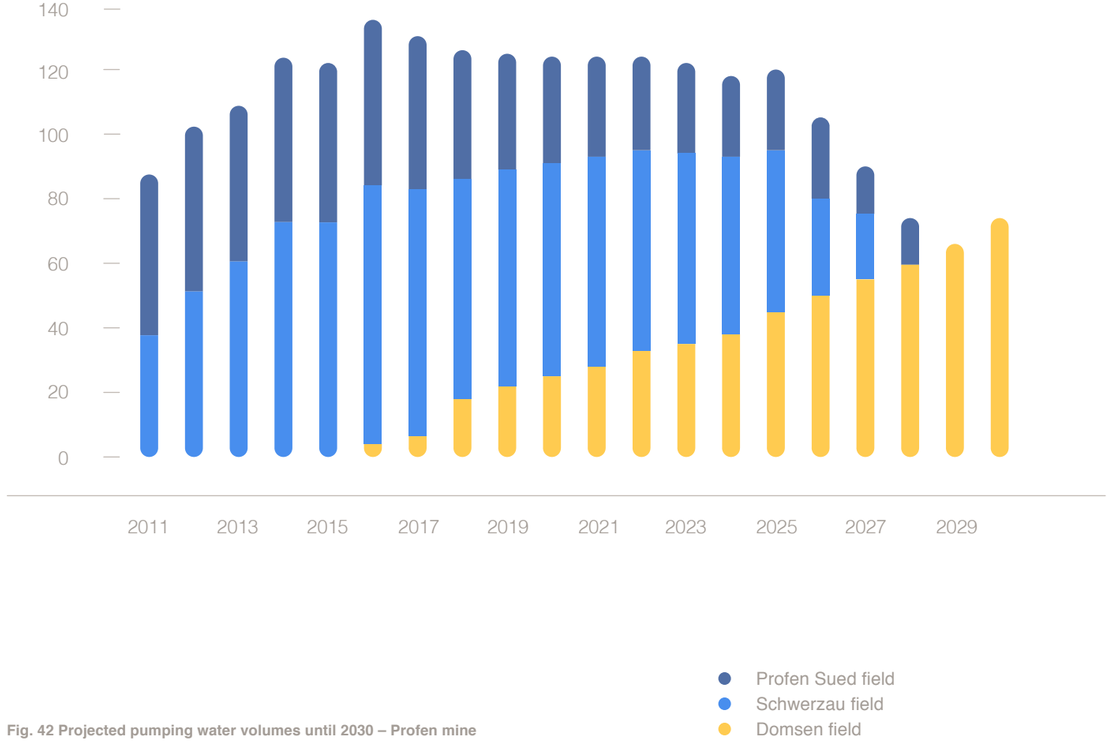

Fig. 42 Projected pumping water volumes until 2030 – Profen mine

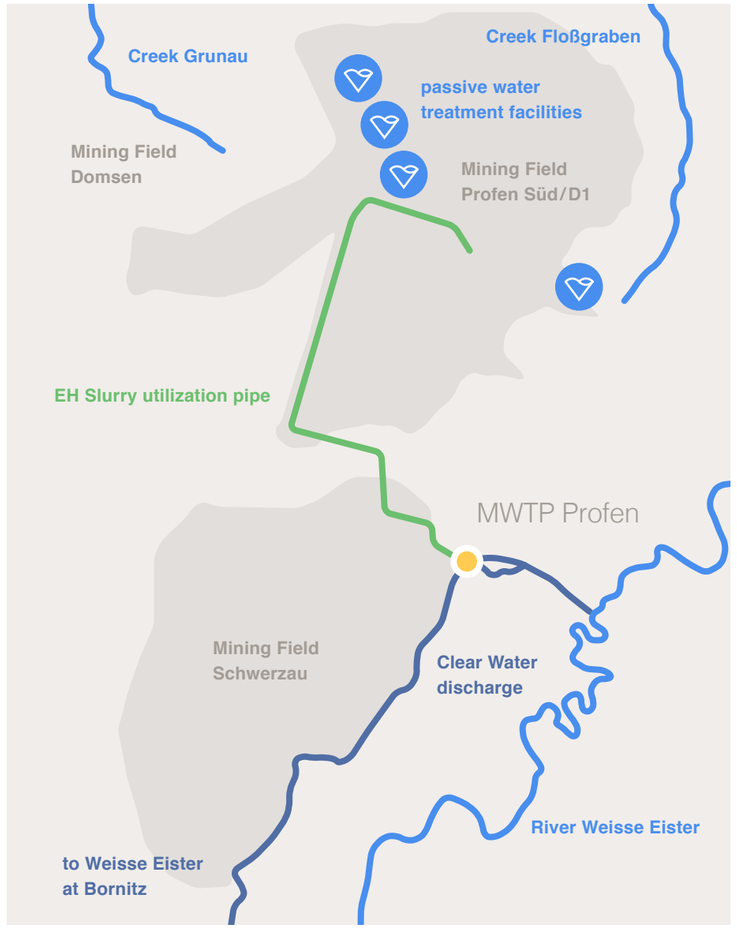

Fig. 43 Ground map with overview of water management system and Profen mine water treatment facility

A considerable share of the water pumped from Profen mine was used for flooding of end lakes in the closer environment in the past. A total of about 550 million m³ of pumped water was used for the flooding of the end lakes Haselbach III, Werben, Cospuden, Hain, Haubitz, Kahnsdorf, Markkleeberg, Störmthal and Zwenkau. The remaining water was discharged to the Weiße Elster river following passive treatment based on sedimentation in order to reduce the water iron content (the water has iron contents between 10 and 40 mg/l)

Today, the end lakes are nearly filled up and as a consequence the demand for flooding water is decreasing, which leaves discharges to rivers as the only viable alternative. Moreover, from April 1, 2017 onwards new and more stringent requirements will be in place limiting the iron content to 1.5 mg/l (dissolved state) and 0.2 mg/l (solid state). As such, passive treatment will no longer be sufficient and only minor volumes can continue to be passively treated and discharged into the Floßgraben and Grunau streams as back-up water. The remaining majority at new and higher levels will require active treatment.

For this reason, at the end of 2015, MIBRAG initiated the construction of a mine water treatment facility with a capacity of up to 120 m³ per minute. Together with the existing water treatment facility at the Schleenhain mine (with capacity of up to 60 m³ per minute), this new construction will bring sustainable relief to waters in the area and ensure compliance with all applicable limits.

The construction will cost a total of approximately EUR 27 million over the years and commissioning is planned by the end of Q1 2017.

8.4 Waste

Waste management

The principle underlying our approach to waste management can be summarised as ‘avoidance, recovery, disposal’. Through our efficiency programs we firstly endeavour to avoid generating waste in the first place. Waste that cannot be avoided is subject to recovery wherever possible. Recovery mainly concerns materials which can be reused in construction (as in the case of combustion ash; regenerated into such things as oils and batteries or recycled as in the case of some types of ash and gypsum).

Waste products that cannot be recovered are disposed of at the locations that are most suitable, depending on the type of material. Accordingly, all residual waste is disposed of in compliance with statutory regulations.

Our approach to waste management is to continuously increase over time the percentage of hazardous and non-hazardous waste sent for recycling and to minimise waste going to landfill as much as possible.

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN23	**Waste other than byproducts – Total production**					
	EP Infrastructure	thousand tons	18.9	20.4	(1.5)	(7%)
	EP Power Europe	thousand tons	334.8	177.7	157.1	88%
	Total – EPH	**thousand tons**	**353.7**	**198.1**	**155.6**	**79%**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN23	**Byproducts – Total production**					
	EP Infrastructure	thousand tons	982.5	1,093.3	(110.9)	(10%)
	EP Power Europe	thousand tons	1,083.7	1,571.8	(488.1)	(31%)
	Total – EPH	**thousand tons**	**2,066.1**	**2,665.1**	**(599.0)**	**(22%)**

Fig. 44 Total waste for EPH split by sub-holding for 2014 and 2015

Total waste other than byproducts was 353.7 thousand tons in 2015, up 79% from 198.1 thousand tons the previous year. Over 90% of waste in both years was generated by EPPE and the large increase in 2015 was due mainly to increases in the waste data in Germany and Italy. In Germany, the 2015 increase relates to the clearance of a site formerly used for industrial purposes in the fore field of Profen mine. In Italy, the increase relates mainly to soil remediation in Fiume Santo from which about 39,000 tons of soil was disposed of and replaced with virgin soil.

Therefore, despite our attempts to reduce waste there can be short-term increases due to periodic events such as site clearances or decommissioning of assets that can greatly distort the underlying trend in waste related to normal operational activities.

Waste from EPIF decreased slightly (by 7%) to 18.9 thousand tons but represented only around 5% of total waste from within EPH.

In addition to waste, we also generated 2,066.1 tons of byproducts in 2015, down 22% from the prior year. Since we are frequently able to sell the byproducts for further commercial use when they are collected from our facilities we report waste and byproducts separately. However, in order to be transparent, we have reported our byproducts and waste data together as a summary in this section with more detailed quantitative information on our waste performance in the section 11.2 Appendix – Performance indicators.

Fiume Santo SpA accident

In April 2015, while the Fiume Santo power plant was still under the control of the previous owner, the Prosecutor Office of Sassari (hereafter “the Authority”) ordered seizure of a large chunk of area where demolition activities on old oil tanks were taking place. The seizure related to a fuel oil contamination under the area of the fuel oil storage. Following the event, Fiume Santo interrupted the demolition works on the old Unit 1 and 2 throughout 2015. In December 2015, following the Company‘s request to the Authority, a part of the area under seizure was released, except for those related to the oil tanks.

At the time of the accident, Fiume Santo SpA (owner of Fiume Santo plant) had all licenses and certificates including ISO 14001 in place and that also remains the case today. Following these events the Certification Body that issued the ISO 14001 certificate required an additional environmental audit under the supervision of the National Accreditation body, Accredia. There were no critical remarks emerging from this independent inspection and it was noted that the issues caused related to a time before the implementation/update of the current environmental and safety management system in place, which is considered as being fully capable of preventing the occurrence of similar events.

This was also shown by the actions taken following a separate minor accident in May 2015, when a breach of a channel of wastewater from flue gas cleaning occurred in Fiume Santo Unit 3. The accident affected a limited soil area and it was immediately notified to the competent authority. Thanks to the prompt action taken by the internal emergency teams, who managed to quickly isolate the leakage, the event had very limited impact. Following an investigation process, it was proven that the effects on the soil were insignificant. However, as a precautionary measure, maintenance operations were carried out not only on the faulty channel in Unit 3 but also on the equivalent channel in Unit 4.

In September 2015, the power station was inspected by the National Environmental Agency aimed at verifying compliance with the IPPC authorisation. The outcome of that inspection was positive and no criticism on the application of the authorisation was made.

While similar accidents as the ones described may unfortunately happen, Fiume Santo and EPH are closely monitoring the situation and are taking the necessary precautionary and improvement measures, including several technology upgrades. Still during 2015, one important upgrade was on the desulphuriser of Unit 3 (in operation since 1998), carried out at a total investment of approximately EUR 5 million. This complex upgrade was completely incident free, resulting in full compliance with the SO_2 emission limits applicable from 1 January 2016, which reduce the SO_2 concentration released into air by about 30% compared to the pre-upgrade limit. Similarly, Fiume Santo managed to perform an upgrade of the wastewater treatment plant for the desulphurisation of wastewater, improving the quality of discharged water and maintaining the compliance with limits governing discharge into sea. Other relevant environmental improvements were the start of operations for the new waste storage and the construction of the newly covered filtration station for wastewater sludge.

8.5 Biodiversity

Protecting biodiversity

EPH is well aware of the importance of biodiversity and the value of ecosystems and of the environmental benefits they provide and places great importance on responsible management of natural resources during all stages of our operations. Protecting biodiversity in the areas where we operate is a top priority for our organisation and where relevant, direct and indirect impact of our activities on local ecosystems and biodiversity is assessed with the aim of not only minimising any negative footprint but also to play an active role through engagement in different projects supporting and protecting ecosystems including endangered species, as can be demonstrated through several ongoing initiatives including the case study example that follows. We consistently strive to reduce waste and are committed to protecting and reinstating ecosystems.

Bird protection at SSE (Slovakia)

Above-ground power lines pose serious and sometimes almost fatal risks for birds, and also affect their habitat.

There are three main risks related to power distribution activities:

- Electrocution: birds sitting on power poles and/or conducting cables can die if they cause a short circuit;
- Collision: in flight birds can collide with the power lines which leads in most cases to immediate death;
- Reduction of staging and wintering areas for birds: this mostly happens when above-ground lines cut across open landscapes and habitats.

As an operator of power distribution lines in Central Slovakia, SSE carefully evaluates the impact of its operations on biodiversity, highlighting the importance of intervening to protect birds.

The company has implemented technical features that eliminate the problems of power lines, minimising the risk of injury or death for birds. SSE uses new types of structures for construction of high voltage networks situated in the protected areas. These new structures are controlled and were approved by the state environmental protection authority.

