



EPH

Sustainability Report 2017

EPH

Sustainability Report 2017

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Foreword



Dear Stakeholders,

It is my great pleasure to introduce to you the third Sustainability Report of Energetický a průmyslový holding, a.s., which covers the calendar year 2017. The Report is once again prepared in accordance with the Global Initiative's Sustainability Guidelines and presents an overview of our Group's performance, emphasizing the economic, environmental, social and operational aspects of our activities.

In 2017, EPH continued to grow in both its key sub-holdings – EP Infrastructure and EP Power Europe. As we announced in the previous sustainability report, the shareholder structure of EPIF was altered at the beginning of 2017. Based on 2017 results it can be concluded that it was a very successful year and the expectations of the new shareholder were fully met. EPIF, an operator of energy infrastructure assets, proved its stability, which is not only important in terms of financials, but mainly in terms of its customers. EPPE, a sub-holding active predominantly in power generation and mining, did not fall behind. New acquisitions intensified in the reported year, whilst the day-to-day business highlighted the positive development of EPPE. This in turn led to a rise in EPH's sales by 21.8% to EUR 6 billion in comparison with the previous year.

The year 2017 was very successful in terms of acquisitions which also contributed to EPH's overall growth.

In September 2017, the acquisition of two combined cycle gas turbine power stations in the UK, Langage and South Humber Bank, was completed. Their combined capacity is 2.3 GW.

Following this, Mehrum, a coal-fired power plant located in Germany with an installed capacity of 690 MW, was acquired in November.

At the end of 2017, EPH completed the acquisition of the biomass power plants Biomasse Italia and Biomasse Crotone from Bioenergie (50%) and Api Nòva Energia (50%) becoming the most important group in Italy in renewable energy production from solid biomass. The combined net installed capacity of the plants is 74 MW. This transaction is a part of the Group's strategy to develop the business of renewable energy in Europe, into which about EUR 700 million was invested in the last two years. The investment in the Italian biomass energy is the second largest after the conversion project of Lynemouth (UK), the originally 420 MW coal fired plant being converted to an almost 400 MW biomass power plant. Once completed, this will become one of the largest biomass plants within the EU.

Moreover, Spedica Group Companies, one of the largest Czech companies active in forwarding, transportation services and logistics was acquired in February. Forwarding services include international and domestic rail freight, as well as road and combined transport. This transaction resulted in further strengthening of the Group's logistics division.





Overall, EPH managed to reinforce its market position in 2017, due to continuous successful development in both key subsidiaries.

Eustream, an EPIF subsidiary, transported almost 65 billion cubic meters of natural gas. The opportunity to supply Ukraine with the reverse flow of gas after their ceasing of importing gas from Russia was taken. Significant progress was also achieved by launching processes to increase transit capacities from the Czech Republic to Slovakia and by obtaining financial support for the EU projects of Slovak-Polish interconnection and the Eastring project. We also retained our position as a major player in the Central European gas storage market. Thanks to a cold winter, the volume of gas distributed reached almost 5 billion cubic meters. In addition, more than 6.2 TWh of electricity was distributed. The year 2017 was therefore also very successful for EPIF's Gas and Power Distribution segment.

EPPE's power plants situated in Italy, the UK, and Germany increased their combined power generation by 38% in comparison with the previous year, while simultaneously decreasing the emission intensity factor by 19%. MIBRAG, a company owned by EPPE, active mainly in lignite mining in Germany, extracted more than 18 million tons of lignite in 2017.

These achievements were accomplished with awareness of sustainable development. We put an emphasis on setting realistic goals that will lead to long-term growth while considering its environmental impacts.

In 2017, we were not only active in our core business, but also in funding projects beneficial to society. We sponsored several interesting projects in the area, among others, of regional and cultural development as well as disadvantaged groups.

EPH Foundation contributed more than EUR 749 thousand and an additional EUR 602 thousand were provided to partnership programs.

All the success in 2017 was achieved primarily thanks to our employees. That being said, we are aware of the role we play especially in several German Federal states, but also in the other countries of our operations. It is almost 25 thousand employees and their families across all EPH companies that rely on the future sustainable development of our whole group. We thus aim to continuously improve in all fields of our activities to the benefit of all our stakeholders.

JUDr. Daniel Křetínský
CHAIRMAN OF THE BOARD OF DIRECTORS

Lynemouth biomass power station – conversion project update

Case Study

More than GBP 400 million
Lynemouth biomass conversion project
 is an important milestone in EPH's path towards
 controllable renewable electricity generation.

In 2017, the conversion of the Lynemouth power station from coal to a 100% sustainable biomass-fired generation plant entered the final construction phase and major maintenance outage works were concluded. By the end of the year, construction activities at the main power station site were substantially completed with the project on track for commissioning to commence during 2018, aiming to begin full generation before 2018 year end.

Significant aspects of the project included the construction of a new dedicated biomass fuel handling facility in the location of a former coal-yard, modification and upgrade of the boiler and power infrastructure and the installation of significant new electrical and control systems to enable Lynemouth power station to operate as a world-class facility.

Fig. 1 This is a view of two of the main biomass storage silos at the Lynemouth's power station site. In the photograph, the upper conveyor is the biomass fuel feed from the rail and road unloaders and the lower conveyor is the reclaim from the silos to the power station via the intermediate silo building.





Fig. 2 A new dedicated biomass fuel handling facility has been constructed on the site of the former Lynemouth Power coal yard.



Fig. 3 Lynemouth will generate electricity using sustainably sourced wood pellets.



Fig. 4 Davey Wharrier, Lynemouth's Maintenance Manager and Project Manager for delivery of the biomass fuel handling facility sub-project.

The plan is to operate the power plant as a base-load unit generation with about **2.3 TWh of low carbon emission electricity production** under the contract with the UK government.



Fig. 5 The biomass handling facility has been designed with state of the art controls to ensure safety to people and the environment.

The plant has net installed capacity approximately 395 MW with biomass fuel, **annually saving 1.5 million tons of carbon dioxide** emissions in average when compared to coal.



Fig. 6 Each of the six silos provides a storage capacity of up to 8,400 tons of biomass pellets.



Fig. 7 Lynemouth power station operates three generating units each with a capacity of up to 140 MW.

At Lynemouth Power's biomass fuel handling facility at the Port of Tyne a key milestone was reached during August 2017 when the first shipment of renewable biomass fuel pellets was received for commissioning of the unloading hoppers and storage silos. The port facility will eventually handle up to 1.8 million metric tons of wood pellets for Lynemouth once the conversion is complete.

Throughout the complex conversion and maintenance out-age process Lynemouth Power has maintained a strong and consistent focus on HSE management including maintaining independently certified management systems meeting the ISO14001 (environment), OHSAS18001 (health and safety) and ISO50001 (energy) international standards. During July 2017 Lynemouth Power were awarded with the Royal Society for the Prevention of Accidents ("RoSPA") Order of Distinction, recognising the company's consistent exceptional performance in occupational safety.

Biomasse Italia and Biomasse Crotone

are among the largest Italian companies producing energy from solid biomass

Case Study

The companies own and operate two woodchip biomass power plants with a total installed capacity of 73 MW and a complementary photovoltaic power plant located in Strongoli, managed by Biomasse Italia with an installed capacity of 1.2 MW.

Biomasse Italia was founded in 1997 by Bioenergie S.p.A (formerly Bio-tedim S.p.A.). The Crotone power plant first started production in 2001 with the Strongoli power plant commencing in 2003. The plants are located in a favourable geographical area within the Calabria region of Southern Italy with large forestry areas and an important commercial seaport close to the power plants.

In 2008 Api Nova Energia S.r.l., belonging to Api Group, a leading Italian oil company, became 50% shareholders of Biomasse Italia. Biomasse Crotone was created from a spin-off of Biomasse Italia in 2011, maintaining the same shareholders and management.

Moreover, Biomasse Italia owns 50% of Fores Italia S.r.l., an entity established for direct procurement and production of woodchips for both power plants.

In December 2017 EP New Energy Italia, an Italian subsidiary of EPH, acquired the entire capital of Biomasse Italia and Biomasse Crotone. Under EPH ownership, the companies have maintained the committed mission and strategy to produce renewable energy from biomass with a focus on environmental sustainability, ensuring maximum safety and a dedication to local social responsibility.

Comprehensive ecological investment for plant efficiency and environmental protection

The biomass power plants began operation under the CIP6¹ incentive scheme for 8 years (Crotone power plant until 2009, Strongoli until 2011). Thereupon, a major revamping of the both biomass power plants was initiated in order to meet the requirements of the Green Certificates market. This investment of EUR 90 million was aimed at maximising efficiency and production reliability in compliance with the highest standards of environmental protection.

- The investments carried out at the Strongoli power plant from 2011 to 2012:
- Replacement of the flue gas treatment system
 - Replacement of the steam turbine and condenser
 - Upgrades to increase the efficiency and reliability of the boilers
 - Cooling tower optimisation
 - Replacement of the step-up transformer
 - Enhanced rainwater collection network

These improvements have resulted in a plant efficiency increase from 28.8% to 30.6% (as certified by Bureau Veritas).

- The investments carried out at the Crotone power plant from 2010 to 2012:
- Enhancement of the fuel supply system for increased transport capacity and improved flexibility through automated fuel mix adaption
 - Installation of two new high energy efficiency grate boilers
 - Enhancements of the thermodynamic cycle
 - A new single high efficiency turbo generator
 - Water-cooled steam condenser for high efficiency in different ambient condition
 - Atmospheric cooling tower for the re-use of the condenser cooling water within a closed cycle
 - New 150 kV electrical network connection for the delivery of produced electricity into the national high-voltage grid, in order to guarantee better connection stability.

These improvements have resulted in a plant efficiency increase from 26.3% to 27.7% (as certified by Bureau Veritas).

1 The CIP6 program is no longer available for new plants, but several facilities, built before 2009, enjoyed this incentive. The regulation CIP6/92 has promoted the construction of plants fed by renewable sources or assimilated ones by the introduction of a guaranteed tariff for the energy produced. (https://www.connaissancedesenergies.org/sites/default/files/pdf-pt-vue/ifri_anoverviewofitalysenergymixifriversion13062012.pdf).

Low emissions production well below the limits set by Italian law and the plants’ authorizations

Biomasse Italia – biomass only

2017	NO _x	Powders	CO ₂	SO ₂
Total emissions (tons/year)	209.2	4.0	1,093.1	0.4
Annual average emissions (mg/Nm³)	118.6	2.2	–	0.2
Emission intensity – electricity (tons/GWh)	0.57	0.01	2.96	0.0
Limit set by the law (mg/Nm³)	250.0	20.0	–	200.0
Total net electricity production (GWh)				368.8

Biomasse Crotone

2017	NO _x	Powders	CO ₂	SO ₂
Total emissions (tons/year)	381.8	6.8	49.0	27.4
Annual average emissions (mg/Nm³)	264.0	4.7	–	18.2
Emission intensity – electricity (tons/GWh)	1.62	0.03	0.21	0.12
Limit set by the law (mg/Nm³)	300.0	30.0	–	200.0
Total net electricity production (GWh)				235.2

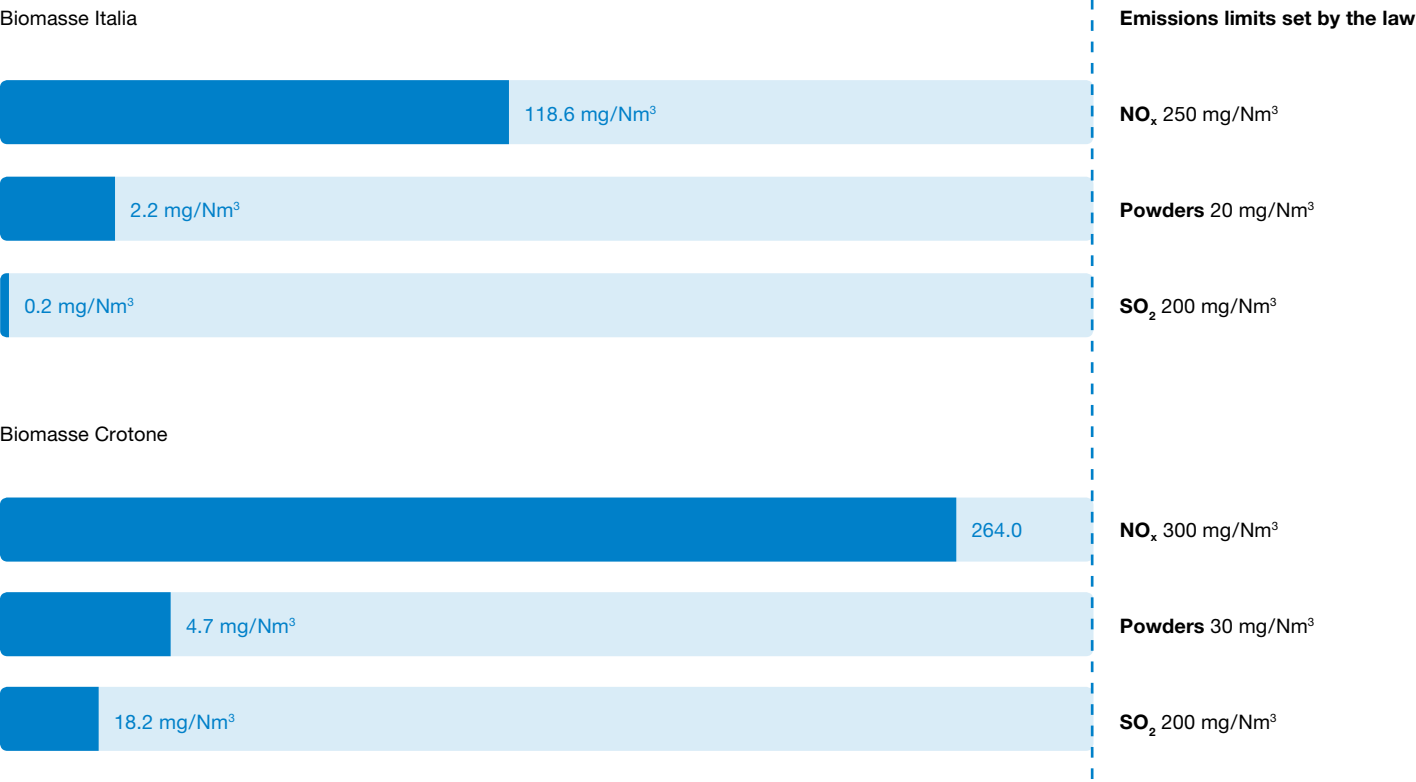


Fig. 8 Biomasse Italia & Biomasse Crotone average emissions in 2017.

Sustainable fuel sources and environmentally friendly biomass chain

The plants have an annual biomass consumption of approximately 730 thousand tons. The raw material consists mainly of biomass wood chips derived from forest maintenance and agro-food waste delivered via road from the macro-region of Southern Italy or shipped from different areas in Northern Italy and arriving to the seaport of Crotona.

The supply network put in place throughout Italy allows collection of biomass across a large territory, optimizing the fuel utilization, enhancing fuel quality and avoiding the environmental pressures on the areas adjacent to the power plants.

A considerable proportion of the wood biomass used is a sub-product from commercial forestry management, a by-product of timber and paper production. Wood biomass is becoming an essential way to implement forest management to make use of residues from trees thinning and for poor quality timber with a lack of alternative end markets. This new usage allows sustainable forestry helping to fund replanting and new forest establishment.

It is still to be noted that the ecological footprint of biomass, even when transported by vessel, continues to provide a positive balance on emissions, contributing to their reduction. Approximately, according to the ecological footprint, 25% of the energy content of a ton of biomass with a net calorific value of 2.7 Gcal/ton is consumed for the production and transport by sea of the ton itself. On the basis of the ecological footprint, each ton of biomass, after deducting the energy consumption for its production, corresponds to 0.2 ton of oil equivalent which corresponds to 0.63 ton of CO₂-eq as avoided emissions. On this base, the entire consumption of Biomasse Italia and Biomasse Crotona corresponds to a total of half a million tons of CO₂-eq avoided emission. To give the magnitude of the avoided emissions, considering a diesel car with emissions equal to 170 g/km, the avoided emissions by Biomasse Italia and Biomasse Crotona would allow a distance of over 3 billion kilometres/year.

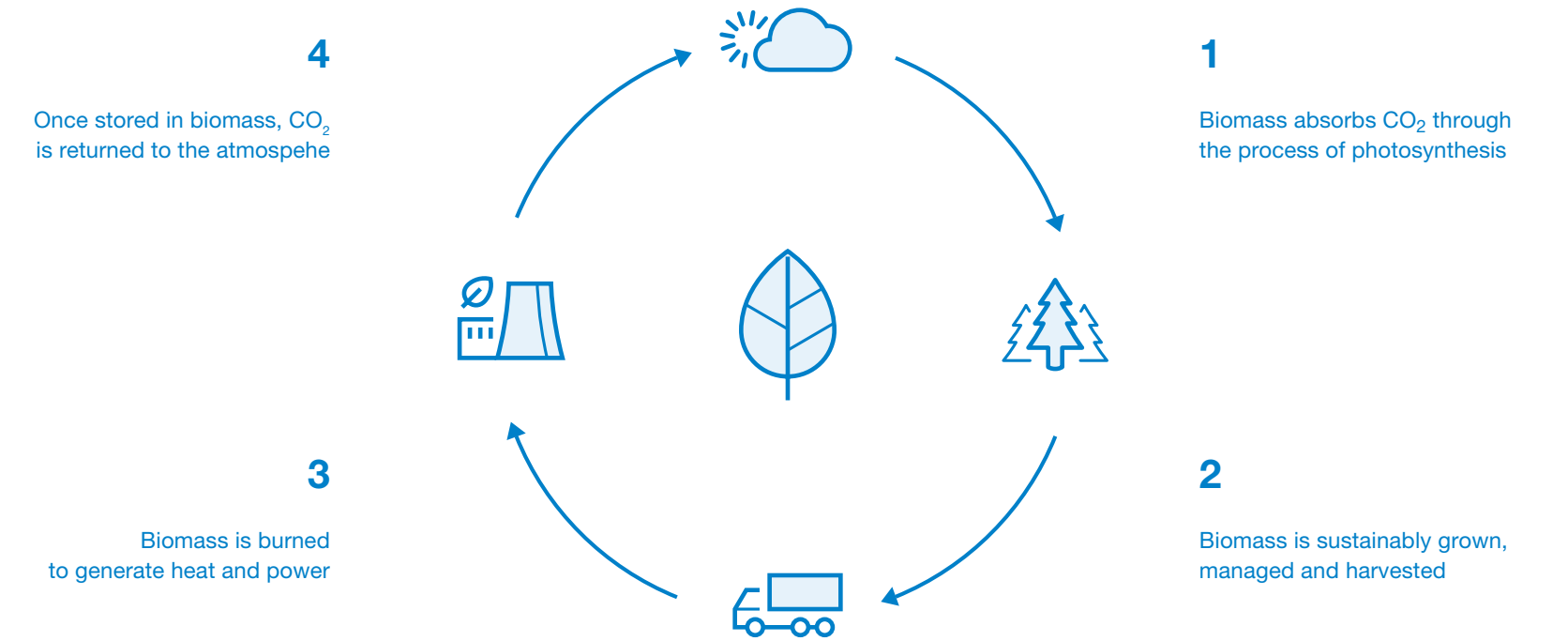
A commitment to high environmental standards

As a commitment to ongoing environmental protection the companies have adopted an Environmental management system (“EMS”) and achieved certification to international standards UNI EN ISO 14001 in 2005.

The EMS requirements are to ensure the implementation of the most rigorous procedures to protect the environment and to ensure that the environmental performance meet both the requirements of law and the companies’ own environmental goals.

In March 2018, the companies successfully passed the latest audit for the certification of the Integrated management systems (of which EMS is part).

Why biomass?



There are several advantages of the inclusion of biomass into the Group’s fuel mix and reasons to operate biomass plants:

- Biomass is a renewable source of energy, in contrast to fossil fuels;
- This energy source is available around the world;
- Allows to use by-products or bio waste effectively;
- Could be converted into a concentrated form which yields more energy than the original mass;
- It is also used for co-combustion;
- Negligible CO₂ footprint, it is a natural renewable source which is neutral in terms of carbon dioxide released into the atmosphere, as is clearly shown in the chart above.

Nevertheless, there is also one main disadvantage: organic sources of biomass must be replaced relatively quickly to ensure stable energy production. Thus, there are efforts to use specific plants, grains, and other forms of biomass that can be replaced quickly and inexpensively.

Italy represents excellence in this industry (especially in wooden biomass) at the European level. This, through the sustainable and efficient maintenance activities of the wood forests, also generates important environmental benefits, like the prevention of fires and reduction of hydrogeological risks.

About this report

This is the third Sustainability Report of Energetický a průmyslový holding, a.s. (“EPH” or the “Company”). We focused on most relevant updates compared to our 2016 Sustainability Report with the aim to provide a balanced overview of our performance and activities with regards to the economic, operational, social and environmental aspects of our operations. Moreover, we are still developing this Report to include more relevant information to our stakeholders. While EPH is not a publicly 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 EPH effectively acts as a holding company (described further in the section 4 Governance and ethics) that has grown on the back of acquisitions and it 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. Although we believe we made a progress in the quality of collected data, we will still do our best to increase the quality of our next reports while trying to remain consistent to allow data comparability.

To demonstrate our work towards improving the Group’s sustainability reporting, this year we newly included also indicators on logistics activities. To learn more about logistics activities in EPH, please see the page 118.

In terms of reporting period, the information presented in this Report relate to our operations during the 2017 calendar year with 2016 comparative data reported. In the previous Sustainability Report 2016, for the sake of comparability, we reported full year data for subsidiaries that we acquired during the calendar year. In this regard there were deviations from the principles used in our financial reporting. For the current year Report we decided to show the data for newly acquired subsidiaries from the date of acquisition and reviewed and adjusted, where appropriate, 2016 data in order to be prepared on the same basis as in 2017. For more information about scope, please see the section Organizational Boundaries in this chapter.

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

We plan to issue our next Sustainability Report for 2018 in 2019.



The principles of our Report

We have decided to pursue an ambitious route and report following the GRI Standards prepared by Global Reporting Initiative (“GRI Standards”). These global standards for sustainability reporting were issued in October 2016. In the previous Report we used formerly issued GRI G4 Guidelines. The new GRI Standards include all the main concepts and disclosures from the G4 Guidelines, but are simpler and more flexible in terms of requirements and structure.

We are using also GRI’s sector guidelines for Electric Utilities and for Logistics and Transportation Sector Supplement (pilot version 1.0), which are based on the standard disclosures and performance indicators of GRI including the requirements of GRI “core” option.

More information about GRI Standards could be found on the following website:
<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 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 Indicators with the exception of the GRI 200 Economic data and GRI 400 Social data, which has been reported using financial control in order to align the data with the financial information reported in the EPH Annual Report. 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 following section Organisational boundaries.

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 the 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 page 144 of this Report.

It is important to note that our two largest acquisitions in the power generation segment which took place in 2016, 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 consolidated 2016/2017 figures as we do not exercise control in these entities. 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 Lausitz Energie Verwaltungs GmbH).