Together with Slovak NGO “Raptor protection in Slovakia”, SSE also contributed to the project “LIFE +”, focused on the protection of the Lesser Spotted Eagle (Aquila pomarina). The project’s objective was to prevent further decline and stabilise their population in Slovakia, creating better conditions for protection of this species in the future.

These are the key results after 4.5 years of this substantial project, successfully concluded in 2015:

Greening of 22 kV power lines

- 3900 columns in 22 kV power lines at a length of 295 km in Laborecká vrchovina special protection area (“SPA”) were equipped with console barriers;
- 1413 columns in 22 kV lines at a length of 171 km in Horná Orava SPA were equipped with console barriers;
- 207 columns in 22 kV power lines were equipped with a special bracket called “Antibird” in Horná Orava SPA.

Protective zones

- 172 nests and 4,593 ha of the forest habitat is protected for 122 pairs of Lesser Spotted Eagles by protective zones;
- 277 chicks successfully fledged during project implementation.

Artificial nests

- 70 artificial nests were installed in places where the original natural nest was damaged or destroyed.

The Lesser Spotted Eagle is one of the smaller species of eagle, being only a little larger than the better-known Common Buzzard. It has long, board like wings with a span of 1.5 meters ending in the finger-shaped primaries so typical for eagles, and has a short tail.

In the wild Lesser Spotted Eagles are most often seen circling hign in the sky, or sitting and looking out from high-up places like trees, posts or haystacks. The Slovak species name “krikľavý” (screechy) is based on this eagle‘s characteristic penetrating call.

Vercelli ecosystem protection at Livorno Ferraris power plant (Northern Italy)

The delicate ecosystem where the power plant operates requires special attention and care, which starts from the precise monitoring of air, water and noise level and goes all the way to the visual impact of the power plant. Despite being an industrial site, the Livorno Ferraris plant remains in harmony with its external environment both from an aesthetic as well as an ecological perspective thanks to its cooling system with forced air condenser, the incorporated chimneys and a special paint that reflects the color of the sky and thus decreases the visibility of the plant.

The total surface area of the plant is about 6.5 hectares, out of which approximately 1.2 hectares are used for the buildings and only about 1.3 hectares are paved.

One of the main contributions of the Livorno Ferraris plant to biodiversity and landscape is the project realised in cooperation with ARPA, the Regional Agency for the Protection of the Environment.

Increased attention to biodiversity was given starting from the pre-construction phase in 2005, where areas which could benefit were identified and the choice of species to be protected were agreed with the relevant authorities.

Livorno Ferraris is a combined cycle power plant situated near the rice fields of Vercelli, Piedmont, northern Italy.

Initiatives protecting biodiversity by the Livorno Ferraris power plant can be subdivided into 3 main areas:

Biomonitoring

Focused on flora, fauna and habitats, with particular attention to the “Swamp of San Genuario”, a Site of Community Importance ((SCI) IT1120007).

Air biomonitoring is carried out through:

- bioaccumulation testing campaigns in mosses and lichens;
- verification of foliar damage caused by ozone;
- monitoring of lichen biodiversity index through passive samplers.

Spring biomonitoring is performed by monitoring the vegetation in the area of the spring around the plant, with particular attention given to aquatic species;

Fauna biomonitoring was mostly performed in the period 2005 to 2012, although the Livorno Ferraris plant is still actively engaged in the protection of species sensitive to environmental changes: Bittern (Botaurus stellaris), Large Copper swamps (Lycaena dispar), European pond turtle (Emys orbicularis).

Mitigation

Mitigation for the power plant’s presence in this precise ecosystem was made by planting some 20 hectares of filter woods, with over 34,000 trees of 25 different native species being planted all around the perimeter of the plant. These woods will become a kind of visual filter, minimising the visibility of the plant.

Compensation

Compensation for these areas consists of re-naturalising the areas that were previously dedicated to rice fields (more than 20 hectares) into natural areas like grasslands, forests and wetlands. The main objective is to restore the environment favorable for the flora and fauna specific to the Vercelli region. As a result of these activities more than 35 species of native woody shrub have been planted, 12,400 trees in total. The project imagines planting and monitoring the trees for 5 years, after which the new forest is passed to the care of the Po River Natural Park.

Social

9

"During 2014–2015 EPH and its subsidiaries had no fatal accidents involving its own employees"

9.1 Occupational health and safety

Extensive safety precautions and an effective and strategically aligned health and safety ("H&S") management is of critical importance to our business. We refuse to accept that any of our operations should present a risk to the health and safety of our employees, customers, business partners or other people involved.

H&S is a top priority in each and every company in the EPH portfolio and we see achieving the best possible results as an absolute necessity for the growth of productivity, increase of competitiveness and success of the overall business.

The companies within the EPH perimeter seek to achieve the goal of "Zero harm" through continuous improvement of H&S management, the implementation of numerous initiatives, reaching different organisational levels and engaging every single employee from top-managers to shift workers and contractors. People on every level work hard to reduce and prevent work-related accidents. EPH sees no difference between its own employees and those of the contracting firms. Companies within the EPH perimeter actively involve contractors in various improvement initiatives, aimed at establishing a long-term trusting relationship to enhance safety culture and creation of an accident free working environment.

EPH Corporate Sustainability Report | **Social**

"69% of EPH employees work in companies that are certified with OHSAS 18001"

Contractor fatality

During 2015, there was, regrettably, a contractor fatality at SSE, one of our operations in Slovakia. The contractor was working at height, and while trying to reassemble a new power line was electrocuted and fell from a height of seven metres.

Following the accident, we launched a thorough investigation so as to understand what happened and what could be done to help prevent any further accidents. It was determined that the prescribed personal protective equipment had not been worn and the work had been done without informing our company SSE.

Following the investigation, we contacted the contractors with emergency information and the identified shortcomings from the investigation that emphasised the need to follow compliance with all OHS regulations. Since the accident, SSE has also increased the number of compliance checks on contractors regarding OHS requirements.

Overall, the injury frequency rate[1] was approximately 3 in both years, being lower in EPIF and higher in EPPE. The higher injury frequency rate and number of injuries in EPPE was mainly due to the higher injury rate in Germany, though this improved from 9 in 2014 to 6.5 in 2015. Overall, total injuries reduced from 52 to 48 in EPH, which was comprised of a decrease in EPPE and an increase at EPIF, though the total number of injuries was still lower in EPIF in both years.

1 Injury frequency rate reported above has been calculated as total number of Registered injuries / 1 million hours worked

Registered injury – in order to be able to report standardised injury data from across all our operations, for the purpose of this Sustainability Report, all injuries that resulted in at least 3 lost working days have been reported. This is a stricter definition than many companies use for their respective national reporting

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-LA6	**Injury frequency rate – Employees**					
	EP Infrastructure					
	Czech Republic	index	2.8	2.4	0.4	17%
	Slovakia	index	1.4	1.0	0.4	41%
	Hungary	index	2.1	–	2.1	–
	Total – EP Infrastructure	**index**	**1.9**	**1.4**	**0.5**	**35%**
	EP Power Europe					
	Germany	index	6.5	9.0	(2.5)	(27%)
	UK	index	1.5	–	1.5	–
	Italy	index	–	1.2	(1.2)	(100%)
	Total – EP Power Europe	**index**	**5.0**	**6.6**	**(1.6)**	**(25%)**
	Total – EPH	**index**	**2.9**	**3**	**(0.2)**	**(6%)**

Fig. 45 Injury frequency rate for EPH split by sub-holding and by country of operation for 2014 and 2015

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-LA6	**Registered injuries – Employees**					
	EP Infrastructure					
	Czech Republic	#	9*	8	1	13%
	Slovakia	#	11	8	3	38%
	Hungary	#	1	–	1	–
	Total – EP Infrastructure	**#**	**21**	**16**	**5**	**31%**
	EP Power Europe					
	Germany	#	26	35	(9)	(26%)
	UK	#	1	–	1	–
	Italy	#	–	1	(1)	(100%)
	Total – EP Power Europe	**#**	**27**	**36**	**(9)**	**(25%)**
	Total – EPH	**#**	**48**	**52**	**(4)**	**(8%)**

Fig. 46 Number of injuries for EPH split by sub-holding and by country of operation for 2014 and 2015

* This data has received limited assurance from the independent auditing firm EY.

Initiatives to reduce injuries in Germany

The higher injury frequency rate at our operations is monitored and analysed continually. Our operations in Germany are active in 34 different fields, including construction, mobile coal recovery, haulage and loading. Until 2012, the focus for achieving a reduction of accident numbers was primarily on technical measures. Since then, more emphasis has been placed on organisational and personal measures, including safety instructions and inspections as well as OHS seminars and classes for leaders.

As part of our goal to increase employee sensitivity for safe work practices, a BG RCI (Employer‘s Liability Insurance Association for Miners) seminar was specifically organised in Germany for all our leaders in order to increase knowledge sharing and methods for raising OHS awareness amongst our workforce. However, despite all our efforts to increase employee safety and safety awareness, a few accidents have unfortunately continued to occur. Following all accidents, a detailed investigation is launched in order to understand the root cause and identify lessons learned so that further accidents can be avoided. Most accidents are due to human error and most accidents relate to strains and/or bruises.

Health and safety management in EPH is decentralised at the Company level, but in general is based on the following 8 main pillars:

1. Commitment from top-management

Top management is actively involved in H&S issues and these are carefully considered in each decision making process. H&S reporting is established and taken very seriously. For example, within SSE, weekly updates on H&S indicators are discussed at management meetings, while semi-annual and annual reports on H&S are presented directly to the Board of Directors.

2. H&S is integrated into our remuneration system

Integration of H&S results into the incentive scheme demonstrates the commitment of the Company to address these issues and link them to the assessment of employee performance. For example, within MIBRAG, a workplace safety bonus scheme has been agreed in order to motivate employees. It also includes additional performance-based contributions to the pension scheme established by the Company.

3. Preventive approach

A reduction in accidents is an important achievement, however being able to continue to achieve improved results over time represents one of the most challenging issues in H&S. In order to achieve and maintain decreasing accident trends for both our employees and contractors, various EPH companies are focusing on a preventive approach based on a detailed analysis of accidents and definition of corrective actions, with the aim of ensuring that similar accidents will not occur in the future. Monitoring and analyses of near-misses and incidents is another important part of this preventive approach, as a reduction of near-misses can help lead to the prevention of severe and even fatal accidents.

Eustream has an established Methodological guideline on accident notification, investigation and recording.

SPP – distribúcia performs investigation of near-misses and establishes corrective actions.

In 2015, NAFTA achieved an increase of around three times (from 31 in 2014 to 91 in 2015) in the reporting of incidents and near – misses thanks to having simplified its reporting process and launching dedicated information and communication campaigns.

“In 2015 Lynemouth Power was awarded the Royal Society for the Prevention of Accidents’ award; ‘Order of Distinction for H&S at work’ to recognize 20 years of outstanding H&S performance”

EP Produzione implements various tools focused on improvement and prevention. In order to enhance safety leadership, initiatives such as “Let’s talk Safety”, “Report danger” and “Stop and Think” are promoted involving all plant personnel. Special attention is given to the circulation of Lessons learned and monitoring of near-misses and other events. In 2015, 16 near-misses, 3 first aid events and 155 unsafe acts were recorded and managed in terms of improvement activities. There were also about 103 safety walks performed.

4. Control and risk reduction

H&S management requires a precise risk assessment, as well as regular inspections on site. BERT performs such a work related risk assessment for every type of work including not only activities performed by its own employees but also those of its contractors and subcontractors. It also runs enhanced controls for work with increased risks. Each work supervisor is required to pass an examination on BERT’s safety rules.

Ergosud pays special attention to the improvement of confined space management through detailed identification and mapping at the plant and the fitting of recovery equipment in case there is an accident in a confined space.

At the workplaces of SPP – distribúcia, external entities perform systematic safety inspections that provide important input for the assessment of projects and technological processes in terms of H&S. During 2014 and 2015 up to 12 on-site inspections were completed.

5. Focus on behaviour

According to studies, 80–90% of accidents are caused by human error (Heinrich et al, 1980[1]). At the same time, transformation of behaviour from unsafe to safe is one of the most difficult challenges a Company can meet on the way towards achieving a goal of “Zero harm”. Behaviour Based Safety (“BBS”) is a reinforcement action taken by an organisation’s management to identify the immediate and root causes of unsafe behaviour and then apply corrective measures to reduce unsafe actions by employees. BBS puts employees at the center, trying to understand the reasons of unsafe behaviour and defining

1 Heinrich, H. W., Petersen, D., & Roos, N. (1980). Industrial accident prevention: A safety management approach (5th Edition). New York, NY: McGraw-Hill

the ways of improvement. Observations are a key tool, when the worker observes and feels responsible not only for his or her behavior but also for the behavior of their colleague. BBS is an important step in the transformation of safety culture from the reactive and dependent to the proactive and interdependent.