Organisational boundaries

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

EPH Core	Subholding	Ownership Share	Financial Control	Operational Control	Joint Control
Alternative Energy, s.r.o.	EPIF	72.0%	Yes	Yes	
ARISUN, s.r.o.	EPIF	100.0%	Yes	Yes	
Budapesti Erőmű Zrt (BERT)	EPIF	95.6%	Yes	Yes	
Elektrárny Opatovice, a.s.	EPIF	100.0%	Yes	Yes	
Eustream, a.s.	EPIF	49.0%	Yes	Yes	
NAFTA a.s.	EPIF	69.0%	Yes	Yes	
Plzeňská energetika a.s.	EPIF	100.0%	Yes	Yes	
POWERSUN a.s.	EPIF	100.0%	Yes	Yes	
Pražská teplárenská a.s.	EPIF	98.0%	Yes	Yes	
SPP - distribúcia, a.s.	EPIF	49.0%	Yes	Yes	
SPP Storage, s.r.o.	EPIF	49.0%	Yes	Yes	
Stredoslovenská energetika a.s.	EPIF	49.0%	Yes	Yes	
Triskata, s.r.o.	EPIF	100.0%	Yes	Yes	
United Energy, a.s.	EPIF	100.0%	Yes	Yes	
VTE Pchery, s.r.o.	EPIF	64.0%	Yes	Yes	
Biomasse Crotone SpA	EPPE	100.0%	Yes	Yes	
Biomasse Italia SpA	EPPE	100.0%	Yes	Yes	
Eggborough Power Ltd	EPPE	100.0%	Yes	Yes	
EP Langage Limited	EPPE	100.0%	Yes	Yes	
EP Produzione S.p.A.	EPPE	100.0%	Yes	Yes	
EP SHB Limited	EPPE	100.0%	Yes	Yes	
Helmstedter Revier GmbH	EPPE	100.0%	Yes	Yes	
Kraftwerk Mehrum GmbH	EPPE	100.0%	Yes	Yes	
Lynemouth Power Limited	EPPE	100.0%	Yes	Yes	
Mitteldeutsche Braunkohlen Gesellschaft mbH	EPPE	100.0%	Yes	Yes	

Logistics Core	Subholding	Ownership Share	Financial Control	Operational Control	Joint Control
LokoTrain s.r.o.	EPLI	65.0%	Yes	Yes	
EP Cargo Deutschland GmbH	EPLI	100%	Yes	Yes	
EP Cargo Polska S.A.	EPLI	100%	Yes	Yes	
SPEDICA GROUP COMPANIES, s.r.o.	EPLI	67.3%	Yes	Yes	
EOP & HOKA s.r.o.	EPH	100%	Yes	Yes	
EP Cargo a.s.	EPIF	100%	Yes	Yes	

Please note that EPH Core and Logistics Core include material companies consolidated according to IFRS and for which consolidated sustainability indicators are reported.

Share participations	Subholding	Ownership Share	Financial Control	Operational Control	Joint Control
POZAGAS a.s.*	EPIF	62.0%	No	No	Yes
Ergosud S.p.A.	EPPE	50.0%	No	No	Yes
Lausitz Energie Kraftwerke AG	EPPE	50.0%	No	No	Yes
Lausitz Energie Bergbau AG	EPPE	50.0%	No	No	Yes
Slovenské elektrárne, a.s.**	EPPE	33.0%	No	No	Yes

* Note: Share in POZAGAS was increased at the end of 2017 and control obtained. This will be reflected in the consolidated non-financial information from 2018.

** Note: The company Slovenské elektrárně is legally out of the EPPE scope, but is shown under EPPE subholding based on management perspective.

Sustainability information on share participations is reported in a separate chapter.

Notes to compliance between EPH’s sustainability and financial reporting

The information presented in this Report includes some differences in the Report boundary from the data reported in the EPH 2017 Consolidated Annual Report. The main changes identified are:

- The 50% stake in companies Lausitz Energie Kraftwerke AG, Lausitz Energie Bergbau AG, Ergosud S.p.A. and its operating power plant Scandale and 33% stake in Slovenské elektrárne, a.s. are equity consolidated in financial reporting. Since EPH does exercise joint control over these companies, sustainability information is not consolidated and is reported in the separate section 3 Other share participations.
- 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 and over which EPH does not exercise the control, are excluded from this Report.
- The majority of indicators are reported at the level of the operating company in the company listed 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.

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. In addition the boundaries for the environmental indicators are restricted to the physical location of the core operations meaning that we exclude the data from facilities not located in the physical location of main operation whose environmental impact is not deemed material compared to the impact of main operation. We recognise all of this as an area for further improvement for our future reporting.

Restatements in 2017 Report

Certain performance indicators were restated versus data reported in the last Report. Any such material restatement is duly commented on in the Performance indicators section.

Assurance

As well as publishing our 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 page 138 of this Report.

EPH and its **business**



Geographic presence of EPH

Slovakia
Total Revenues

€ 1.9 bn

EPH Companies:
Eustream
SPP - distribúcia
Stredoslovenská Energetika
Nafta

Italy
Total Revenues

€ 1.3 bn

EPH Companies:
EP Produzione

Czech Republic
Total Revenues

€ 0.9 bn

EPH Companies:
Pražská teplárenská
Elektrárny Opatovice
United Energy
Plzeňská energetika
SPP Storage

Germany
Total Revenues

€ 0.7 bn

EPH Companies:
MIBRAG
Saale Energie
Kraftwerk Mehrum

United Kingdom
Total Revenues

€ 0.5 bn

EPH Companies:
Lynemouth Power
Eggborough Power
EP SHB
EP Langage

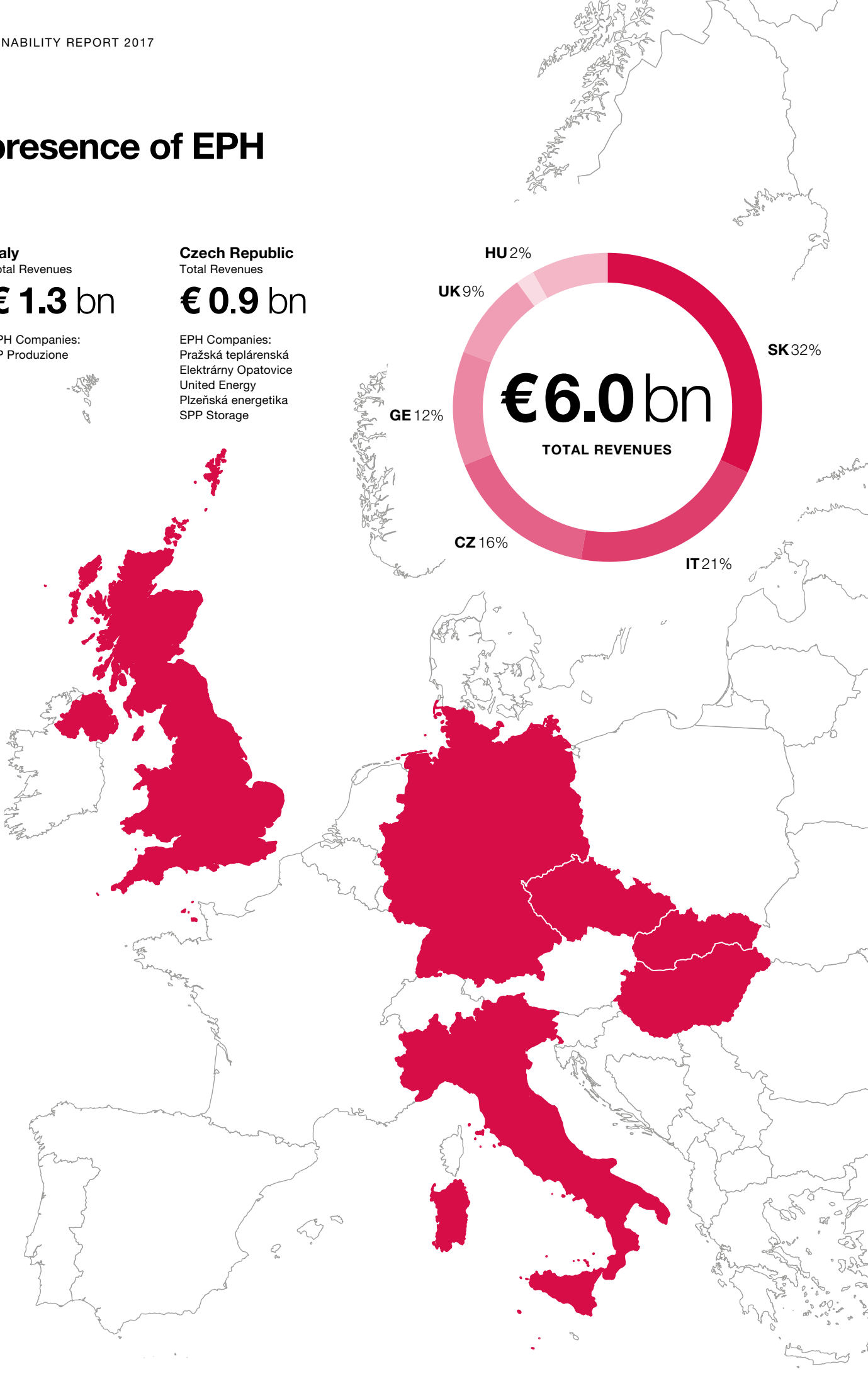
Hungary
Total Revenues

€ 0.1 bn

EPH Companies:
BERT

Other revenues
Total Revenues

€ 0.6 bn



Note: Fully consolidated core companies are listed here as at 2017.
SE and LEAG are not included as they are equity consolidated only.

Fig. 9 Key operating entities 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 an internal reorganisation initiated at the end of 2015, EPH is centered around two main sub-holdings, EP Infrastructure (“EPIF”) and EP Power Europe (“EPPE”).

Our achievements

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



LARGEST GAS
TRANSMISSION
ROUTE IN EUROPE



GAS DISTRIBUTOR
IN SLOVAKIA



GAS STORAGE
PLAYER IN REGION
OF SLOVAKIA,
THE CZECH REPUBLIC
AND AUSTRIA



CZECH DISTRICT HEATING
INFRASTRUCTURE

EPH Company Structure

Key Infrastructure and Generation Companies

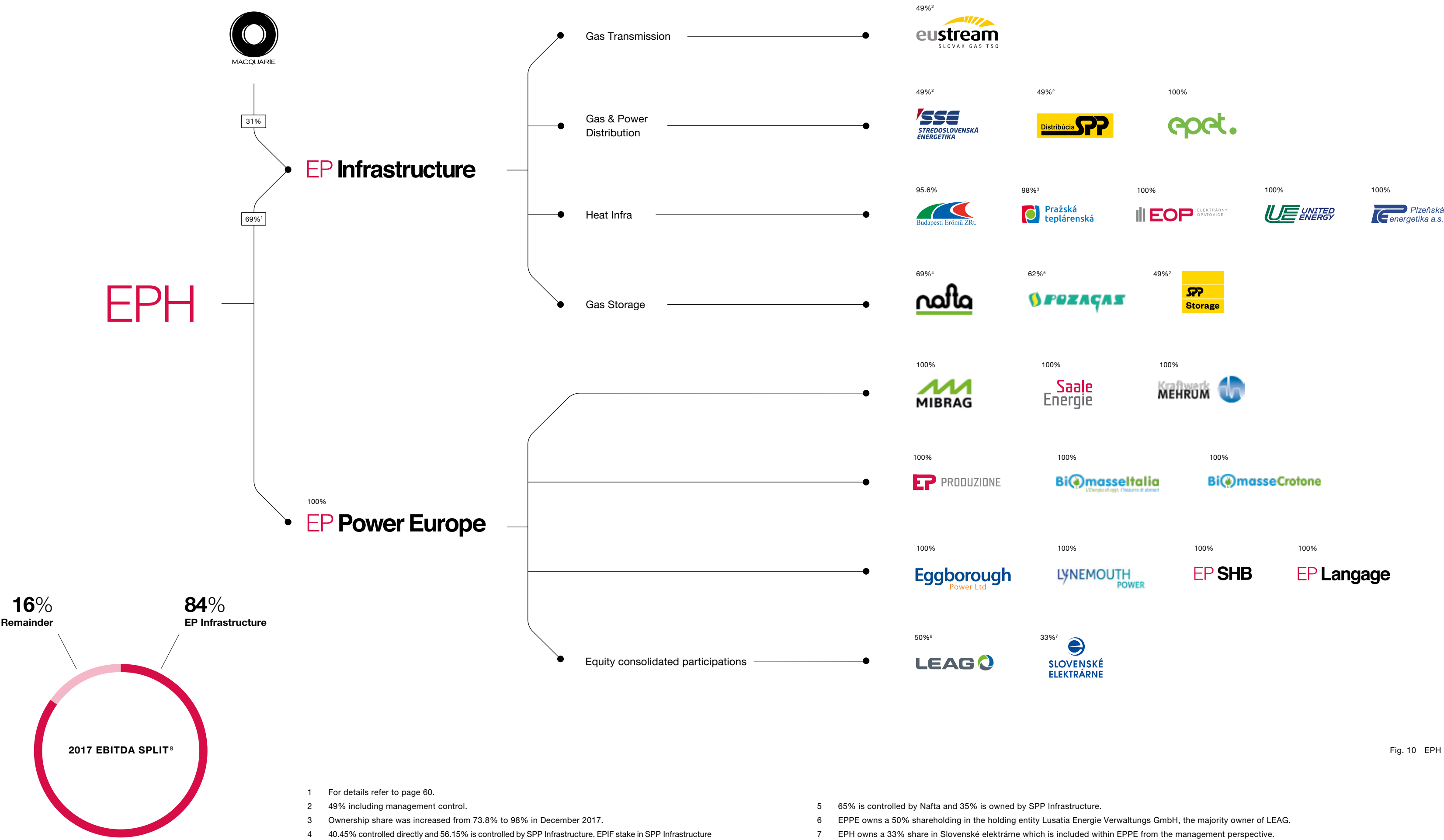


Fig. 10 EPH Company structure.