NAFTA has started the implementation of BBS with one UGS division technician being trained to realise observations during 2015 and another 5 HSE employees in 2014. During the first year of the project, the trained employees performed a total of 182 observations and 35 corrective measures were implemented as post observation follow up.

Lynemouth started with BBS in 2010. From the beginning of the project until 2015, up to 135 employees were trained. The number of observations increased significantly from 95 in 2010 to 6458 in 2015. During 2014–2015 more than 200 corrective measures were implemented.

MIBRAG pays increased attention on the improvement of employees safe behavior. 2020 safety programme focuses on workplace behaviours and the early detection of risk factors and causes of accidents.

6. Training and communication

H&S training as well as communication are recognised as important channels for the diffusion of H&S knowledge, awareness and culture among our employees and contractors.

Eustream performs regular retraining for all employees and contractors that perform construction works. In 2015 about 30 contractors and employees were retrained. The Company plans to train another 40 colleagues among both its own employees and contractors in 2016.

Ergosud pays increased attention to the importance of H&S training and awareness raising. In 2015, training hours on H&S amounted to 1,152 or 68% out of 1,692 hours dedicated to overall training activities.

BERT also organises trainings on safety rules for contractors and employees. In 2015 up to 560 colleagues were trained. Each training ends with an examination. From 2014 to 2015, almost 260 BERT employees participated in first-aid courses. Particular attention is also dedicated to E-learning on Integrated management system (“IMS”) with 250 employees involved in 2014 and another 255 in 2015. Raising awareness regarding the safest approach to work among BERT employees is done through the discussion of current H&S risks on daily and weekly O&M meetings, as well as through the use of visual tools like pictures and diagrams on H&S.

Many EPH companies use the Intranet as an effective tool of internal communication and information on H&S.

“In 2015 MIBRAG became the first mining company to receive BG RCI certification for systematic and effective occupational health management system”

7. Emergency management and fire-protection

Our companies are working on enhancing procedures for fire protection and preparation for emergency situations, have dedicated plans and perform regular drills and trainings.

MIBRAG’s internal fire department is in charge of preventive and defensive fire protection as well as of providing internal emergency response services. This department also conducts fire prevention trainings for part-time firefighters and first responders. The number of participants reached 338 in 2014 and 248 in 2015, respectively.

At Eustream, regular emergency drills are controlled by HSEQ department in collaboration with the dispatch department and fire safety brigades. During 2014–2015, 7 emergency drills were performed.

8. Health protection

The health of our employees is treated as seriously as their safety. Various initiatives aimed at the promotion of health and well-being in the work-place are in place in our companies.

SPP – distribúcia regularly performs medical examinations for employees (1,114 employees in 2014 and 257 in 2015).

BERT organises health screening tests for its employees: 151 tests in 2014 and 167 in 2015.

MIBRAG provides support to employees to come off disability leave, assisting them in a gradual return to their duties or providing them with work according to their abilities.

While the H&S results demonstrated by EPH and our subsidiaries are improving, the ultimate goal is to have all operations and sites capable of maintaining a sustainable “Zero harm” objective. In order to meet this goal, EPH will continue to support our subsidiaries in reinforcing preventive tools, in keeping attention on contractor management, elimination of unsafe behaviors, share best practices and lessons learned and continue to promote safety leadership at all organisational levels to sustain fully accident free operations.

9.2 Employment

At EPH, we are convinced that effective management of our human resources is a prerequisite for successful operations across the different businesses. At each subsidiary level, we understand the role our employees play in helping to achieve our business targets and we realise that our employees are one of our most important stakeholders. This is even more the case in today's challenging energy market environment, when attractiveness for experienced employees with particular know-how becomes a competitive advantage for any utility type company. We are aware of the ever growing competition for top talent across the markets where we operate and therefore at EPH and within our subsidiaries, we place great importance on creating and maintaining an attractive working environment where all our employees can develop and strive in most appropriate roles across the organisation.

Within the holding structure of EPH, the HR function is decentralised and the responsibility for this lies within each subsidiary company. This allows for much greater flexibility to respond to our employee needs and is effectively a necessity in order to account for the inherent differences between our various operations, whether due to location, business area, the size of the company's workforce, unionisation or other reasons. Nevertheless, from its position as the main shareholder, EPH strives to promote the trust, ownership, engagement and commitment of our employees as this has a direct impact on increasing innovation, employee morale, productivity, retention and talent attraction.

In 2015, across our operations and geographies, EPH employed 10,333 professionals, out of which 8,624 were male employees and 1,709 were female[1]. 96 % of EPH employees are covered by various collective employment agreement schemes.

GRI/EUSS	KPI	Unit	Total	Male	Female
G4-10	**Headcount**				
	EP Infrastructure				
	Czech Republic	#	1,815	1,510	305
	Slovakia	#	4,489	3,597	892
	Hungary	#	272	218	54
	Total – EP Infrastructure	**#**	**6,576**	**5,325**	**1,251**
	EP Power Europe				
	Germany	#	2,871	2,479	392
	UK	#	432	397	35
	Italy	#	454	423	31
	Total – EP Power Europe	**#**	**3,757**	**3,299**	**458**
	Total – EPH	**#**	**10,333**	**8,624**	**1,709**

Fig. 47 EPH headcount by country for 2014 and 2015

1 Please note there are some deviations between the headcount data reported here and the data in the EPH Consolidated Annual Report. This is due to the stated Organisational boundaries and because the headcount data reported in this Report has been reported on an annual average basis for the year for all companies to allow comparability

"In 2015, almost 236,000 hours were dedicated and committed to trainings & development of the employees within EPH"

9.3 Training and development

EPH and its subsidiaries place great importance on the development of our employees as we recognise that our employees are our top asset and are committed to their personal development. As mentioned in the previous subsection on Employment, given that EPH uses a decentralised approach in human resources, this section draws on experience, processes and activities of some of our major subsidiaries, all of which highlight the importance each of these companies places on our most precious asset – our people.

Eustream people development

Eustream puts great emphasis on the development and education of its employees, both in terms of technical training and enhancement of soft skills. Compulsory trainings by legislative acts or regulations that are relevant to Eustream business include both highly professional and technical procedures as well as the health and safety training of our workforce. This type of training is completed with certification for successful training participation. The frequency of repeating trainings is between 1 and 10 years, according to the training type. Total training and expenditure provided for compulsory training in 2015 is summarised in the following table.

Compulsory training	Number of employees	Duration (hours)	Total spend
	501	16,800 hours	EUR 77 thousand

In addition to compulsory training, development training was also offered to our employees, covering language courses, attendance at local and foreign conferences, seminars, IT trainings and additional development. Total training and expenditure provided for development training in 2015 is summarised in the following table.

Development training	Number of employees	Duration	Total spend
	324	7,900 hours	EUR 120 thousand

Fig. 48 Eustream training

MIBRAG people development

In 2015 MIBRAG spent EUR 748 thousand on professional trainings.

In 2013, the “Strategic Staff Development” department was established in MIBRAG as an improvement initiative after analysing feedback from the employees’ survey. One of its goals is talent and succession management in the company.

Management and employees collaborated on restructuring the MIBRAG competency model which describes what the Company expects from its employees (strengths, skills and capabilities) so they can contribute to the Company’s success in the best way.

The Competence model supports the continuous development of the MIBRAG culture and represents a uniform basis for the company’s entire human resources management work. From the application process to staff development and talent management, the competency areas (leadership, independence, and team skills) are assessed in both applicants and employees and further developed as necessary.

MIBRAG has developed a program to develop talent within the organisation. In 2014, 98 candidates participated in the selection process for the second round of the talent management process; 34 individuals subsequently started their development programs in June 2015 and 19 were subsequently offered permanent positions at the company. In 2015, 22 individuals successfully completed their development program and 17 of these were subsequently promoted to new leadership positions.

MIBRAG‘s talent management process forms an important part of strategic staff planning and development, which is based on transparent and objective criteria. Training results from 2015 included 690 employees who were trained for a total of 42,358 hours.

Cooling system in the Livorno Ferraris power plant

Assurance

10

Independent Practitioner's Assurance Report

To the management of Energetický a průmyslový holding, a.s.:

This report is intended solely for the management of Energetický a průmyslový holding, a.s. (hereinafter "the Company") for the purpose of reporting on Sustainability Report 2015 ("the Report") prepared by the Company for the year ended 31 December 2015.

Subject Matter Information and Applicable Criteria

The assurance engagement relates to the information marked with ("*") as set out in the Report on pages 90, 97, 110, 144, 150, 152 and 158 comprising the relevant on-site operations in the Czech Republic (together "the Selected Information") which has been prepared based on the Global Reporting Initiative G4 Sustainability Reporting Guidelines ("GRI") for 2015 and that consists of: Total Energy consumption within the organisation in GJs (G4-EN3), Total Water Withdrawal by Source in millions of m^3 (G4-EN8), Quantity of Discharged Water in millions of m^3 (G4-EN22) and Total Number of Work-related Injuries (G4-LA6).

Specific Purpose

This report is intended solely for the purposes specified in the first paragraph above and for your information and must not be used for other needs or distributed to other recipients except for being disclosed in Company's Sustainability Report for the year ended 31 December 2015. The report refers exclusively to the Selected Information and must not be associated with any Company's financial statements or the Report as a whole.

To the fullest extent permitted by law, we do not assume responsibility to anyone other than the Company for this report.

Responsible Party's Responsibilities

The Company's management is responsible for the preparation, collection and presentation of the Selected Information in accordance with GRI. In particular, the Company's management is responsible for internal controls being designed and implemented to prevent the Selected Information from being materially misstated.

In addition, the Company's management is responsible for ensuring that the documentation provided to the practitioner is complete and accurate. The Company's management is also responsible for maintaining the internal control system that reasonably ensures that the documentation described above is free from material misstatements, whether due to fraud or error.

Practitioner's Responsibilities

We conducted our assurance engagement in accordance with International Assurance Standards, particularly International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information ISAE 3000 (revised). These regulations require that we comply with ethical standards and plan and perform our assurance engagement to obtain limited assurance about the Selected Information.

We apply International Standard on Quality Control 1 (ISQC 1), and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation.

We comply with the independence and other ethical requirements of the IESBA Code of Ethics for Professional Accountants, which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

EPH Corporate Sustainability Report | **Assurance**

The procedures selected depend on the practitioner's judgment. The procedures include, in particular, inquiry of the personnel responsible for collecting and reporting on the Selected Information and additional procedures aimed at obtaining evidence about the Selected Information.

The assurance engagement performed represents a limited assurance engagement. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower.

In respect of the Selected Information mentioned above we have performed mainly the following procedures:

- Interviewed selected personnel of the Company and at selected sites to understand the current processes in place for capturing the Selected Information pertaining to the reporting period;
- Reviewed Selected Information on site covering two plants at Elektrárna Opatovice a.s. and United Energy, a.s., against evidence, on a sample basis;
- Performed off site analytical review of Selected Information pertaining to the Company's other plants in the Czech Republic and consolidation of such data;
- Re-performed, on a sample basis, calculations used to prepare the Selected Information for the reporting period;
- Assessed the disclosure and presentation of the Selected Information in the Report.

Our assurance scope excludes the conversion of different energy measures to gigajoules (GJ) which is based upon, inter alia, information and factors generated internally and/or derived by independent third parties. Our limited assurance work has not included examination of the derivation of those factors and other third party information.

We compared economic and financial data that consists of Total Sales, EBITDA, Total Equity, Total Assets and Income Tax Paid as of 31 December 2015 and for the year then ended, marked with ("**") and included in the Report on pages 53, 54, 55, 56 and 57 with those included in the Company's consolidated financial statements as of 31 December 2015 that form part of the Company's 2015 Annual Report and found them to be in agreement after giving effect to rounding, if applicable.

Practitioner's conclusion

Based on the procedures performed and evidence obtained, we are not aware of any material amendments that need to be made to the assessment of the Selected Information for it to be in accordance with GRI.

Other observations and areas for improvement

Our observation has been communicated to the Company's management. This observation does not affect our conclusions on the Report set out earlier in this statement. As described in a footnote to indicators Total Water Withdrawal by Source (G4-EN8) and Quantity of Discharged Water (G4-EN22) in the Czech Republic on pages 97, 150 and 152 of the Report, until 2015 year end these 2 indicators related to Elektrárny Opatovice plant were, in the absence of direct measuring, calculated using formula agreed with the supplier. Since 2016 there has been direct measurement of water withdrawal and water discharged implemented that could result in more precise water quantities to be reported.

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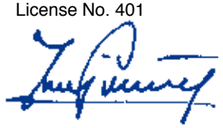

Josef Pivoňka, Auditor
License No. 1963

23 November 2016
Prague, Czech Republic

A member firm of Ernst & Young Global Limited
Ernst & Young Audit, s.r.o. with its registered office at Na Florenci 2116/15, 110 00 Prague 1 – Nove Mesto, has been incorporated in the Commercial Register administered by the Municipal Court in Prague, Section C, entry no. 88504, under Identification No. 26704153.

Appendix

11

11.1 GRI Content Index

This Report has been developed to follow the GRI G4 “core” option.
This index lists our standard and specific disclosures with reference to G4 categories, aspects and indicators, and refers to the pages where these issues are addressed in this report.

General standard disclosures

Strategy and analysis

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-1	Statement from the CEO	1 Foreword	4

Organisational profile

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-3	Name of the organisation	1 Foreword 3 EPH and its business	4 12
G4-4	Primary brands, products and services	3 EPH and its business	12
G4-5	Location of the organisation's headquarters	3 EPH and its business	12
G4-6	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations	3 EPH and its business	12
G4-7	Nature of ownership and legal form	3 EPH and its business 11.4 Organisational boundaries	12 168
G4-8	Markets served	3 EPH and its business	12
G4-9	Scale of the organisation	11.2 Performance indicators	132
G4-10	Breakdown of workforce	9.2 Employment 11.2 Performance indicators	116 132
G4-11	Percentage of total employees covered by collective bargaining agreements	9.2 Employment 11.2 Performance indicators	116 132
G4-12	Describe the organisation's supply chain	7.4 Procurement practices	76
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	3 EPH and its business	12
G4-14	Addressing the precautionary approach or principle	–	Consistent with the precautionary principle, EPH implements a risk-based approach to its operations through extensive management systems.
G4-15	External charters, principles or initiatives endorsed	–	EPH has not currently endorsed any external charters, principles or initiatives
G4-16	Membership of associations and advocacy organisations	–	EPH is a member of the Confederation of Industry of the Czech Republic (http://www.spcr.cz/en)
EU1	Net installed capacity	11.2 Performance indicators	132
EU2	Net power production	11.2 Performance indicators	132

Organisational profile (continue)

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-17	Report coverage of entities included in the consolidated financial statements	11.4 Organisational boundaries	168
G4-18	Process for defining the report content and the aspect boundaries	2 About this Report, 5 Stakeholders, 6 Priorities	8 42 46
G4-19	Material aspects identified	6 Priorities	46
G4-20	For each material Aspect, report the Aspect Boundary within the organisation	–	All material aspects were considered material either at the global EPH level and/or the local company level as explained in Section 5 Stakeholders
G4-21	For each material Aspect, report the Aspect Boundary outside the organisation	–	
G4-22	The effect of any restatements of information provided in previous reports	–	Not applicable as this is our first Report.
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	–	Not applicable as this is our first Report.

Stakeholder engagement

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-24	List of stakeholder groups engaged by the organisation	5 Stakeholders	42
G4-25	Basis for identification and selection of stakeholders	5 Stakeholders	42
G4-26	Approaches to stakeholder engagement	5 Stakeholders	42
G4-27	Response to key topics and concerns raised	5 Stakeholders	In response to the interest in our sustainability performance and impacts by our stakeholders, EPH has prepared its first Sustainability report so that it can report transparently with its stakeholders. Please see the Stakeholders section of this Report for more detail.

Report profile

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-28	Reporting period	2 About this Report	8
G4-29	Date of most recent previous report	–	Not applicable as this is our first Report.
G4-30	Reporting cycle	–	Following this first Report, company aims to report annually
G4-31	Contact point for questions	–	Phone: +420 232 005 200 Email: sustainability@epholding.cz Web: www.epholding.cz
G4-32	"In accordance" option, GRI content index and external assurance.	2 About the Report	8
G4-33	Policy and current practice regarding external assurance	2 About the Report	8

Governance

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-34	Governance and Ethics structure of the organisation	4 Governance and ethics	32

Ethics and integrity

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-56	Values, principles, standards and norms of behavior, such as codes of conduct and codes of ethics	4 Governance and ethics	32

Economic

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-DMA Aspect: Economic Performance			
G4-EC1	Direct economic value generated and distributed	–	2015 Annual report, Balance sheet and Income statement, page no. 3, 4
G4-EC3	Coverage of the organisation's defined benefit plan obligations	–	2015 Annual report, Note no. 31
G4-DMA Aspect: Procurement Practices			
G4-12	Organisation's supply chain	7.4 Procurement practices	76
G4-DMA Aspect: System Efficiency			
EU11	Average generation efficiency	7.2. System efficiency	62
EU12	Transmission and distribution losses as a percentage of total energy	7.3 Access - Holesovice case study	67

Environmental

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-DMA Aspect: Energy			
G4-EN3	Energy consumption within the organisation	8.1 Climate change and energy 11.2. Performance indicators	81 132
G4-DMA Aspect: Water			
G4-EN8	Total water withdrawal by source	8.3 Water 11.2. Performance indicators	96 132
G4-DMA Aspect: Biodiversity			
G4-EN13	Habitats protected or restored	8.5 Biodiversity	104
G4-DMA Aspect: Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	8.1 Climate change and energy 11.2. Performance indicators	81 132
G4-EN18	Greenhouse gas (GHG) emissions intensity	8.1 Climate change and energy 11.2. Performance indicators	81 132
G4-EN19	Reduction of GHG emissions	8.1 Climate change and energy 11.2. Performance indicators	81 132
G4-EN21	NO_X, SO_X, and other significant air emissions	8.2 Air Emissions 11.2. Performance indicators	94 132
G4-DMA Aspect: Effluents and Waste			
G4-EN22	Total water discharge by quality and destination	8.3 Water 11.2. Performance indicators	96 132
G4-EN23	Total weight of waste by type and disposal method	8.4 Waste 11.2. Performance indicators	102 132
G4-DMA Aspect: Compliance			
G4-EN29	Fines and sanctions for non-compliance with environmental regulations.	8.4. Waste – Fiume Santo SpA accident case study	102

Social: labor practices and decent work

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-DMA Aspect: Employment			
G4-LA1	New employee hires and employee turnover by age group, gender and region.	11.2 Performance indicators for new employees hires and employee turnover by gender and country region.	Please note data has not been reported by age group since this information is not currently available and will be the subject of improvement for further reports.
G4-DMA Aspect: Occupational Health and Safety			
G4-LA6	Injuries, lost days, absenteeism and fatalities	9.1 Occupational health and safety	108
G4-DMA Aspect: Training and Education			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	9.3 Training 11.2. Performance indicators	117 132
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	9.3 Training	117

Social: society

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-DMA Aspect: Anti-Corruption			
G4-SO4	Anti-corruption training	4.2 Compliance	40
G4-DMA Aspect: Compliance			
G4-SO8	Fines and sanctions for non-compliance	–	There have not been any significant fines or incidents of non-compliance during the reporting period.

Social: product responsibility

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-DMA Aspect: Access			
EU28	Power outage frequency	7.3 Access	67
EU29	Average power outage duration	7.3 Access	67

11.2 Performance indicators

Data reported irrespective of acquisition date of particular plant / asset and excluding acquisitions of Slovenské elektrárne and LEAG. For more information please refer to the section 11.4 Organisational boundaries.

EPH and its business

Country

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
EU1	**Net installed capacity – Electricity – Conventional sources**					
	EP Infrastructure					
	Czech Republic	MW	860	860	–	–
	Slovakia	MW	591	597	(6)	(1%)
	Hungary	MW	396	396	–	–
	Total – EP Infrastructure	**MW**	**1,847**	**1,853**	**(6)**	**–**
	EP Power Europe					
	Germany	MW	460	460	–	–
	UK	MW	2,380	2,380	–	–
	Italy	MW	4,885	4,885	–	–
	Total – EP Power Europe	**MW**	**7,725**	**7,725**	**–**	**–**
	Total – EPH	**MW**	**9,572**	**9,578**	**(6)**	**–**

Note: Total figures might not reconcile due to rounding.

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
EU1	**Net installed capacity – Electricity – Renewable sources**					
	EP Infrastructure					
	Czech Republic	MW	14	14	–	–
	Slovakia	MW	17	17	–	–
	Hungary	MW	–	–	–	–
	Total – EP Infrastructure	**MW**	**31**	**31**	**–**	**–**
	EP Power Europe					
	Germany	MW	7	7	–	–
	UK	MW	–	–	–	–
	Italy	MW	3	3	–	–
	Total – EP Power Europe	**MW**	**10**	**10**	**–**	**–**
	Total – EPH	**MW**	**41**	**41**	**–**	**–**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
EU1	**Net installed capacity – Heat**					
	EP Infrastructure					
	Czech Republic	MW	3,192	3,195	(3)	–
	Slovakia	MW	–	–	–	–
	Hungary	MW	1,401	1,401	–	–
	Total – EP Infrastructure	**MW**	**4,593**	**4,596**	**(3)**	**–**
	EP Power Europe					
	Germany	MW	156	156	–	–
	UK	MW	–	–	–	–
	Italy	MW	–	–	–	–
	Total – EP Power Europe	**MW**	**156**	**156**	**–**	**–**
	Total – EPH	**MW**	**4,749**	**4,752**	**(3)**	**–**

Fuel

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
EU1	**Net installed capacity – Electricity – Conventional sources**					
	EP Infrastructure					
	Hard coal	MW	110	110	–	–
	Lignite	MW	707	707	–	–
	CCGT	MW	396	396	–	–
	OCGT and other NG	MW	538	544	(6)	(1%)
	Oil	MW	21	21	–	–
	Other	MW	75	75	–	–
	Total – EP Infrastructure	**MW**	**1,847**	**1,853**	**(6)**	**–**
	EP Power Europe					
	Hard coal	MW	3,020	3,020	–	–
	Lignite	MW	460	460	–	–
	CCGT	MW	3,693	3,693	–	–
	OCGT and other NG	MW	216	216	–	–
	Oil	MW	320	320	–	–
	Other	MW	17	17	–	–
	Total – EP Power Europe	**MW**	**7,725**	**7,725**	**–**	**–**
	Total – EPH	**MW**	**9,572**	**9,578**	**(6)**	**–**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
EU1	**Net installed capacity – Electricity – Renewable sources**					
	EP Infrastructure					
	Wind	MW	6	6	–	–
	Photovoltaic	MW	20	20	–	–
	Hydro	MW	3	3	–	–
	Other	MW	3	3	–	–
	Total – EP Infrastructure	**MW**	**31**	**31**	**–**	**–**
	EP Power Europe					
	Wind	MW	7	7	–	–
	Photovoltaic	MW	1	1	–	–
	Hydro	MW	2	2	–	–
	Other	MW	–	–	–	–
	Total – EP Power Europe	**MW**	**10**	**10**	**–**	**–**
	Total – EPH	**MW**	**41**	**41**	**–**	**–**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
EU1	**Net installed capacity – Heat**					
	EP Infrastructure					
	Hard coal	MW	242	242	–	–
	Lignite	MW	1,382	1,382	–	–
	CCGT	MW	1,401	1,401	–	–
	OCGT and other NG	MW	1,334	1,337	(3)	–
	Oil	MW	234	234	–	–
	Total – EP Infrastructure	**MW**	**4,593**	**4,596**	**(3)**	**–**
	EP Power Europe					
	Hard coal	MW	–	–	–	–
	Lignite	MW	156	156	–	–
	CCGT	MW	–	–	–	–
	OCGT and other NG	MW	–	–	–	–
	Oil	MW	–	–	–	–
	Total – EP Power Europe	**MW**	**156**	**156**	**–**	**–**
	Total – EPH	**MW**	**4,749**	**4,752**	**(3)**	**–**

Country

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
EU2	**Net power production – Conventional sources**					
	EP Infrastructure					
	Czech Republic	TWh	1.6	2.2	(0.5)	(25%)
	Slovakia	TWh	0.0	0.0	(0.0)	(3%)
	Hungary	TWh	1.0	0.9	0.1	13%
	Total – EP Infrastructure	**TWh**	**2.6**	**3.1**	**(0.4)**	**(14%)**
	EP Power Europe					
	Germany	TWh	2.9	3.3	(0.5)	(14%)
	UK	TWh	6.5	11.4	(4.9)	(43%)
	Italy	TWh	9.8	8.5	1.3	16%
	Total – EP Power Europe	**TWh**	**19.1**	**23.2**	**(4.1)**	**(18%)**
	Total – EPH	**TWh**	**21.7**	**26.2**	**(4.5)**	**(17%)**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
EU2	**Net power production – Renewable sources**					
	EP Infrastructure					
	Czech Republic	GWh	18.0	15.0	3.0	20%
	Slovakia	GWh	37.4	31.6	5.8	18%
	Hungary	GWh	–	–	–	–
	Total – EP Infrastructure	**GWh**	**55.4**	**46.6**	**8.8**	**19%**
	EP Power Europe					
	Germany	GWh	14.6	12.0	2.6	21%
	UK	GWh	–	–	–	–
	Italy	GWh	4.4	3.2	1.2	38%
	Total – EP Power Europe	**GWh**	**19.0**	**15.2**	**3.8**	**25%**
	Total – EPH	**GWh**	**74.3**	**61.8**	**12.5**	**20%**