1 For details refer to page 60.
2 49% including management control.
3 Ownership share was increased from 73.8% to 98% in December 2017.
4 40.45% controlled directly and 56.15% is controlled by SPP Infrastructure. EPF stake in SPP Infrastructure is 49% including management control; considers own shares held in Nafta.
5 65% is controlled by Nafta and 35% is owned by SPP Infrastructure.
6 EPPE owns a 50% shareholding in the holding entity Lusatia Energie Verwaltungs GmbH, the majority owner of LEAG.
7 EPH owns a 33% share in Slovenské elektrárne which is included within EPPE from the management perspective.
8 EPH EBITDA based on audited fully consolidated 2017 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	€ 664 million		Regulated / Contracted	 № 1 Largest gas transmission route in Europe ²
Gas & Power Distribution	€ 551 million	   <small>STREDOSLOVENSKÁ ENERGETIKA</small>	Predominantly regulated	 №1 Gas distributor in Slovakia ³  №2 Electricity distributor in Slovakia ⁴
Heat Infrastructure	€ 157 million	    	Predominantly regulated	 № 1 Czech district heating infrastructure ⁵
Gas Storage	€ 144 million	  	Predominantly contracted	 № 1 Gas storage capacity in the region of Slovakia, Czech Republic & Austria ⁶

Fig. 11 EP Infrastructure (EPIF).

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

1 EBITDA is based on 2017 consolidated 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 volume distributed.
5 Based on PJ distributed to final consumers.
6 Based on storage capacity.

EP Power Europe (EPPE)

EP Power Europe consists of various power generation assets across several European markets.














Country	Net installed capacity ¹ / fuel	Companies	Business profile	Asset highlight
Germany	17 – 19 million tons annual lignite production 0.9 GW in lignite ² 0.7 GW in hard coal	   	Contracted Security reserve	Two lignite mines and two CHP plants A lignite mine and the Buschhaus power plant A share in the Schkopau power plant A highly efficient hard coal power plant
United Kingdom	0.4 GW ⁴ biomass conversion project 2.0 GW in hard coal 2.3 GW in gas	   	Contract for difference Security reserve	Ongoing biomass conversion project with the UK government backed contract for difference until 2027 A hard coal power plant placed in supplemental balancing reserve ('SBR') Highly efficient CCGTs with leading positions within the UK merit order
Italy	4.1 GW in gas 0.6 GW in hard coal 0.3 GW in oil 0.1 GW in biomass	  	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 Modern biomass plants, biomass made from wood chips and agro-food residuals
Equity consolidated participations				
Slovakia	1.8 GW in nuclear 1.6 GW in hydro 0.2 GW in coal 0.2 GW in lignite		Merchant Ancillary services	The largest power generation company in Slovakia with 3.4 GW of carbon free capacity
Germany	7.6 GW in lignite 0.2 GW in natural gas 60 million tons annual lignite mining		Merchant Ancillary services Heat co-generation	A former Vattenfall fleet of 4 critical and dependable baseload power plants and associated lignite mines

Fig. 12 EP Power Europe (EPPE).

Source: EPH data for 2017.

1 The assets are represented by net installed capacity in 2017 year in comparison with gross installed capacity reported previous year.

2 Including the power plant Buschhaus, that has been in the security stand-by mechanism since 1 October 2016.

3 Kraftwerk Mehrum acquired from Stadtwerke Hannover and BS Energy in September 2017, transaction was completed in November 2017.

4 Assumed net installed capacity.

5 Acquisition of Langage and South Humber Bank gas-fired power stations from Centrica finished in September 2017.

6 EPH completed on 15 December 2017 the acquisition of the biomass power plants Biomasse Italia and Biomasse Crotone from Bioenergie (50%) and Api Nòva Energia (50%).

EP Infrastructure Highlights

- 1

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.
- 2

Large diversified asset base

Diversified across multiple types of infrastructure, which contributes to EPIF's stability. No exposure to a single asset type.
- 3

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. EPH, EPiF and MIRA are private enterprises with shareholder interests as main priority.

- 4

Strong cash flow generation

Sustainable sizeable EBITDA (EUR 1.5 billion in 2017), with strong cash conversion¹ (70% in 2017). Some of the networks we operate are newly-built or have been rebuilt recently. Regulatory framework motivates us to optimise (not maximise) investments.
- 5

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.
- 6

Track record of growth

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

1 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. Calculated based on audited financial statements.

EP Power Europe Highlights

- 1

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

EPPE¹ owns 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.
- 2

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.

1 Including share participations.
2 Pending finalization of Lynemouth biomass conversion project.

- 3

Balanced fuel mix

EPPE's power generation portfolio provides a balanced mix of thermal, nuclear, hydro and biomass² 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, the UK).
- 4

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 the 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.
- 5

Responsible & 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.

Share participations

3.1 Slovenské elektrárne

Portfolio of Slovenské elektrárne

EPH completed the first phase of the acquisition of Slovenské elektrárne (“SE”), the largest power generator in the Slovak Republic, on 28 July 2016. The current ownership structure of SE is as follows: the majority shareholder is Slovak Power Holding BV (“SPH”), owning 66% of the company. A 50% of the share capital of SPH is owned by a subsidiary of EPH, EP Slovakia B.V. and the remaining 50% belongs to the Enel Group. EPPE has an option for the acquisition of the remaining 33% stake from Enel under certain conditions. The minority shareholder, owning 34% of the shares, is the Slovak Republic, represented by the Ministry of Economy of the Slovak Republic.

In 2017, SE owned and operated a power plant portfolio with 3.8 GW of installed capacity, out of which 1.8 GW were nuclear power plants, 1.6 GW were hydro power plants and 0.4 GW were thermal power plants. These power plants accounted for 69% of the electricity generation in Slovakia in 2017.

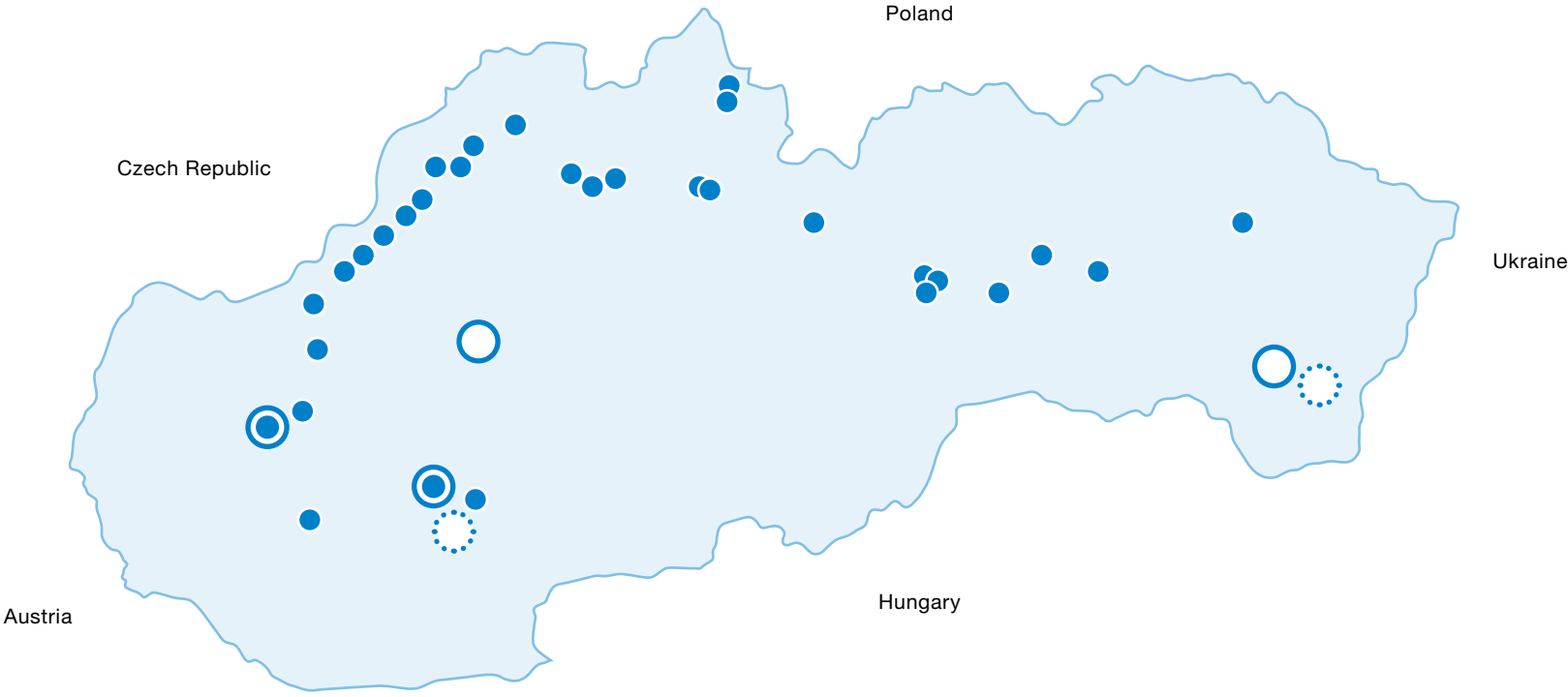
Role of the assets in the Slovak energy market

The portfolio of SE represents the critical energy infrastructure in Slovakia and in the CENTREL region, which also includes the Czech Republic, Hungary and Poland. It accounts for the majority of the installed capacity and generated power in Slovakia and represents 8% of installed capacity and 7% of generated electricity in this region. EPPE’s role in the region is key given its stakes in the power generation and supply in the Czech Republic and power generation, power and gas distribution and supply in Slovakia.

Upon successful completion of an additional two nuclear units in Mochovce, the position of SE in the Slovak and regional energy sector will be further enhanced. Mochovce Units 3 and 4, the largest private investment in Slovakia’s history, will add a further 2 × 471 MW of carbon-free installed capacity producing 7–8 TWh of electricity annually. Slovakia will thus become a net power exporter. At the end of 2017, the overall physical completion progress reached 96.1% at Unit 3 and 84.5% at Unit 4.

The nuclear power plants of SE operate in a baseload mode, guaranteeing the stability of the electricity supply. They are complemented by a group of flexible run-of-river and pump storage hydroelectric power plants providing ancillary services for the grid. In 2017, SE produced almost 90% of the electricity supply without GHG emissions, thus proving the importance of its nuclear and hydroelectric assets for the environmentally-friendly and sustainable future. By contrast, coal and lignite based technologies are perceived as key for the transitional period in the upcoming years.