Fuel

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
EU2	**Net heat production**					
	EP Infrastructure					
	Czech Republic	TWh	2.4	2.4	(0.0)	(1%)
	Slovakia	TWh	–	–	–	–
	Hungary	TWh	1.8	1.5	0.2	14%
	Total – EP Infrastructure	**TWh**	**4.2**	**4.0**	**0.2**	**5%**
	EP Power Europe					
	Germany	TWh	0.3	0.3	0.0	9%
	UK	TWh	–	–	–	–
	Italy	TWh	–	–	–	–
	Total – EP Power Europe	**TWh**	**0.3**	**0.3**	**0.0**	**9%**
	Total – EPH	**TWh**	**4.5**	**4.3**	**0.2**	**5%**
EU2	**Net power production – Conventional sources**					
	EP Infrastructure					
	Hard coal	TWh	–	0.0	(0.0)	(100%)
	Lignite	TWh	1.6	2.2	(0.5)	(25%)
	CCGT	TWh	1.0	0.9	0.1	14%
	OCGT and other NG	TWh	0.0	0.0	(0.0)	(3%)
	Oil	TWh	(0.0)	0.0	(0.0)	(103%)
	Total - EP Infrastructure	**TWh**	**2.6**	**3.1**	**(0.4)**	**(14%)**
	EP Power Europe					
	Hard coal	TWh	8.8	14.6	(5.8)	(40%)
	Lignite	TWh	2.9	3.3	(0.5)	(14%)
	CCGT	TWh	7.4	5.0	2.3	47%
	OCGT and other NG	TWh	0.1	0.3	(0.2)	(61%)
	Oil	TWh	–	–	–	–
	Total – EP Power Europe	**TWh**	**19.1**	**23.2**	**(4.1)**	**(18%)**
	Total – EPH	**TWh**	**21.7**	**26.2**	**(4.5)**	**(17%)**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
EU2	**Net power production – Renewable sources**					
	EP Infrastructure					
	Wind	GWh	8.8	6.1	2.7	43%
	Photovoltaic	GWh	22.8	21.5	1.4	6%
	Hydro	GWh	6.8	7.4	(0.6)	(8%)
	Other	GWh	17.0	11.6	5.3	46%
	Total – EP Infrastructure	**GWh**	**55.4**	**46.6**	**8.8**	**19%**
	EP Power Europe					
	Wind	GWh	14.6	12.0	2.6	21%
	Photovoltaic	GWh	1.8	1.7	0.0	1%
	Hydro	GWh	2.6	1.4	1.2	83%
	Other	GWh	–	–	–	–
	Total – EP Power Europe	**GWh**	**19.0**	**15.2**	**3.8**	**25%**
	Total – EPH	**GWh**	**74.3**	**61.8**	**12.5**	**20%**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
EU2	**Net heat production**					
	EP Infrastructure					
	Hard coal	TWh	–	0.0	(0.0)	(100%)
	Lignite	TWh	1.7	1.7	0.0	1%
	CCGT	TWh	1.8	1.5	0.2	14%
	OCGT and other NG	TWh	0.7	0.7	0.0	–
	Oil	TWh	0.0	0.0	(0.0)	(86%)
	Other	TWh	–	–	–	–
	Total – EP Infrastructure	**TWh**	**4.2**	**4.0**	**0.2**	**5%**
	EP Power Europe					
	Hard coal	TWh	–	–	–	
	Lignite	TWh	0.3	0.3	0.0	9%
	CCGT	TWh	–	–	–	–
	OCGT and other NG	TWh	–	–	–	–
	Oil	TWh	–	–	–	–
	Other	TWh	–	–	–	–
	Total – EP Power Europe	**TWh**	**0.3**	**0.3**	**0.0**	**9%**
	Total – EPH	**TWh**	**4.5**	**4.3**	**0.2**	**5%**

Country

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
EU2	**Total net energy production**					
	EP Infrastructure					
	Czech Republic	TWh	4.1	4.6	(0.6)	(12%)
	Slovakia	TWh	0.0	0.0	0.0	17%
	Hungary	TWh	2.7	2.4	0.3	14%
	Total – EP Infrastructure	**TWh**	**6.8**	**7.1**	**(0.2)**	**(3%)**
	EP Power Europe					
	Germany	TWh	3.2	3.6	(0.4)	(12%)
	UK	TWh	6.5	11.4	(4.9)	(43%)
	Italy	TWh	9.8	8.5	1.3	16%
	Total – EP Power Europe	**TWh**	**19.5**	**23.5**	**(4.0)**	**(17%)**
	Total – EPH	**TWh**	**26.3**	**30.6**	**(4.3)**	**(14%)**

Note: Includes electric energy and heat production.

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-9	**Amount of electric energy sold**					
	EP Infrastructure					
	Czech Republic	TWh	2.2	2.8	(0.6)	(21%)
	Slovakia	TWh	3.9	4.3	(0.4)	(9%)
	Hungary	TWh	1.0	0.9	0.1	13%
	Total – EP Infrastructure	**TWh**	**7.2**	**8.0**	**(0.9)**	**(11%)**
	EP Power Europe					
	Germany	TWh	2.5	2.9	(0.5)	(16%)
	UK	TWh	6.3	11.2	(4.9)	(44%)
	Italy	TWh	10.3	9.1	1.2	14%
	Total – EP Power Europe	**TWh**	**19.1**	**23.2**	**(4.1)**	**(18%)**
	Total – EPH	**TWh**	**26.2**	**31.2**	**(5.0)**	**(16%)**

Note: Includes sales of generated as well as procured electric energy.

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-9	**Heat supplied to district heating network**					
	EP Infrastructure					
	Czech Republic	PJ	18.9	18.6	0.3	2%
	Slovakia	PJ	–	–	–	–
	Hungary	PJ	6.1	5.4	0.7	14%
	Total – EP Infrastructure	**PJ**	**25.0**	**23.9**	**1.1**	**4%**
	EP Power Europe					
	Germany	PJ	0.3	0.3	0.0	8%
	Total – EP Power Europe	**PJ**	**0.3**	**0.3**	**0.0**	**8%**
	Total – EPH	**PJ**	**25.3**	**24.2**	**1.1**	**5%**

Type

GRI/EUSS	KPI	Unit	Electricity Distribution	Electricity Supply	Gas Supply
G4-9	**Number of customer accounts – SSE**				
	Residential	#	647,173	578,199	3,696
	Mid-size	#	91,214	57,233	1,221
	Large[1]	#		23,845	323
	Total	**#**	**738,387**	**659,277**	**5,240**

		Gas
Number of connection points – SPP-D[2]		**Distribution**
Residential	#	1,433,385
Industrial	#	713
Commercial & Institutional	#	80,548
Total	**#**	**1,514,646**

		Heat
Numberof connection points – District heating companies		**Distribution**
Residential	#	11,056
Industrial	#	519
Commercial	#	2,195
Institutional	#	1,638
Total	**#**	**15,408**

Note: Data based on network connections, which might not necessarily reflect the number of customers served
1 Large customers are customers with annual consumption greater than 500 MWh
2 SPP-D is a distribution network operator, it does not have direct contracts with retail customers, data based on number of connections

Environment / Climate change and energy

Country

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN3	**Energy consumption**					
	EP Infrastructure					
	Czech Republic	PJ	30.9*	37.3	(6.4)	(17%)
	Slovakia	PJ	5.0	4.9	0.1	2%
	Hungary	PJ	11.9	10.7	1.2	11%
	Total – EP Infrastructure	**PJ**	**47.8**	**52.9**	**(5.0)**	**(10%)**
	EP Power Europe					
	Germany	PJ	34.0	38.2	(4.2)	(11%)
	UK	PJ	66.4	114.7	(48.3)	(42%)
	Italy	PJ	78.2	73.2	5.0	7%
	Total – EP Power Europe	**PJ**	**178.7**	**226.1**	**(47.4)**	**(21%)**
	Total – EPH	**PJ**	**226.5**	**278.9**	**(52.5)**	**(19%)**

* This data has received limited assurance from the independent auditing firm EY.

Fuel

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN3	**Energy consumption**					
	EP Infrastructure					
	Hard Coal	PJ	5.8	3.1	2.8	90%
	Lignite	PJ	22.0	31.1	(9.2)	(29%)
	Natural Gas	PJ	19.6	18.3	1.3	7%
	Other	PJ	0.4	0.4	0.1	16%
	Total – EP Infrastructure	**PJ**	**47.8**	**52.9**	**(5.0)**	**(10%)**
	EP Power Europe					
	Hard Coal	PJ	90.1	147.0	(57.0)	(39%)
	Lignite	PJ	33.5	37.7	(4.3)	(11%)
	Natural Gas	PJ	52.5	39.5	13.0	33%
	Other	PJ	2.6	1.8	0.8	43%
	Total – EP Power Europe	**PJ**	**178.7**	**226.1**	**(47.4)**	**(21%)**
	Total – EPH	**PJ**	**226.5**	**278.9**	**(52.5)**	**(19%)**

Note: Energy consumption figures include fuels consumed mostly for electricity and heat generation sold to third parties and as such do not represent energy consumed within the Company. Electricity and heat production figures are not netted from the figures provided.

Environment | Climate change and energy

Country

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN15	**Total Direct GHG Emissions (Scope 1)**					
	EP Infrastructure					
	Czech Republic	million tons CO_2-eq	2.7	3.3	(0.6)	(19%)
	Slovakia	million tons CO_2-eq	0.2	0.2	0.0	2%
	Hungary	million tons CO_2-eq	0.7	0.6	0.1	11%
	Total – EP Infrastructure	**million tons CO_2-eq**	**3.6**	**4.1**	**(0.5)**	**(13%)**
	EP Power Europe					
	Germany	million tons CO_2-eq	3.5	3.9	(0.5)	(12%)
	UK	million tons CO_2-eq	6.0	10.5	(4.5)	(43%)
	Italy	million tons CO_2-eq	5.3	5.4	(0.1)	(1%)
	Total – EP Power Europe	**million tons CO_2-eq**	**14.8**	**19.9**	**(5.0)**	**(25%)**
	Total – EPH	**million tons CO_2-eq**	**18.4**	**24.0**	**(5.6)**	**(23%)**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN18	**GHG Emissions intensity – including heat component**					
	EP Infrastructure					
	Czech Republic	tons CO_2-eq/GWh	662	716	(54)	(8%)
	Slovakia	tons CO_2-eq/GWh	24	29	(5)	(18%)
	Hungary	tons CO_2-eq/GWh	244	250	(6)	(2%)
	Total – EP Infrastructure	**tons CO_2-eq/GWh**	**491**	**553**	**(63)**	**(11%)**
	EP Power Europe					
	Germany	tons CO_2-eq/GWh	1,088	1,085	3	–
	UK	tons CO_2-eq/GWh	930	923	8	1%
	Italy	tons CO_2-eq/GWh	546	638	(92)	(14%)
	Total – EP Power Europe	**tons CO_2-eq/GWh**	**763**	**845**	**(83)**	**(10%)**
	Total – EPH	**tons CO_2-eq/GWh**	**692**	**778**	**(86)**	**(11%)**

Note: Calculation of Emissions intensity indicators excludes emissions from non-energy producing operations, namely Eustream, SPP Distribúcia, Nafta and Pozagas in Slovakia and SPP Storage in Czech Republic and in respective summary indicators, in amount of 0.2 mil. ton CO_2-eq for both years.