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











	31 ×		Hydroelectric power plants	1,590 MW
	2 ×		Nuclear power plants	1,814 MW
	2 ×		Thermal power plants	414 MW
	2 ×		Solar power plants	1.8 MW

Fig. 13 Slovenské elektrárne – net installed capacity.



10% Electricity supply with CO₂ emissions

Fig. 14 Carbon emissions of energy supply in 2017.

Sustainability initiatives

Environment at power plants

In 2017, new projects and initiatives were launched at the conventional power plants with the aim to improve their efficiency and their environmental sustainability.

The Nováky thermal power plant (“ENO”) saw the successful completion of trial operation following the EUR 32 million reconstruction of the ENO units B1 and B2. These units have been in permanent operation since September 2017 and proved their ability to operate successfully within set emission limits valid since 2016. Another ENO project aimed at reconstruction of substations achieved its triple positive impact in terms of enhancing the reliability of the ENO operation, improving occupational health and safety and eliminating existing environmental burdens. A major investment project of ENO, the Chalmová temporary sludge bed, was also successfully implemented and since it proved to be highly effective, its extension is planned for the future. Preparatory works for the remediation of the environmental burden at Zemiansky Brod near Nováky started in 2017, while remediating activities are planned to be carried out in the upcoming years.

Priority investment projects from the environmental perspective were also implemented at the hydroelectric power plants Čierny Váh and Považská Bystrica with the reconstruction of the technically obsolete transformer units. In both cases projects were aimed at improving the plants’ reliability as well as their environmental impact.

Through replacing fossil fuels with wood chips – biomass in fluidised-bed boilers at the Vojany power plant (“EVO”) in the volume of almost 21 thousand tons, a greenhouse gas saving was achieved in 2017, in the quantity of 22 thousand tons of CO₂-eq emissions. EVO also carried out a pollution survey of selected sites within its premises and started to plan remediation activities for three environmentally risky localities.

A further saving of approximately 2 thousand tons of CO₂-eq emissions in comparison with the same quantity of electricity produced in coal-fired power plants was achieved through the full use of the installed capacity of the photovoltaic power plants at Mochovce and Vojany.

Reliability and safety at nuclear power plants

Nuclear safety represents one of the basic pillars of the operation of SE. The objective is to ensure a high level of nuclear safety and reliability of equipment and personnel at nuclear power plants (“NPPs”).

The NPPs production increased year-on-year from 14,774 to 15,081 GWh. Supplies to the grid increased by 261 GWh and reached 13,993 GWh. In 2017, the Bohunice Nuclear Power Plant (“EBO”) supplied 7,241 GWh of electricity to the grid. Mochovce (“EMO”) supplied 6,752 GWh. Throughout the year both nuclear plants also kept up reliable ancillary services, secondary and negative tertiary regulation of output and secondary regulation of voltage.

In 2017, SE invested a total of EUR 1.98 million in improving occupational safety with the main activities being focused on risks identification, improvement of equipment safety and training purposes. In 2017, nuclear power plants of SE operated again in a reliable and safe manner. No operational event with a potential safety impact was recorded.

The Jaslovské Bohunice nuclear power plant carried out a half dozen projects aimed at enabling the further safe, environmentally friendly and efficient production of electricity and heat. All projects in the framework of the general overhaul, including projects carried out on the basis of stress test results following the Fukushima nuclear power plant accident proceeded successfully. During their implementation, as well as during the implementation of projects outside the general overhaul, there were no workplace accidents involving a contractor or SE worker.

Similarly to EBO, projects carried out at the Mochovce Nuclear Power Plant (EMO) in 2017 were also focused on raising nuclear safety, operational availability and reliability of the units. Five projects were specifically aimed at increasing nuclear safety. As part of the severe accident reduction scheme, special measurements of the level and temperatures in the spent fuel pool were carried out in the framework of the Severe Accident Project. The project of seismic resistance continued in 2017 with the implementation and completion of the seismic resistance of the emergency management centre. Great progress was achieved in terms of implementation of projects related to post-Fukushima measures. Of the 23 projects defined for EMO, 19 projects have now been implemented. The technical solution of 3 projects is currently being re-evaluated with the aim of cost-optimisation.

In both 2016 and 2017 around
90% of the electricity supply was completely carbon free.


Current issues and future actions

SE remains determined to continuously work on the improvement of the safety, reliability and environmental impact of its conventional as well as nuclear installations.


As mentioned above, several projects aimed at eliminating the environmental impact and remediating the environmental burdens have already been identified at the conventional power plants and are planned to be carried out in the upcoming years. Extension of the Chalmová project and remediation activities in Zemiansky Brod and in the EVO internal premises represent the priority investments for the period to come.

Projects aimed at post-Fukushima measures will continue at the nuclear power plants together with other investment projects focused on ensuring more reliable and environmentally sustainable operation of SE’s nuclear installations.


SE also determined to sustain its excellent record in terms of occupational health and safety and plans to retain its investment to this end also in the upcoming period.



3.4 GW of completely carbon-free generation, whereby both hydro and nuclear energy have an irreplaceable role in terms of the 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 an 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 WWER¹ 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 two new nuclear units 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 CO₂-eq emissions reduction once in operation.

1 The Water-Water Energetic Reactor.

Main figures 2017 and 2016

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
Operations and sales						
EU1	Net installed capacity – Electricity	MW	3,820	3,820	–	0%
	Hard coal	MW	198	198	–	0%
	Lignite	MW	216	216	–	0%
	Nuclear	MW	1,814	1,814	–	0%
	Hydro	MW	1,590	1,590	–	0%
	Photovoltaic	MW	2	2	–	0%
EU1	Net installed capacity – Heat	MW	579	579	–	0%
EU2	Net power production	TWh	17.5	17.2	0.3	2%
EU2	Net heat production	TWh	0.7	0.9	(0.2)	(18%)
102-7	Amount of electric energy sold	TWh	26.4	24.0	2.4	10%
	Heat supplied to district heating network	PJ	2.5	2.4	0.1	5%
102-7	UCF coefficient (Unit capability factor)	%	91.4	89.1	2.3%	0%

For more information, please visit www.seas.sk.

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
Environment						
302-1	Direct GHG emissions (Scope 1)	million tons CO ₂ -eq	2.4	2.3	0.1	5%
305-4	Emissions intensity – including heat component	ton CO ₂ -eq/GWh	132.0	127.4	4.7	4%
302-1	Energy consumption	PJ	191.8	186.9	4.9	3%
	Hard coal	PJ	7.1	5.2	1.9	37%
	Lignite	PJ	17.7	18.3	(0.6)	(3%)
	Nuclear	PJ	166.5	163.1	3.5	2%
	Other	PJ	0.4	0.3	0.1	33%
305-7	Total SO ₂ emissions	thousand tons	7.2	6.4	0.9	13%
305-7	Total NO _x emissions	thousand tons	1.8	1.9	(0.1)	(3%)
305-7	Total dust emissions	thousand tons	0.1	0.2	(0.1)	(40%)
303-1	Quantity of water withdrawn	million m³	54.0	51.2	2.8	5%
306-1	Quantity of water discharged	million m³	15.9	15.3	0.6	4%
306-2	Byproducts – Total production	million tons	0.9	0.9	(0.1)	(6%)
	Ash	million tons	0.3	0.3	(0.1)	(18%)
	Slag	million tons	0.0	0.1	(0.0)	(4%)
	Gypsum	million tons	0.1	0.2	(0.1)	(46%)
	Additional material	million tons	0.2	0.2	0.1	31%
	Other	million tons	0.2	0.1	0.1	52%
	Waste other than byproducts – Total production	thousand tons	14.6	13.4	1.2	9%
	Non-hazardous waste	thousand tons	14.0	10.9	3.0	28%
306-2	Hazardous waste	thousand tons	0.6	2.5	(1.9)	(75%)
Social						
403-2	Injury Frequency Rate – Employees	index	0.5	0.7	(0.1)	(21%)
403-2	Registered injuries – Employees	#	4	5	(1)	(20%)
102-7	Headcount	#	4,339	4,380	(41)	(1%)
	Male	#	3,643	3,693	(51)	(1%)
	Female	#	696	686	10	1%
	Executives	#	22	26	(4)	(15%)
401-1	New hires rate	%	8%	11%	(2%)	–
	Employee turnover rate	%	8%	9%	(1%)	–
404-1	Total training hours – per employee	hours per capita	45.3	49.5	(4.1)	(8%)

Fig. 15 Main SE figures 2017 and 2016.

The LEAG’s assets represent a substantial share of the **flexible and dependable power capacity** in Germany.

3.2 Lausitz Energie Verwaltungsgesellschaft (LEAG)

Portfolio of Lausitz Energie Verwaltungsgesellschaft

On September 30, 2016 a Consortium of EPPE and PPF Investments (the “Consortium”) completed the acquisition of German mining and generation assets in Saxony and Brandenburg from Vattenfall. Following the acquisition, EPPE now owns a 50% stake in the holding entity Lausitz Energie Verwaltungs GmbH (“LEAG”), 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 AG), all together rebranded to LEAG.

LEAG’s operations include opencast mines in Jänschwalde, Welzow-Süd, Nochten and Reichwalde as well as the three large lignite power plant sites Jänschwalde, Schwarze Pumpe and Boxberg and one block in Lippendorf, representing an installed capacity of almost 8 GW and a total of nearly 8 thousand employees.

LEAG 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 ensuring grid stability. As such, these assets represent a significant part of the flexible and dependable capacity in Germany.

The Consortium is fully aware that lignite assets are facing a long-term phase out given the current direction of German energy policy, the so called Energiewende. However, together with the management of LEAG, 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.

Taking into account the development of the political and economic boundary conditions LEAG decided to revise its long term mining and plant operation concept dating back to 2007. The new concept, published in March 2017, foresees significant changes especially concerning the Jänschwalde site and the Nochten mine. The residual amount of lignite allows the operation of the existing plants according to their technical and economic life time, a time span of about 3 decades.

Role of the assets in the German energy market

The electricity supply in Germany is based on a mix of conventional and renewable energy sources. Conventional energy sources are lignite, hard coal, natural gas, oil and nuclear power. Today, these cover approximately two thirds of Germany’s electricity consumption. The renewable energies are primarily wind power, photovoltaic, biomass and hydro power. While renewables and lignite, are domestic energy resources, the remaining fossil energy resources (hard coal, oil and gas) and uranium for nuclear power plants, are mainly imported.

In the absence of sufficient electricity storage capacities, which are yet to be developed on a large and commercially feasible scale, the rule for a stable electricity system is that the amount of electricity produced and consumed must be in continuous balance. Therefore the system, including the network infrastructure, requires power plants that can balance out the fluctuations during the course of a day. From today’s perspective, renewable sources are unsuited to for fulfilling this role. However, this role can be fulfilled in Germany by coal- and gas-fired power plants and pump storage plants.

Given the dynamic growth of renewable energies, and their legally granted priority dispatch, the balancing tasks of conventional power plants are expanding. While in the past, conventional power plants primarily provided stable baseload generation, today their flexibility is increasingly required. Electricity generation from PV and wind cannot satisfy consumer demand due to the variation in wind intensity and solar radiation. Since capacities for electricity storage are still limited, the contribution from wind and PV plants for the security of supply is considerably lower compared to conventional power plants. It amounts to less than 10% of the installed capacity that can be regarded as assured capacity, whereas around 90% is achieved

in coal-fired power plants. Additionally, due to the substantial geographic distances between the production areas of renewables (e.g. wind from the north/eastern regions of Germany) and the industrial consumption regions in the south/western parts of Germany, grid extensions and congestions play a decisive role for the integration of the renewables. Until these challenges can be solved, controllable conventional power production in both directions (up-regulating as well as down-regulating) is essential.

Due to Germany’s latest government decision, the percentage share of renewable energy sources in electricity consumption will be increased from today’s 36% to 65% by 2030 and to 80% by 2050. If economic and social standards in Germany are not to be harmed, these ambitious targets are in our view only achievable in combination with a flexible bridging technology. Lignite is the backstop guaranteeing the stability of supply. This is the suitable partner for renewable energies as it is the only domestic energy resource in Germany that can be delivered in sufficient quantities and cost-effectively. In this setup, and considering the planned phase out of nuclear energy, lignite will become an increasingly important pillar of Germany’s electricity supply. Almost one quarter of electricity consumed in Germany is generated from this domestic energy source.

Both, socially and economically, lignite assets are of vital importance for the Lusatia region. Almost 8 thousand people work in the Lusatian opencast mines, power plants, administrative offices and service sectors. Additionally a large number of jobs are created indirectly. It is estimated that approximately 33.5 thousand jobs in eastern Germany depend on the lignite industry (Prognos 2011). The lignite industry is a reliable business partner and stable customer for many suppliers and subcontractors.

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

Sustainability initiatives

Large scale open cast mining has a significant impact on the landscape. Therefore, LEAG puts special emphasis on initiatives to minimise the impact and to recultivate the sites in a high-quality way to fulfil the requirements of future users and the ecology of the land. The recultivation processes focuses on the restoration of forest, agricultural land and nature reserves in order to maintain biodiversity. This presents a unique opportunity for large-scale forest reconstruction. Such tasks can normally be achieved only by successive generations of forestry activity. To date, some 30 million trees have been planted on Lusatian mine sites. About 10% of the post-mining landscape areas are prepared for agricultural use. LEAG transfers the land to the subsequent users 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, mostly regional farmers, develop the land, supported by scientific knowledge. About 2,238 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.

Groundwater withdrawal is inevitable in the case of open cast mining. About 6 to 7 m³ of water have to be pumped out to obtain one ton of lignite. By constructing sealing walls wherever technologically and geologically possible the water withdrawal and its effect on the surrounding landscape is minimized. By reusing a significant amount of this water for operating a power plant the total ecological impact is minimised and the electricity production is secured even in dry periods. About 70% of the groundwater is fed back into the regional rivers Spree, Schwarze Elster and Neiße, mostly after being treated in one of LEAG's seven water treatment plants.

In the post mining landscape lakes will have a share of about 25%. In the past years LEAG laid the foundation to develop the former open cast mine Cottbus-Nord into the lake Cottbus See. The flooding is intended to be started in 2018 and finalise the process in 2025.

Responsibility and future actions

Through other activities in Germany and elsewhere the Consortium, and particularly EPH, has proven that it is well positioned to fulfill all technical, legal and financial responsibilities related to the acquired assets. The Consortium takes over all regulatory obligations related to the operations, including provisions for recultivation. Further models to guarantee the fulfillment of post mining obligations are under discussion. The Consortium and EPH respect the long-term targets of the “Energiewende” set by the government and are committed operating their portfolio to support these targets, gradually reducing the climate footprint. As an initial step, we are prepared to honour the decision of the German government and place two blocks of Jänschwalde power plant into the security stand-by mechanism, the first in October 2018 and the second in October 2019. This alone will contribute about 7 million tons per annum in CO₂-eq emissions reduction.

The Lusatia lignite mining region

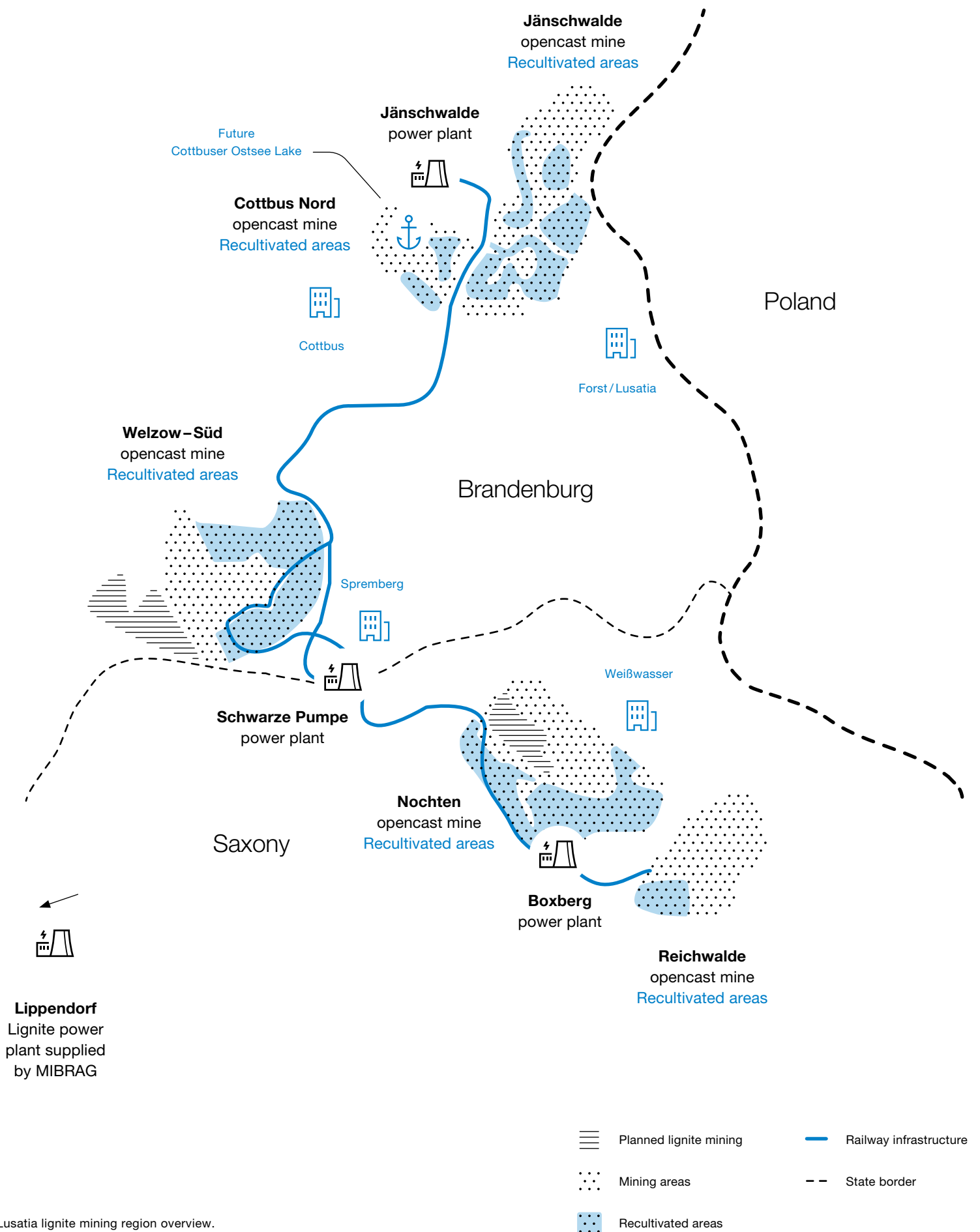


Fig. 16 Lusatia lignite mining region overview.

Main LEAG figures 2017 and 2016

GRI/ EUSS	KPI	Unit	2017	2016	2017 - 2016	%
Operations and sales						
EU1	Coal extraction	million ton	61.2	62.3	(1.1)	(2%)
	Net installed capacity – Electricity	MW	7,782	7,828	(46)	(1%)
	Lignite	MW	7,595	7,602	(7)	(0%)
	OCGT and other NG	MW	184	223	(39)	(17%)
	Biomass	MW	3	3	–	0%
EU1	Net installed capacity – Heat	MW	1,802	1,851	(49)	(3%)
EU2	Net power production	TWh	55.0	55.1	(0.1)	(0%)
EU2	Net heat production	TWh	3.8	3.5	0.3	8%
102-7	Amount of electric energy sold	TWh	53.5	54.9	(1.4)	(3%)
102-7	Heat supplied to district heating network	PJ	12.6	11.3	1.3	11%

GRI/ EUSS	KPI	Unit	2017	2016	2017 - 2016	%
Environment						
302-1	Direct GHG emissions (Scope 1)	million tons CO ₂ -eq	60.0	59.9	0.1	0%
305-4	Emissions intensity – including heat component	ton Co ₂ -eq/GWh	1,020.0	1,021.5	(1.5)	(0%)
302-1	Energy consumption	PJ	541.7	541.4	0.3	0%
	Lignite	PJ	531.6	531.5	0.2	0%
	Other	PJ	10.1	9.9	0.2	2%
	Total SO ₂ emissions	thousand tons	39.7	41.7	(2.1)	(5%)
305-7	Total NO _x emissions	thousand tons	42.4	43.4	(1.1)	(2%)
305-7	Total dust emissions	thousand tons	1.3	1.2	0.0	3%
303-1	Quantity of water withdrawn	million m³	558.5	671.6	(113.1)	(17%)
306-1	Quantity of water discharged	million m³	7.4	9.4	(2.1)	(22%)
306-2	Byproducts – Total production	million tons	8.9	8.7	0.2	2%
	Ash	million tons	4.3	4.3	0.0	1%
	Slag	million tons	1.3	1.3	0.0	2%
	Gypsum	million tons	3.2	3.2	0.1	3%
	Waste other than byproducts – Total production	thousand tons	5,805.0	6,054.2	(249.2)	(4%)
306-2	Non-hazardous waste	thousand tons	5,792.6	6,032.8	(240.2)	(4%)
	Hazardous waste	thousand tons	12.4	21.5	(9.1)	(42%)
	Land creation and regeneration	hectares	520	517	3	1%
	Agricultural	hectares	136	269	(133)	(49%)
	Forest	hectares	195	177	18	10%
	Other uses for nature protection	hectares	189	71	118	166%

Social

403-2	Injury Frequency Rate – Employees	index	1.5	1.2	0.3	26%
403-2	Registered injuries – Employees	#	19	15	4	27%
102-7	Headcount	#	8,227	8,329	(102)	(1%)
	Male	#	6,657	6,811	(154)	(2%)
	Female	#	1,570	1,518	52	3%
	Executives	#	102	97	5	5%
401-1	New hires rate	%	7%	8%	(1%)	–
	Employee turnover rate	%	8%	8%	(0%)	–
404-1	Total training hours – per employee	hours per capita	27.0	28.4	(1.4)	(5%)

Fig. 17 Main LEAG figures 2017 and 2016.

Restatement:
The 2016 figures for Waste other than by-products – Total production includes restatement from previously reported 38 thousand tons towards 6,054 thousand tons. The waste is mostly connected to dismantling and restoration of the mining facilities and is considered Non-hazardous waste.

Sustainability of co-incineration in 2017

Case Study

History

A predecessor company of LEAG already laid the cornerstone for the commitment in the field of thermal waste disposal at the end of 1990s. Starting with the incorporation of co-incineration of sewage sludge in 1999, the capacity of co-incineration for the thermal waste disposal in the Boxberg, Jänschwalde, Lippendorf and Schwarze Pumpe power plants has continuously grown over the years. Among the reasons for the commitment were:

- initiative of the Environmental Protection Agency of the Free State of Saxony for a solution to thermal disposal of sewage sludge;
- amendment of the ‘technical instruction municipal waste’ in 1993 and of the ‘KrWG’ in 1994;
- priority of waste recycling and restriction of landfilling of waste with a very low organic share required new disposal concepts for municipal waste; transitional period was the 1st of June 2005;
- requirement for a regional disposal solution of secondary fuels from the treatment of municipal and industrial waste.

The Year 2017

In total, 953 thousand tons of waste (especially secondary fuel, sewage sludge, mixed fuel) has been accepted and recycled through co-incineration in the Jänschwalde, Schwarze Pumpe, Boxberg and Lippendorf power plants in 2017. Of that, about 300 thousand tons of sewage sludge from the treatment of municipal sewages and about 320 thousand tons of secondary fuel from the processing of municipal waste from the new federal states of Germany have been added to the energetic recycling. This co-incineration contributes to a safe, environmentally friendly, and economic disposal of waste in the new federal states of Germany.