Environment / Air emissions

Country

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN21	**Total SO_2 emissions**					
	EP Infrastructure					
	Czech Republic	thousand tons	11.8	11.9	(0.1)	(1%)
	Slovakia	thousand tons	0.0	0.0	0.0	13%
	Hungary	thousand tons	0.0	0.0	(0.0)	(98%)
	Total – EP Infrastructure	**thousand tons**	**11.8**	**11.9**	**(0.1)**	**(1%)**
	EP Power Europe					
	Germany	thousand tons	4.4	4.5	(0.1)	(3%)
	UK	thousand tons	16.4	27.8	(11.4)	(41%)
	Italy	thousand tons	1.9	2.6	(0.7)	(26%)
	Total – EP Power Europe	**thousand tons**	**22.7**	**34.9**	**(12.2)**	**(35%)**
	Total – EPH	**thousand tons**	**34.5**	**46.8**	**(12.3)**	**(26%)**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN21	**Total NO_x emissions**					
	EP Infrastructure					
	Czech Republic	thousand tons	3.2	3.4	(0.3)	(8%)
	Slovakia	thousand tons	0.3	0.2	0.0	19%
	Hungary	thousand tons	0.5	0.4	0.0	3%
	Total – EP Infrastructure	**thousand tons**	**3.9**	**4.1**	**(0.2)**	**(5%)**
	EP Power Europe					
	Germany	thousand tons	2.3	2.7	(0.4)	(16%)
	UK	thousand tons	10.2	18.3	(8.1)	(44%)
	Italy	thousand tons	2.7	2.9	(0.2)	(8%)
	Total – EP Power Europe	**thousand tons**	**15.2**	**23.9**	**(8.7)**	**(37%)**
	Total – EPH	**thousand tons**	**19.1**	**28.0**	**(8.9)**	**(32%)**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN21	**Total dust emissions**					
	EP Infrastructure					
	Czech Republic	thousand tons	0.2	0.2	0.0	1%
	Slovakia	thousand tons	0.0	0.0	0.0	338%
	Hungary	thousand tons	0.0	0.0	(0.0)	(91%)
	Total – EP Infrastructure	**thousand tons**	**0.2**	**0.2**	**0.0**	**5%**
	EP Power Europe					
	Germany	thousand tons	0.0	0.0	0.0	110%
	UK	thousand tons	1.0	1.5	(0.5)	(35%)
	Italy	thousand tons	0.1	0.1	(0.0)	(27%)
	Total – EP Power Europe	**thousand tons**	**1.1**	**1.6**	**(0.5)**	**(33%)**
	Total – EPH	**thousand tons**	**1.3**	**1.8**	**(0.5)**	**(29%)**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN21	**SO_2 emissions intensity**					
	EP Infrastructure					
	Czech Republic	ton/GWh	2.9	2.6	0.3	13%
	Slovakia	ton/GWh	0.0	0.0	0.0	13%
	Hungary	ton/GWh	0.0	0.0	(0.0)	(99%)
	Total – EP Infrastructure	**ton/GWh**	**1.7**	**1.7**	**0.0**	**2%**
	EP Power Europe					
	Germany	ton/GWh	1.4	1.2	0.1	11%
	UK	ton/GWh	2.5	2.4	0.1	4%
	Italy	ton/GWh	0.2	0.3	(0.1)	(36%)
	Total – EP Power Europe	**ton/GWh**	**1.2**	**1.5**	**(0.3)**	**(21%)**
	Total – EPH	**ton/GWh**	**1.3**	**1.5**	**(0.2)**	**(14%)**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN21	**NO_x emissions intensity**					
	EP Infrastructure					
	Czech Republic	ton/GWh	0.8	0.7	0.0	5%
	Slovakia	ton/GWh	0.6	0.5	0.1	14%
	Hungary	ton/GWh	0.2	0.2	(0.0)	(9%)
	Total – EP Infrastructure	**ton/GWh**	**0.5**	**0.5**	**(0.0)**	**(3%)**
	EP Power Europe					
	Germany	ton/GWh	0.7	0.7	(0.0)	(4%)
	UK	ton/GWh	1.6	1.6	(0.0)	(2%)
	Italy	ton/GWh	0.3	0.3	(0.1)	(21%)
	Total – EP Power Europe	**ton/GWh**	**0.8**	**1.0**	**(0.2)**	**(23%)**
	Total – EPH	**ton/GWh**	**0.7**	**0.9**	**(0.2)**	**(21%)**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN21	**Dust emissions intensity**					
	EP Infrastructure					
	Czech Republic	ton/GWh	0.05	0.05	0.01	15%
	Slovakia	ton/GWh	0.0	0.0	0.0	9%
	Hungary	ton/GWh	0.0	0.0	(0.0)	(92%)
	Total – EP Infrastructure	**ton/GWh**	**0.0**	**0.0**	**0.0**	**5%**
	EP Power Europe					
	Germany	ton/GWh	0.0	0.0	0.0	139%
	UK	ton/GWh	0.1	0.1	0.0	14%
	Italy	ton/GWh	0.0	0.0	(0.0)	(37%)
	Total – EP Power Europe	**ton/GWh**	**0.1**	**0.1**	**(0.0)**	**(19%)**
	Total – EPH	**ton/GWh**	**0.0**	**0.1**	**(0.0)**	**(18%)**

Note: Calculation of Emissions intensity indicators excludes emissions from non-energy producing operations, namely Eustream, SPP Distribúcia, Nafta and Pozagas in Slovakia and SPP Storage in Czech Republic and in respective summary indicators, in amount of 7 ton NO_x in CZ in both years, 274 ton NO_x in SK in 2015 and 233 ton in 2014, 10 ton dust in SK in 2015 and 2 ton in 2014.

Environment / Water

Country

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN8	**Quantity of water withdrawn**					
	EP Infrastructure					
	Czech Republic	million m³	62.7*	135.7	(73.0)	(54%)
	Slovakia	million m³	0.1	0.1	0.0	8%
	Hungary	million m³	14.0	12.3	1.7	14%
	Total – EP Infrastructure	**million m³**	**76.8**	**148.0**	**(71.3)**	**(48%)**
	EP Power Europe					
	Germany	million m³	108.4	108.5	(0.1)	–
	UK	million m³	137.6	385.2	(247.6)	(64%)
	Italy	million m³	1,193.3	1,198.5	(5.1)	–
	Total – EP Power Europe	**million m³**	**1,439.4**	**1,692.2**	**(252.8)**	**(15%)**
	Total – EPH	**million m³**	**1,516.1**	**1,840**	**(324.1)**	**(18%)**

* This data has received limited assurance from the independent auditing firm EY.
Water withdrawal and discharged water in the Czech Republic in 2015 includes 58.3 million m³ and 56.1 million m³, respectively, related to Elektrárna Opatovice plant ("EOP"). In the absence of direct measuring, this data has been calculated using formula agreed with the supplier in order to estimate the surface water withdrawn and discharged. Since 1 January 2016 external supplier's meters have had been installed at inlet. During 2016 EOP has been analyzing quantity of water withdrawn based on direct measurements comparing it with water withdrawn calculated based on formula in use until 2015 year end. So far the results indicate the actual water withdrawn and discharged might be higher than quantity estimated based on the formula used until 2015 year end. However, it has been decided not to adjust the 2015 data as only estimated data is available in the absence of metered records and also since the new meters have only been in place for a short time period and thus it is not yet possible to establish an accurate baseline using the new approach.

Type

GRI/EUSS	KPI	Unit	Electricity	Electricity	Gas	Heat
G4-EN8	**Quantity of water withdrawn**					
	EP Infrastructure					
	Surface water	million m³	75.1	146.3	(71.2)	(49%)
	Ground water	million m³	0.1	0.1	0.0	21%
	Municipal water supplies or other water utilities	million m³	1.0	1.1	(0.1)	(9%)
	Other	million m³	0.6	0.6	0.0	6%
	Total – EP Infrastructure	**million m³**	**76.8**	**148.0**	**(71.3)**	**(48%)**
	EP Power Europe					
	Surface water	million m³	1,364.9	1,611.9	(246.9)	(15%)
	Ground water	million m³	73.6	79.3	(5.7)	(7%)
	Municipal water supplies or other water utilities	million m³	0.8	1.0	(0.2)	(18%)
	Other	million m³	–	–	–	–
	Total – EP Power Europe	**million m³**	**1,439.4**	**1,692.2**	**(252.8)**	**(15%)**
	Total – EPH	**million m³**	**1,516.1**	**1,840**	**(324.1)**	**(18%)**

GRI/EUSS	KPI	Unit	Electricity	Electricity	Gas	Heat
G4-EN8	**Cooling Water**					
	EP Infrastructure					
	Cooling water – withdrawal	million m³	74.0	144.9	(70.9)	(49%)
	Cooling water – discharge	million m³	69.9	140.7	(70.8)	(50%)
	Total – EP Infrastructure – Usage	**million m³**	**4.1**	**4.2**	**(0.1)**	**(2%)**
	EP Power Europe					
	Cooling water – withdrawal	million m³	1,335.5	1,589.2	(253.7)	(16%)
	Cooling water – discharge	million m³	1,326.1	1,575.6	(249.4)	(16%)
	Total – EP Power Europe – Usage	**million m³**	**9.4**	**13.6**	**(4.2)**	**(31%)**
	Total – EPH – Usage	**million m³**	**13.5**	**18**	**(4.3)**	**(24%)**

Country

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN22	**Quantity of water discharged**					
	EP Infrastructure					
	Czech Republic	million m³	59.8*	132.5	(72.7)	(55%)
	Slovakia	million m³	0.1	0.1	0.0	25%
	Hungary	million m³	13.6	11.8	1.8	16%
	Total – EP Infrastructure	**million m³**	**73.5**	**144.3**	**(70.8)**	**(49%)**
	EP Power Europe					
	Germany	million m³	77.4	80.9	(3.5)	(4%)
	UK	million m³	129.4	372.8	(243.4)	(65%)
	Italy	million m³	1,193.7	1,198.8	(5.1)	–
	Total – EP Power Europe	**million m³**	**1,400.5**	**1,652.5**	**(252.0)**	**(15%)**
	Total – EPH	**million m³**	**1,474.0**	**1,797**	**(322.8)**	**(18%)**

* This data has received limited assurance from the independent auditing firm EY.
Water withdrawal and discharged water in the Czech Republic in 2015 includes 58.3 million m³ and 56.1 million m³, respectively, related to Elektrárna Opatovice plant ("EOP"). In the absence of direct measuring, this data has been calculated using formula agreed with the supplier in order to estimate the surface water withdrawn and discharged. Since 1 January 2016 external supplier's meters have had been installed at inlet. During 2016 EOP has been analyzing quantity of water withdrawn based on direct measurements comparing it with water withdrawn calculated based on formula in use until 2015 year end. So far the results indicate the actual water withdrawn and discharged might be higher than quantity estimated based on the formula used until 2015 year end. However, it has been decided not to adjust the 2015 data as only estimated data is available in the absence of metered records and also since the new meters have only been in place for a short time period and thus it is not yet possible to establish an accurate baseline using the new approach.

Environment / Effluents and waste

Country

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN23	**Byproducts – Total production**					
	EP Infrastructure					
	Czech Republic	thousand tons	982.1	1,092.9	(110.8)	(10%)
	Slovakia	thousand tons	–	–	–	–
	Hungary	thousand tons	0.3	0.4	(0.1)	(22%)
	Total – EP Infrastructure	**thousand tons**	**982.5**	**1,093.3**	**(110.9)**	**(10%)**
	EP Power Europe					
	Germany	thousand tons	612.2	767.4	(155.3)	(20%)
	UK	thousand tons	391.7	681.2	(289.5)	(42%)
	Italy	thousand tons	79.8	123.1	(43.3)	(35%)
	Total – EP Power Europe	**thousand tons**	**1,083.7**	**1,571.8**	**(488.1)**	**(31%)**
	Total – EPH	**thousand tons**	**2,066.1**	**2,665.1**	**(599.0)**	**(22%)**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN23	**Waste other than byproducts – Total production**					
	EP Infrastructure					
	Czech Republic	thousand tons	5.1	5.0	0.1	2%
	Slovakia	thousand tons	13.7	15.4	(1.7)	(11%)
	Hungary	thousand tons	0.1	0.0	0.1	446%
	Total – EP Infrastructure	**thousand tons**	**18.9**	**20.4**	**(1.5)**	**(7%)**
	EP Power Europe					
	Germany	thousand tons	273.4	143.7	129.7	90%
	UK	thousand tons	1.3	2.8	(1.5)	(53%)
	Italy	thousand tons	60.1	31.2	28.9	93%
	Total – EP Power Europe	**thousand tons**	**334.8**	**177.7**	**157.1**	**88%**
	Total – EPH	**thousand tons**	**353.7**	**198.1**	**155.6**	**79%**

Type

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN23	**Byproducts – Total production**					
	EP Infrastructure					
	Additised granulate	thousand tons	421.1	359.1	61.9	17%
	Ash	thousand tons	283.8	342.6	(58.8)	(17%)
	Slag	thousand tons	131.2	163.5	(32.3)	(20%)
	Gypsum	thousand tons	101.3	163.9	(62.6)	(38%)
	Additional material – hydrated lime	thousand tons	6.1	9.0	(2.9)	(32%)
	Additional material – water	thousand tons	39.0	55.2	(16.1)	(29%)
	Total – EP Infrastructure	**thousand tons**	**982.5**	**1,093.3**	**(110.9)**	**(10%)**
	EP Power Europe					
	Additised granulate	thousand tons	–	–	–	–
	Ash	thousand tons	728.1	1,108.4	(380.3)	(34%)
	Slag	thousand tons	38.0	41.0	(3.0)	(7%)
	Gypsum	thousand tons	317.5	422.3	(104.8)	(25%)
	Additional material – hydrated lime	thousand tons	–	–	–	–
	Additional material – water	thousand tons	–	–	–	–
	Total – EP Power Europe	**thousand tons**	**1,083.7**	**1,571.8**	**(488.1)**	**(31%)**
	Total – EPH	**thousand tons**	**2,066.1**	**2,665.1**	**(599.0)**	**(22%)**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN23	**Byproducts – Total means of disposal**					
	EP Infrastructure					
	Sales	thousand tons	153.2	225.5	(72.3)	(32%)
	Storage – own stock	thousand tons	107.4	72.0	35.4	49%
	Storage – external	thousand tons	81.8	76.5	5.3	7%
	Stabilizate production	thousand tons	215.4	369.3	(154.0)	(42%)
	Storage – chargeable waste	thousand tons	424.7	349.9	74.7	21%
	Other	thousand tons	–	–	–	–
	Total – EP Infrastructure	**thousand tons**	**982.5**	**1,093.3**	**(110.9)**	**(10%)**
	EP Power Europe					
	Sales	thousand tons	297.3	366.7	(69.4)	(19%)
	Storage – own stock	thousand tons	27.6	29.6	(1.9)	(7%)
	Storage – external	thousand tons	0.0	0.1	(0.0)	(13%)
	Stabilizate production	thousand tons	163.6	219.1	(55.5)	(25%)
	Storage – chargeable waste	thousand tons	178.1	395.4	(217.2)	(55%)
	Other	thousand tons	417.0	561.0	(144.0)	(26%)
	Total – EP Power Europe	**thousand tons**	**1,083.7**	**1,571.8**	**(488.1)**	**(31%)**
	Total – EPH	**thousand tons**	**2,066.1**	**2,665.1**	**(599.0)**	**(22%)**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-EN23	**Waste other than byproducts – Total production**					
	EP Infrastructure					
	Non-hazardous waste	thousand tons	15.8	18.1	(2.3)	(13%)
	Hazardous waste	thousand tons	3.1	2.3	0.8	35%
	Total – EP Infrastructure	**thousand tons**	**18.9**	**20.4**	**(1.5)**	**(7%)**
	EP Power Europe					
	Non-hazardous waste	thousand tons	332.6	173.6	159.0	92%
	Hazardous waste	thousand tons	2.2	4.1	(1.9)	(47%)
	Total – EP Power Europe	**thousand tons**	**334.8**	**177.7**	**157.1**	**88%**
	Total – EPH	**thousand tons**	**353.7**	**198.1**	**155.6**	**79%**