In 2017, altogether about 987 thousand tons of raw lignite were substituted due to the co-incineration of waste in the power plants. This step also contributed to a reduction of CO₂ emissions in the amount of 598 thousand tons.

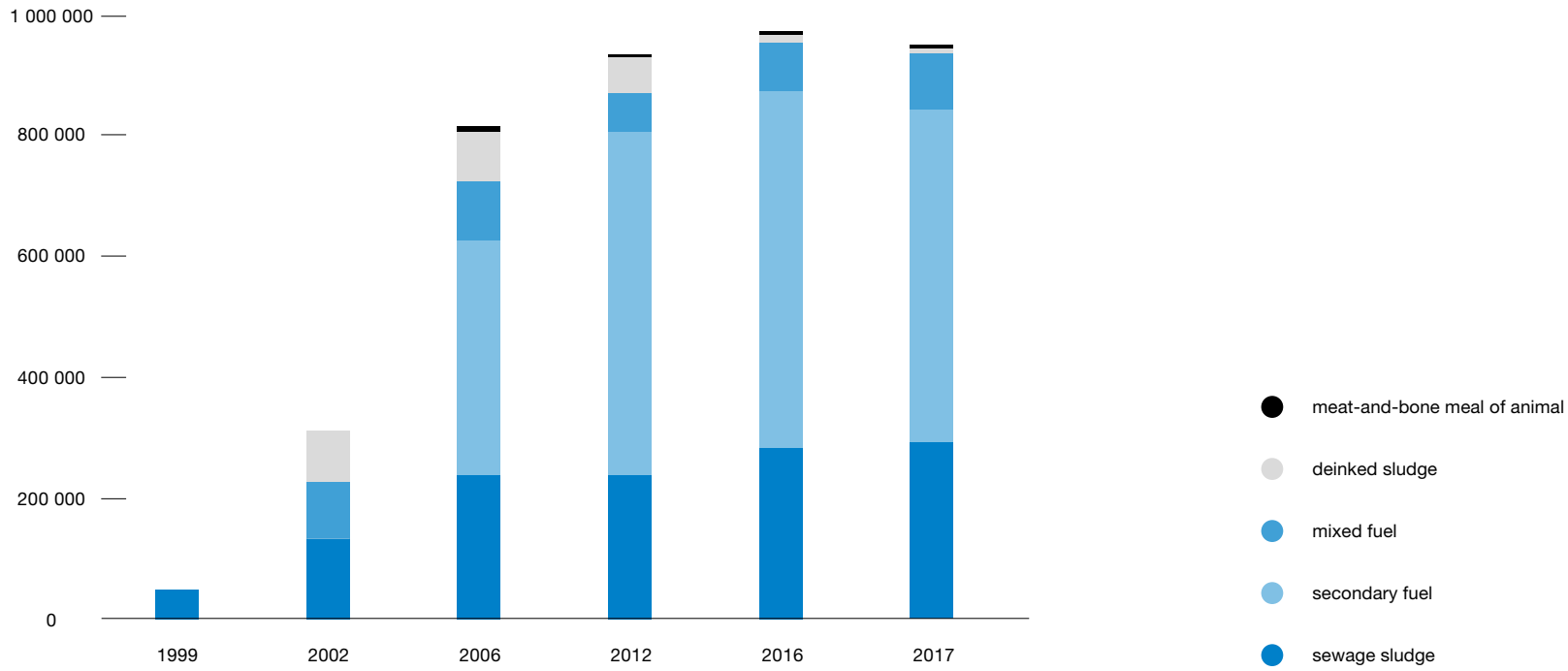


Fig. 18 Development of waste co-incineration between 1999 and 2017.

Additional technical equipment **ensures environmentally compatible disposal** and synergy effects through joint combustion with lignite in the existing combustion plants.



Fig. 19 Schwarze Pumpe in Brandenburg, Germany; Inaugurated in 1996/1997 the 1,600 MW lignite power plant has set new standards in terms of efficiency and environmental protection.

3.3 Other share participations

data presented on 100% ownership basis

EPH owns a 50% stake in the Italian company Ergosud S.p.A. and its operating power plant Scandale with a power capacity of 830 MW. Direct GHG emissions of the plant were in tons of CO₂-eq: 753 thousand in 2017 and 790 thousand in 2016.

EPH also owns the 62% stake in POZAGAS a.s. that operates the natural gas storage facility situated in the eastern part of the Vienna basin. The share participation was increased at the end of 2017 and thus POZAGAS will be reflected in the consolidated non-financial information from 2018 among other EPIF's share participations.

3.4 New acquisitions

Biomass power plants acquisition

EPH completed on 15 December 2017 the acquisition of the biomass power plants Biomasse Italia and Biomasse Crotone from Bioenergie (50%) and Api Nòva Energia (50%), becoming the most important group in Italy in the renewable energy production from solid biomass. Total net installed capacity is 74 MW.

Coal-fired power plant Mehrum acquired

In September 2017, EPH and Enercity (Stadtwerke Hannover AG) together with BS Energy have agreed on the sale of the shares in Kraftwerk Mehrum GmbH. Mehrum Power Plant is a coal-fired power plant in Germany with an installed capacity of of 690 MW. The power station has about 120 employees. The transaction was completed in November 2017.

Acquisition of Langage and South Humber Bank gas-fired power stations from Centrica

On 21 June 2017, Centrica plc agreed to sell its operational Langage and South Humber Bank combined cycle gas turbine power stations, with a combined capacity of 2.3 GW, to EP UK Investments Ltd, a 100% subsidiary of EPPE. The transaction was subject to EU merger clearance and was completed at the beginning of September 2017.

Acquisition in logistics: EPH became a strategic partner of Spedica

A 67% share in SPEDICA GROUP COMPANIES holding, one of the largest Czech companies active in forwarding and transport services and logistics was acquired on 30 January 2017. Forwarding services offer in international and domestic freight rail, road and combined transport. This transaction was important for strengthening Group's logistics division.

3.5 Subsequent events

EPIF

In December 2017, the City of Pilsen approved the key terms and conditions of a potential future merger of Plzeňská energetika a.s. and Plzeňská teplárenská, a.s., a 100% subsidiary of the City of Pilsen. The City of Pilsen finally approved the merger in May 2018. After antimonopoly approval, merger will become effective later in 2018.

On 2 March 2018, Nafta a.s. entered with DEA Deutsche Erdoel AG into a share purchase agreement with the owner of German gas storage assets Inzenham, Wolfersberg and Breitbrunn located in Bavaria. The total working gas volume of these storages is approximately 1.8 bcm and around three quarters of the total capacity is contracted under long-term contracts. The completion of the acquisition remains subject to obtaining of an antimonopoly approval and fulfilment of other customary conditions precedent.

EPIF has been assigned investment grade ratings from three major rating agencies. S&P Global Ratings (Preliminary BBB) on 23 February 2018, Moody's (Baa3) on 1 March 2018 and Fitch Ratings (BBB-) on 2 March 2018, all with a stable outlook, have issued these ratings. The ratings were confirmed in relation to issuance of 6 years Eurobonds by EPIF. This proved to shareholders that EPIF is economically stable.

EPPE

The company Eggborough Power Limited was not successful in obtaining T-1 capacity contract. Without capacity contract contribution further operations of Eggborough power plant are no longer economic and it is not anticipated that market conditions would move in favour of coal. Regrettably and as a consequence EPH decided to cease company's operations and launch process of power plant decommissioning during 2018.

The Lynemouth power plant is converting to combustion of biomass, which is expected to produce approximately 2.3 TWh of electricity at low carbon emissions. The expected time of completion is the second half of the year 2018. Once completed, this will become one of the biggest biomass plant within the EU.

Growth success story of EP Commodities

Case Study

History

EP Commodities (“EPC”) was founded in 2014 with primary focus on gas products trading. Initially, EPC closely cooperated with EP Energy Trading within the EPH Group as these businesses had many common features.

EPC started with 4 employees in 2015 and was able to generate revenues of EUR 107 million by trading over 15.5 TWh of gas. At this time, EPC still had only a gas trading desk, but during 2016 it also started power trading. 2016 was the milestone year for EPC as it separated from EP Energy Trading. At this point EPC started to provide market access trading and sourcing support to companies within the EPH group. Thus, more synergies and efficiencies within the group were achieved. Due to the growth of the business, the number of employees increased to 16 and overall revenues grew to EUR 694 million.

At the end of 2016, EPC broadened its portfolio of services to include Asset Optimization (“AOT”) which become an important part of the company’s business.

The Year 2017

Expansion to new markets continued in 2017 as EPC traded with gas and electricity in the Czech Republic, Slovakia, Hungary, Austria, Germany, Italy and the UK. Furthermore, it started with power activities in France and gas activities in Netherlands. EPC expanded its AOT department, Trading department and Corporate Services department which meant an increase of headcount to 38. EPC doubled its revenues to EUR 1.4 billion of revenues.

Role of EPC within the Group

EPC is the trading support house for most companies in the EPH Group. Nowadays, EPC’s business consists of two main parts – commodity trading (proprietary trading, hedging and sourcing) and asset optimization (short term optimization, dispatch short term trading and grid services), which is currently under development.



Fig. 20 A workday in EP Commodities.

Future of EPC

In the future, EPC is expected to strengthen its role not only within the group but also on European commodity markets by expanding its power and gas trading activities to other countries and increasing its support to the members of the EPH group.

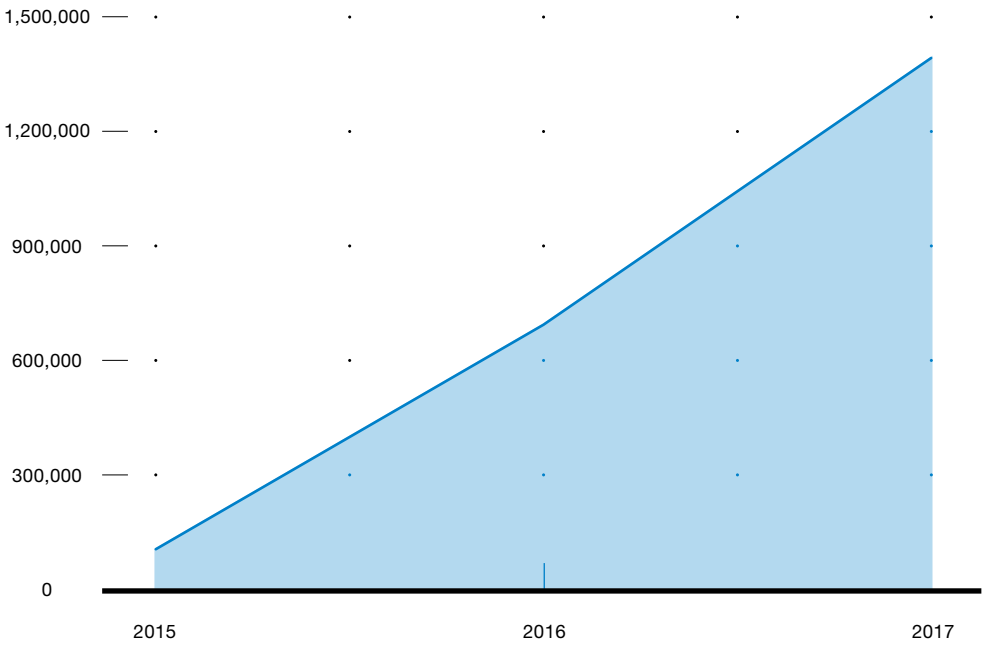


Fig. 21 Revenues (EUR thousand).