GRI/EUSS	KPI	Unit	Electricity	Electricity	Gas	Heat
G4-EN23	**Waste other than by products – Non-hazardous – Disposal**					
	EP Infrastructure					
	Recycling	thousand tons	12.4	14.2	(1.9)	(13%)
	Lanfill	thousand tons	3.2	3.6	(0.4)	(12%)
	Other	thousand tons	0.2	0.2	(0.0)	(2%)
	Total – EP Infrastructure	**thousand tons**	**15.8**	**18.1**	**(2.3)**	**(13%)**
	EP Power Europe					
	Recycling	thousand tons	87.7	86.0	1.7	2%
	Lanfill	thousand tons	49.8	24.2	25.6	106%
	Other	thousand tons	195.6	65.0	130.6	201%
	Total – EP Power Europe	**thousand tons**	**333.1**	**175.2**	**157.9**	**90%**
	Total – EPH	**thousand tons**	**348.9**	**193.3**	**155.6**	**81%**

GRI/EUSS	KPI	Unit	Electricity	Electricity	Gas	Heat
G4-EN23	**Waste other than by products – Hazardous – Disposal**					
	EP Infrastructure					
	Recycling	thousand tons	2.5	1.5	1.0	71%
	Lanfill	thousand tons	0.4	0.7	(0.2)	(35%)
	Other	thousand tons	0.2	0.2	0.0	9%
	Total – EP Infrastructure	**thousand tons**	**3.1**	**2.3**	**0.8**	**35%**
	EP Power Europe					
	Recycling	thousand tons	1.3	1.7	(0.4)	(24%)
	Lanfill	thousand tons	1.0	2.5	(1.5)	(61%)
	Other	thousand tons	–	–	–	–
	Total – EP Power Europe	**thousand tons**	**2.3**	**4.2**	**(1.9)**	**(46%)**
	Total – EPH	**thousand tons**	**5.4**	**7**	**(1.1)**	**(17%)**

Social / Occupational health and safety

Country

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-LA6	**Fatal injuries – Employees**					
	EP Infrastructure					
	Czech Republic	#	–	–	–	–
	Slovakia	#	–	–	–	–
	Hungary	#	–	–	–	–
	Total – EP Infrastructure	**#**	**–**	**–**	**–**	**–**
	EP Power Europe					
	Germany	#	–	–	–	–
	UK	#	–	–	–	–
	Italy	#	–	–	–	–
	Total – EP Power Europe	**#**	**–**	**–**	**–**	**–**
	Total – EPH	**#**	**–**	**–**	**–**	**–**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-LA6	**Registered injuries – Employees**					
	EP Infrastructure					
	Czech Republic	#	9*	8	1	13%
	Slovakia	#	11	8	3	38%
	Hungary	#	1	–	1	–
	Total – EP Infrastructure	**#**	**21**	**16**	**5**	**31%**
	EP Power Europe					
	Germany	#	26	35	(9)	(26%)
	UK	#	1	–	1	–
	Italy	#	–	1	(1)	(100)%
	Total – EP Power Europe	**#**	**27**	**36**	**(9)**	**(25%)**
	Total – EPH	**#**	**48**	**52**	**(4)**	**(8%)**

* This data has received limited assurance from the independent auditing firm EY.

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-LA6	**Worked hours – Employees**					
	EP Infrastructure					
	Czech Republic	mil. hours	3.2	3.3	(0.1)	(4%)
	Slovakia	mil. hours	7.6	7.8	(0.2)	(2%)
	Hungary	mil. hours	0.5	0.5	(0.0)	(2%)
	Total – EP Infrastructure	**mil. hours**	**11.3**	**11.6**	**(0.3)**	**(3%)**
	EP Power Europe					
	Germany	mil. hours	4.0	3.9	0.1	2%
	UK	mil. hours	0.7	0.7	(0.0)	(6%)
	Italy	mil. hours	0.8	0.8	(0.1)	(8%)
	Total – EP Power Europe	**mil. hours**	**5.4**	**5.4**	**(0.0)**	**(1%)**
	Total – EPH	**mil. hours**	**16.7**	**17.0**	**(0.3)**	**(2%)**

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-LA6	**Injury frequency rate – Employees**					
	EP Infrastructure					
	Czech Republic	index	2.8	2.4	0.4	17%
	Slovakia	index	1.4	1.0	0.4	41%
	Hungary	index	2.1	–	2.1	
	Total – EP Infrastructure	**index**	**1.9**	**1.4**	**0.5**	**35%**
	EP Power Europe					
	Germany	index	6.5	9.0	(2.5)	(27%)
	UK	index	1.5	–	1.5	
	Italy	index	–	1.2	(1.2)	(100%)
	Total – EP Power Europe	**index**	**5.0**	**6.6**	**(1.6)**	**(25%)**
	Total – EPH	**index**	**2.9**	**3**	**(0.2)**	**(6%)**

Note: Injury frequency rate reported on per 1 million hours worked basis

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-LA6	**Fatal injuries – Contractors**					
	EP Infrastructure					
	Czech Republic	#	–	–	–	
	Slovakia	#	1	–	1	
	Hungary	#	–	–	–	
	Total – EP Infrastructure	**#**	**1**	**–**	**1**	
	EP Power Europe					
	Germany		–	–	–	
	UK		–	–	–	
	Italy		–	–	–	
	Total – EP Power Europe	**#**	**–**	**–**	**–**	
	Total – EPH	**#**	**1**	**–**	**1**	

GRI/EUSS	KPI	Unit	2015	2014	2015 - 2014	%
G4-LA6	**Registered injuries – Contractors**					
	EP Infrastructure					
	Czech Republic	#	1	1	–	–
	Slovakia	#	1	1	–	–
	Hungary	#	1	1	–	–
	Total – EP Infrastructure	**#**	**3**	**3**	**–**	**–**
	EP Power Europe					
	Germany	#	1	–	1	
	UK	#	–	–	–	
	Italy	#	3	6	(3)	(50%)
	Total – EP Power Europe	**#**	**4**	**6**	**(2)**	**(33%)**
	Total – EPH	**#**	**7**	**9**	**(2)**	**(22%)**

Note: Contractor injuries data not available for MIBRAG Group, data on hours worked by contractors largerly not available, thus injury frequency rate not reported.

Social / Employment

Country

GRI/EUSS	KPI	Unit	Total	Male	Female
G4-10	**Headcount**				
	EP Infrastructure				
	Czech Republic	#	1,815	1,510	305
	Slovakia	#	4,489	3,597	892
	Hungary	#	272	218	54
	Total – EP Infrastructure	**#**	**6,576**	**5,325**	**1,251**
	EP Power Europe				
	Germany	#	2,871	2,479	392
	UK	#	432	397	35
	Italy	#	454	423	31
	Total – EP Power Europe	**#**	**3,757**	**3,299**	**458**
	Total – EPH	**#**	**10,333**	**8,624**	**1,709**

Mgmt

GRI/EUSS	KPI	Unit	Total	Male	Female
G4-10	**Headcount**				
	EP Infrastructure				
	Other employees	#	465	406	59
	Other Employees	#	6,111	4,919	1,192
	Total – EP Infrastructure	**#**	**6,576**	**5,325**	**1,251**
	EP Power Europe				
	Executives	#	54	48	6
	Other employees	#	3,703	3,251	452
	Total – EP Power Europe	**#**	**3,757**	**3,299**	**458**
	Total – EPH	**#**	**10,333**	**8,624**	**1,709**

Country

GRI/EUSS	KPI	Unit	Total	% of total
G4-11	**Employees with collective employment agreements**			
	EP Infrastructure			
	Czech Republic	#	1,749	96%
	Slovakia	#	4,433	99%
	Hungary	#	272	100%
	Total – EP Infrastructure	**#**	**6,454**	**98%**
	EP Power Europe			
	Germany	#	2,685	94%
	UK	#	280	65%
	Italy	#	453	100%
	Total – EP Power Europe	**#**	**3,418**	**91%**
	Total – EPH	**#**	**9,872**	**96%**

GRI/EUSS	KPI	Unit	Total	Male	Female
G4-LA1	**Number of new hires**				
	EP Infrastructure				
	Czech Republic	#	194	131	63
	Slovakia	#	229	141	88
	Hungary	#	8	6	2
	Total – EP Infrastructure	**#**	**431**	**278**	**153**
	EP Power Europe				
	Germany	#	171	148	23
	UK	#	31	30	1
	Italy	#	20	11	9
	Total – EP Power Europe	**#**	**222**	**189**	**33**
	Total – EPH	**#**	**653**	**467**	**186**

GRI/EUSS	KPI	Unit	Total	Male	Female
G4-LA1	**Number of leavers**				
	EP Infrastructure				
	Czech Republic	#	196	155	41
	Slovakia	#	335	242	93
	Hungary	#	7	3	4
	Total – EP Infrastructure	**#**	**538**	**400**	**138**
	EP Power Europe				
	Germany	#	173	156	17
	UK	#	43	40	3
	Italy	#	4	4	–
	Total – EP Power Europe	**#**	**220**	**200**	**20**
	Total – EPH	**#**	**758**	**600**	**158**

GRI/EUSS	KPI	Unit	Total	Male	Female
G4-LA1	**New hires rate**				
	EP Infrastructure				
	Czech Republic	%	11%	9%	21%
	Slovakia	%	5%	4%	10%
	Hungary	%	3%	3%	4%
	Total – EP Infrastructure	**%**	**7%**	**5%**	**12%**
	EP Power Europe				
	Germany	%	6%	6%	6%
	UK	%	7%	8%	3%
	Italy	%	4%	3%	29%
	Total – EP Power Europe	**%**	**6%**	**6%**	**7%**
	Total – EPH	**%**	**6%**	**5%**	**11%**

GRI/EUSS	KPI	Unit	Total	Male	Female
G4-LA1	**Employee turnover rate**				
	EP Infrastructure				
	Czech Republic	%	11%	10%	13%
	Slovakia	%	7%	7%	10%
	Hungary	%	3%	1%	7%
	Total – EP Infrastructure	**%**	**8%**	**8%**	**11%**
	EP Power Europe				
	Germany	%	6%	6%	4%
	UK	%	10%	10%	9%
	Italy	%	1%	1%	–
	Total – EP Power Europe	**%**	**6%**	**6%**	**4%**
	Total – EPH	**%**	**7%**	**7%**	**9%**

Social / Training

Country

GRI/EUSS	KPI		Ths. Hours	Hours per Employee
G4-LA9	**Total training hours**			
	EP Infrastructure			
	Czech Republic		10.1	9.9
	Slovakia		133.9	29.8
	Hungary		4.7	17.3
	Total – EP Infrastructure		**148.7**	**25.7**
	EP Power Europe			
	Germany		53.1	18.5
	UK		22.0	51.0
	Italy		11.8	25.9
	Total – EP Power Europe		**86.9**	**23.1**
	Total – EPH		**235.6**	**24.7**

Note: Calculation of Training hours per Employee excludes employees from companies that did not have training data readily available, namely Prazska teplarenska and Prazska teplarenska LPZ in Czech Republic and for the corresponding summary indicators, which amounted to the exclusion of 797 employees

11.3 Acronyms and units

Acronyms

AA1000	Accountability Stakeholder Engagement Standards
Arpa	Agenzia regionale per la protezione ambientale
BBS	Behaviour Based Safety
BERT	Budapesti Erőmű Zrt.
BG RCI	Die Berufsgenossenschaft Rohstoffe und chemische Industrie
CAGR	Compound annual growth rate
CCGT	Combined cycle gas turbine
CENTREL	Association of transmission system operators in the Czech Republic, Slovakia, Poland and Hungary, set up in 1992. Now part of UCTE association.
CO_2	Carbon dioxide
COP 21	Paris Climate Conference
DLE	Dry Low Emissions
EBITDA	Earnings before interest, taxes, depreciation and amortization
EIA	Environmental Impact Assessment
ENSREG	European Nuclear Safety Regulators Group
EOP	Elektrárny Opatovice a.s.
EPH	Parent company – Energetický a průmyslový holding, a.s.
EPIF	EP Infrastructure
EPPE	EP Power Europe
EU	European Union
EU ETS	European Union Emission Trading Scheme
EUA	European Emission Allowances
EURO 3, 4, 5, 6	European emission standards
Eustream	eustream, a.s.
FIDeR	Final Investment Decision Enabling for Renewables
FR	“Frequency rate = (the number of accidents/worked hours) × 10^6
GHG	Greenhouse gases are those currently required by the United Nations Framework Convention on Climate Change and the Kyoto Protocol. These GHGs are currently: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3).
GRI G4	Global Reporting Initiative G4 Standards
H&S	Health and safety
HFCs	Hydrofluorocarbons
HSEQ	Health, Safety, Environment, and Quality
HV	High voltage
CH_4	Methane
CHP	Combined heat and power plant
IED	The Industrial Emissions Directive
IFRS	International Financial Reporting Standards
IMS	Integrated management system
INPO	The Institute of Nuclear Power Operations
IPCC	Intergovernmental Panel on Climate Change
IPPC	Integrated Pollution Prevention Control
ISAE 3000	International Standard on Assurance Engagements (ISAE) 3000, “Assurance Engagements Other than Audits or Reviews of Historical Financial Information”
ISO 14001	Environmental Certification, Environmental management system
ISO 50001	Environmental Certification, Energy Management
J&T	J&T Finance Group SE
KYC	“Know your customer” is the process of a business, identifying and verifying the identity of its customers
LEAG	Lausitz Energie Bergbau AG and Lausitz Energie Kraftwerke AG
LV	Low voltage
M&A	Mergers and acquisitions
MIBRAG	Mitteldeutsche Braunkohlengesellschaft mbH
MIRA	Macquarie Infrastructure and Real Assets
MV	Medium voltage
N_2O	Nitrous oxide
Nafta	NAFTA a.s.
NF_3	Nitrogen trifluoride
NGOs	Non-governmental organisations
NO_x	nitrogen oxide emissions
NPP	Nuclear power plant
O&M	Operation & Maintenance
OCGT	Open cycle gas turbine
OHS	Occupational Health and Safety
OHSAS 18001	Occupational Health and Safety Management Systems
PFCs	Perfluorocarbons
PM_{10}	Mixture of materials that can include smoke, soot, dust, salt, acids, and metals
PPF	PPF a.s.
PRE	Pražská energetika, a. s.
PT	Pražská teplárenská, a. s.
PTS	Prague Heat Distribution System
PV	Photovoltaic
SAC	Single Annular Combustor
SAIDI	System Average Interruption Duration Index = sum of all customer interruption durations in minutes/total n° of customer served
SAIFI	System Average Interruption Frequency Index = total n° of customer interruptions/total n° of customers served
SAM	Severe Accident Management Programme
SE	Slovenské elektrárne a.s.
SEPS	Slovenská elektrizačná prenosová sústava, a.s.
SF_6	Sulphur hexafluoride
SO_2	Sulphur dioxide
SO_x	Sulphur oxides
SPA	Special protection area
SPH	Slovak Power Holding BV
SPP-D	SPP – distribúcia, a.s
SPP-I	SPP Infrastructure, a.s.
SSE	Stredoslovenská energetika, a. s.
TSO	Transmission System Operator
UCF	Unit capability factor. Top UCF quartile for pressurised water reactor is 90.00% (WANO rating 2013-2015)
UCTE	“Union for the Co-ordination of Transmission of Electricity” is the association of transmission system operators in continental Europe, providing a reliable market base by efficient and secure electric “power highways”.
UGS	Underground gas storage
UM	Unit of measure
WWER	Water-water energetic reactor

Units

#	number
%	percentage
CO_2-eq	carbon dioxide equivalent
CO_2-eq/GWh	carbon dioxide equivalent per gigawatt-hour
GJ	gigajoule
GW	gigawatt
GWh	gigawatt-hour
k	thousand
km	kilometer
kV	kilovolt
l/100 km	liters per 100 kilometers
m	million
m^3	cubic meter
mg/l	miligram per liter
mg/m^3	miligram per cubic meter
mil. ton CO_2-eq.	million ton of carbon dioxide equivalent
MW	megawatt
MWe	megawatt electrical
MWh	megawatt hour
MWt	megawatt thermal
PJ	petajoule
ton/GWh	ton per gigawatt-hour
TWh	terawatt hour

EPH Corporate Sustainability Report | **Appendix**

11.4 Organisational boundaries

The list presented below includes all of the entities within the EPH portfolio deemed material for the purpose of this report.

Company name	Sub-holding	Ownership share	Financial control	Operational control	Joint control	Reported data
Alternative Energy, s.r.o.	EPIF	72.0%	Yes	Yes		100.0%
ARISUN, s.r.o.	EPIF	100.0%	Yes	Yes		100.0%
Budapesti Erőmű Zrt (BERT)	EPIF	95.6%	Yes	Yes		100.0%
Elektrárny Opatovice, a.s.	EPIF	100.0%	Yes	Yes		100.0%
eustream, a.s.	EPIF	49.0%	Yes	Yes		100.0%
NAFTA a.s.	EPIF	69.0%	Yes	Yes		100.0%
Plzeňská energetika a.s.	EPIF	100.0%	Yes	Yes		100.0%
POWERSUN a.s.	EPIF	100.0%	Yes	Yes		100.0%
POZAGAS a.s.	EPIF	41.9%	No	No	Yes	41.9%
Pražská teplárenská a.s.	EPIF	73.8%	Yes	Yes		100.0%
Pražská teplárenská LPZ, a.s.	EPIF	73.8%	Yes	Yes		100.0%
SPP – distribúcia, a.s.	EPIF	49.0%	Yes	Yes		100.0%
SPP Storage, s.r.o.	EPIF	49.0%	Yes	Yes		100.0%
Stredoslovenská energetika a.s.	EPIF	49.0%	Yes	Yes		100.0%
Triskata, s.r.o.	EPIF	100.0%	Yes	Yes		100.0%
United Energy , a.s.	EPIF	100.0%	Yes	Yes		100.0%
VTE Pchery, s.r.o.	EPIF	64.0%	Yes	Yes		100.0%
Eggborough Power Ltd	EPPE	100.0%	Yes	Yes		100.0%
EP Produzione S.p.A.	EPPE	100.0%	Yes	Yes		100.0%
Ergosud S.p.A.	EPPE	50.0%	No	No	Yes	50.0%
Helmstedter Revier GmbH	EPPE	100.0%	Yes	Yes		100.0%
Lynemouth Power Limited	EPPE	100.0%	Yes	Yes		100.0%
Mitteldeutsche Braunkohlen Gesellschaft mbH	EPPE	100.0%	Yes	Yes		100.0%

Deviations in organisational boundaries from EPH financial reporting

The information presented in this Report includes some differences in the Report boundary from the data reported in the EPH 2015 Consolidated Annual Report. The main changes identified are:

- The 41.9% stake in the Schkopau power plant, owned via the company Saale Energie GmbH, as well as the 38.9% stake in Przedsiębiorstwo Górnicze Silesia, which are equity consolidated in financial reporting. Since EPH does not exercise control over the companies, these operations are excluded from the Sustainability Report
- The 50% stake in the company Ergosud S.p.A. and its operating power plant Scandale and also the 41.9% stake in company POZAGAS a.s. are equity consolidated in financial reporting. Since EPH does exercise joint control over these companies, the figures are reported on a per share basis.
- The majority of indicators are reported at the level of the operating company in the list above. In order to properly capture the extent of operations, the HR data, namely the indicators on Headcount, Training hours, Fatalities, Injuries and Hours worked are reported in line with the respective subsidiaries of the above mentioned entities. These mostly operate as service companies.
- Full year figures are reported for all entities, even if the entity was acquired during the respective reporting period. This differs from financial reporting where only fractional data are reported for the years where the respective entity was reported.
- Although acquisition of Lynemouth Power Limited was finalised in January 2016 we included their metrics into this Report to allow for better comparability and completeness.

Operational boundaries

We set the boundary as the core business operations of the respective companies for the environmental indicators, meaning that we excluded some data for administrative and other non-core facilities (e.g. electricity for administrative buildings) as we deemed these immaterial. In some instances, however, even this data is included as the separation from the underlying data was not possible. We recognise this as an area for further improvement for our future reporting.

11.5 List of case studies

Name of case study	Section
Practical management of our subsidiaries in the UK and Italy	4.1
Whistleblower hotline in Eustream	4.2
History and development of EPH	7.1
Community investments	7.1
Optimisation of the gas transmission system in Slovakia	7.2
Project Holešovice	7.3
EP Fleet	7.4
Lynemouth power station	8.1
Successful water management in Budapest district heating	8.3
Construction of a new water treatment facility at Profen mine	8.3
Fiume Santo SpA accident	8.4
Vercelli ecosystem protection at Livorno Ferraris	8.5
Bird protection at SSE	8.5
Initiatives to reduce injuries in Germany	9.1
Eustream people development	9.3
MIBRAG people development	9.3

11.6 Governance committees

Risk committee

The purpose of the Risk Committee is to provide centralised oversight and policy – to govern risk management and communicate with the Board of Directors regarding important risks and their related management.

In particular, the Risk Committee's role is to assist the Board of Directors in fulfilling its responsibilities in relation to the Company's:

- oversight of risk;
- adherence to internal risk management policies and procedures; and
- compliance with risk-related regulatory requirements.

Responsibilities and duties

The Committee is responsible for the following activities:

- approving the design of the Company's enterprise-wide risk management framework, including supporting methods, risk policies, risk inventories, and the risk ranking methodology, as they relate to financial, operational, strategic, and compliance risks;
- reviewing and advise the Board on the risk impact of strategic business decisions and assessing strategic alignment with the Company's risk appetite;
- reviewing significant aggregate risk concentrations and other escalations, and approving significant corrective actions recommended by Management;
- reviewing reports provided by the MRC and recommendations related to the Company's strategic, financial, operational, and compliance risks;
- reporting to the full Board on the Company's most significant risks, risk trends, as well as the related risk response strategies and the performance of the Company's risk management capabilities;
- overseeing the implementation of and adherence to corporate risk policies, processes, and other risk guidance;
- reviewing, at least annually, and approving risk management policies and the MRC mandate and membership with amendments as needed;
- reviewing the public disclosure of risk information and risk management practices (e.g. proxy statements, other regulatory disclosures); and
- confirming that the activities of discrete risk management disciplines within the Company are appropriately coordinated.

Investment committee

The Investment Committee is appointed by the Board of Directors of the Company to assist it in (i) establishing and overseeing the implementation of the Company's overall investment policy, and (ii) carrying out such other responsibilities as delegated by the Board or as set forth in this Charter.

Committee authority and responsibilities

The Investment Committee's duties and responsibilities includes the matters detailed below, as well as such other matters as may be delegated to the Investment Committee by the Board of Directors from time to time:

- The Investment Committee shall establish and periodically review the Company's investment policies and guidelines;
- oversee and periodically review the performance of the Company's investments, including the impact on such performance of the Company's investment policies and guidelines;
- periodically review the structure, approach and effectiveness of the Company's investment function, including the performance of, and allocation of responsibilities between, Company personnel and third-party advisers;
- select the Company's money managers and investment advisers, monitor their performance and, when appropriate, terminate their engagement;
- authorize investments, either on an ad hoc basis or as standing authorities, and ratifying investments made pursuant to delegated authorities;
- monitor on an ongoing basis the performance of the Company's investment advisers and retain and terminate such advisers as it seems appropriate; and
- make regular reports to the Board of Directors.

Compliance committee

The Compliance Committee has general responsibility to oversee the Company's compliance and ethics programs, policies and procedures. The purpose of the Compliance Committee is to:

- oversee the Company's implementation of compliance programs, policies and procedures that are designed to respond to the various compliance and regulatory risks facing the Company;
- oversee the Company's compliance and ethics programs, policies and procedures; and
- perform any other duties as directed by the Board of Directors.

The oversight responsibility of the Compliance Committee does not extend to planning or conducting audits, conducting investigations, or assuring compliance with relevant laws, the Company's Code of Business Conduct, or other relevant standards, including those imposed by any settlement agreements. These are the responsibilities of management.

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