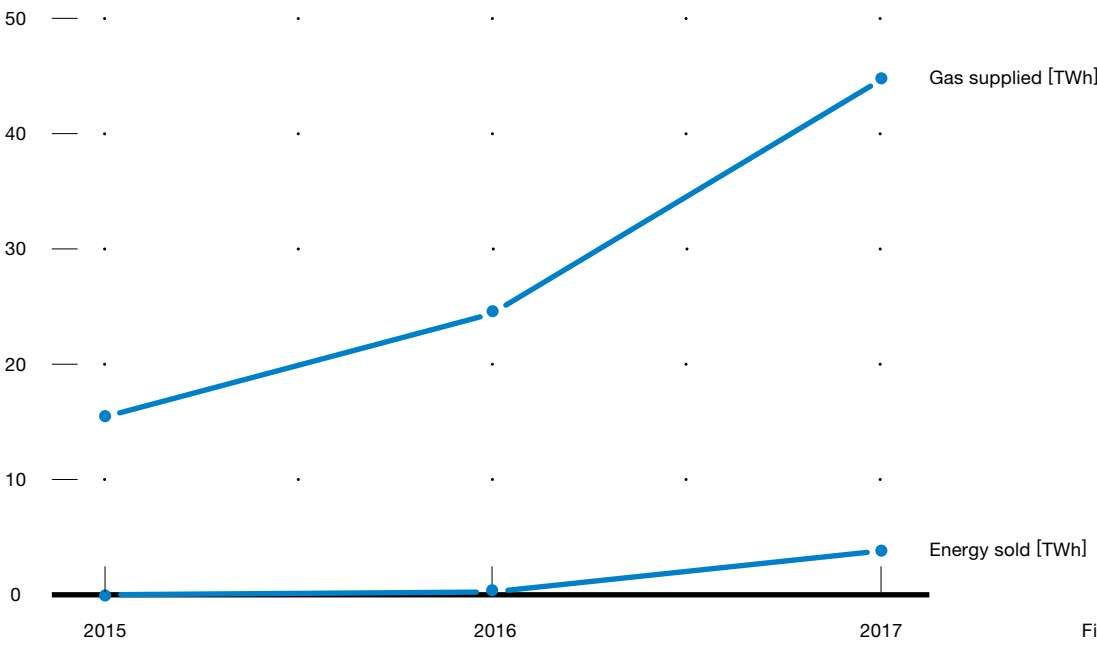
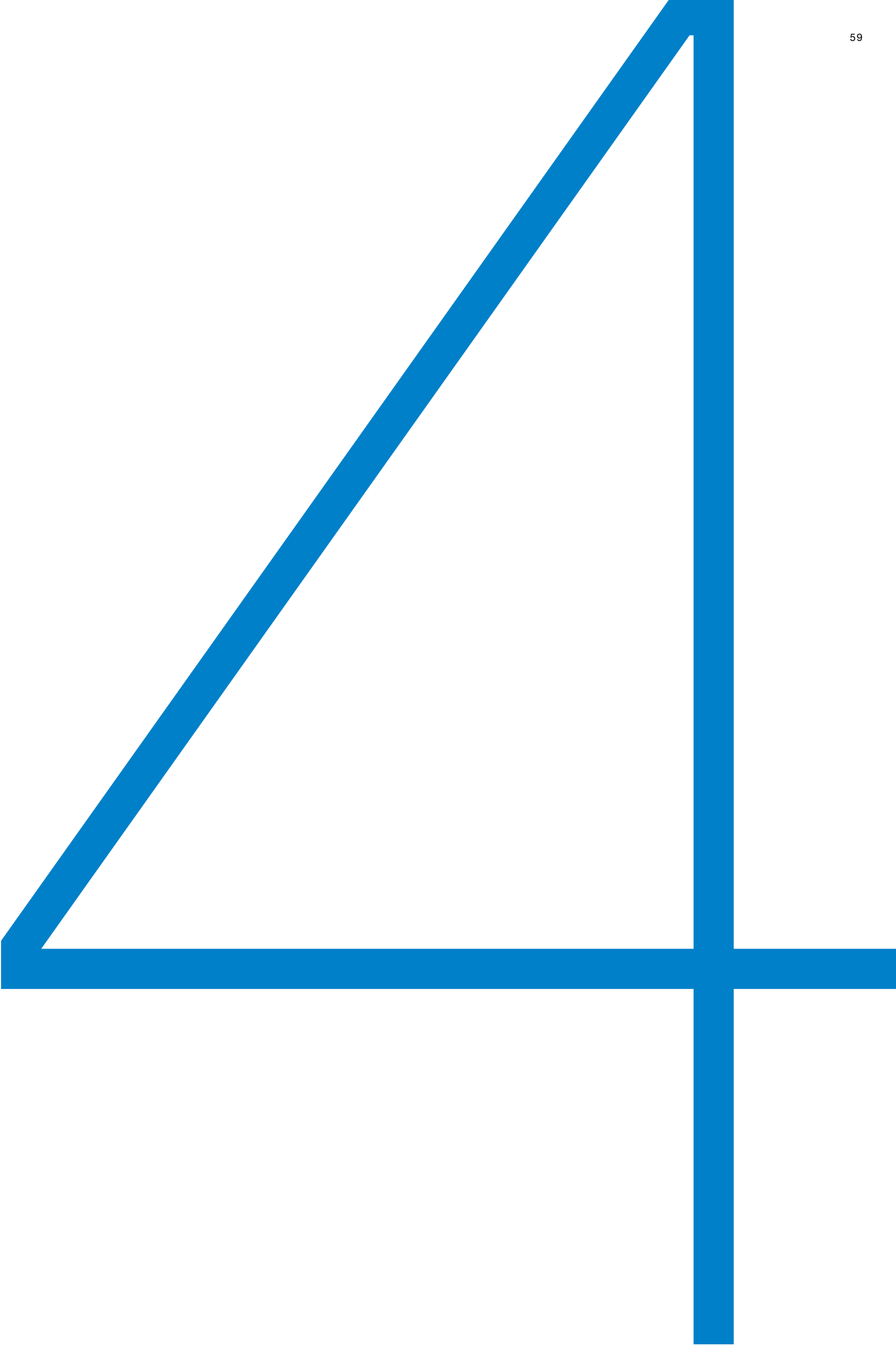


Fig. 22 Performance by commodities in TWh.

Governance & ethics



4.1 Governance

EPH shareholders

Change in EPH shareholder structure

On 24 February 2017, EPH completed the previously concluded agreement with a consortium of global institutional investors led by MIRA on the sale of a 31% stake in EPIF. The remaining 69% of EPIF remains with EPH, which will also retain management control over EPIF.

Following the sale of a minority shareholding in EPIF, changes also occurred in the shareholder structure of EPH whereby the current shareholders of EPH concluded a series of transactions, through which Daniel Křetínský (94%) and selected members of the existing management of EPH (6%) became sole owners of EPH going forward.

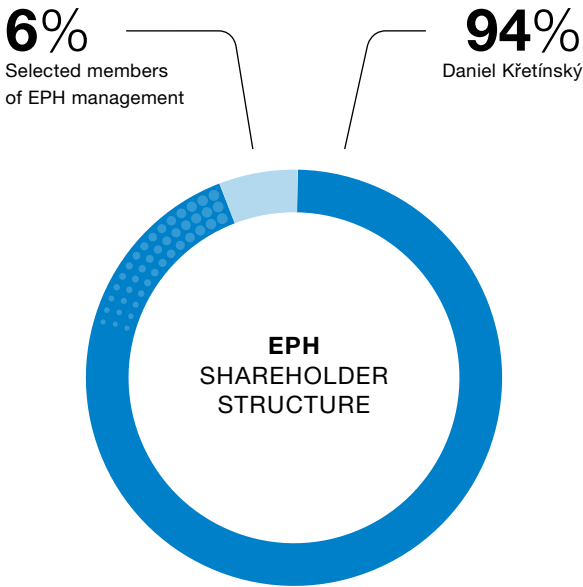


Fig. 23 Current EPH shareholder structure.

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.

Furthermore, in order to emphasize 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’s portfolio of EPH from a group risk perspective.

Board of Directors of EPH

The Board of Directors has four members whereas the Chairman of the Board of Directors serves simultaneously as the Chief Executive Officer of the Company. 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 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 as of the end of August 2017:

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.

The following individuals served as members of the Company’s Supervisory Board as of the end of August 2017¹:

Name	Position
Petr Sekanina	Chairman of the Supervisory Board
Tereza Štefunková	Member of the Supervisory Board
Martin Fedor	Member of the Supervisory Board

1 As of 31 December 2016 Ivan Jakabovič was a Chairman of the Supervisory Board and Miloš Badida a Member of the Supervisory Board and effective as of 3 April 2017 they were replaced by Petr Sekanina and Tereza Štefunková.

Corporate governance on the sub-holding level

EPH has undergone certain reorganisation measures during 2016 through which **two separate sub-holdings EPIF and EPPE emerged.**

All the legal reorganisation steps within EPIF were completed. Formation of the EPPE subholding is done. The power generation assets in Italy, the UK and Germany are, as of date of the Report, placed under the EPPE sub-holding structure. The company Slovenské elektrárne remains, for now, legally out of the EPPE scope. Nevertheless, from the management prospective and also in this Report, this asset is included within EPPE.

We have also progressed in our aim 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 Board of Directors
Gary Mazzotti	Vice-chairman of the Board of Directors
Jiří Zrůst	Vice-chairman of the Board of Directors
Stéphane Louis Brimont	Member of the Board of Directors
Milan Jalový	Member of the Board of Directors
Pavel Horský	Member of the Board of Directors
Marek Spurný	Member of the Board of Directors

Supervisory Board

Name	Position
Jan Špringl	Chairman of the Supervisory Board
William David George Price	Vice-chairman of the Supervisory board
Jan Střiteský	Member of the Supervisory Board
Rosa Maria Villalobos Rodriguez	Member of the Supervisory Board
Petr Sekanina	Member of the Supervisory Board
Jiří Feist	Member of the Supervisory Board

EP Infrastructure management table shows the current status. Effective as of 24 February 2017 Milan Jalový, Stéphane Louis Brimont and Jiří Zrůst became the Members of the Board of Directors and as of 28 June 2017 Jiří Zrůst became Vice-chairman of the Board of Directors. Effective as of 16 June 2017 Gary Mazzotti bacame the Member of the Board of Directors and as of 28 June 2017 he became the Vice-chairman of the Board of Directors.

Effective as of 23 February 2017 Tomáš David ceased to be the Chairman and Member of the Supervisory Board, Tomáš Miřacký and Milan Jalový ceased to be the Members of the Supervisory Board. Effective as of 24 February

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	Vice-chairman of the Board of Directors
Jan Špringl	Vice-chairman of the Board of Directors
Tomáš David	Vice-chairman 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
Brendan Massam	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

2017 Jan Špringl, William David George Price, Petr Sekanina and Rosa Maria Villalobos Rodriguez became the Members of the Supervisory Board and as of 16 May 2017 Jan Špringl became the Chairman of the Supervisory Board and William David George Price Vice-chairman of the Supervisory Board.

EP Power Europe management table shows the status as of the end of August 2017. Effective as of 21 April 2017 Brendan Massam became the Member of the Board of Directors.

Profiles

Daniel Křetínský

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, Eggborough Power, EP Produzione, EPH’s subsidiary company EP Investment Advisors, and also holds positions at companies unaffiliated to EPH, including Chairman of the Board of EP Industries, Czech Media InvestCN Invest, Czech News Center or 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.

- CHAIRMAN OF THE BOARD OF DIRECTORS
AND CHIEF EXECUTIVE OFFICER AT EPH
- CHAIRMAN OF THE BOARD OF DIRECTORS
AND CHIEF EXECUTIVE OFFICER AT EP INFRASTRUCTURE
- CHAIRMAN OF THE BOARD OF DIRECTORS
OF EP POWER EUROPE

Marek Spurný

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 of the Company and supervisory boards and boards of directors of several of subsidiaries and affiliates of EPH, such as EP Produzione, LEAG Holding, EP Commodities or EP Cargo. 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.

- MEMBER OF THE BOARD OF DIRECTORS
AND CHIEF LEGAL COUNSEL AT EPH
- MEMBER OF THE MANAGEMENT BOARD
OF EP INFRASTRUCTURE
- VICE CHAIRMAN OF THE BOARD OF DIRECTORS
OF EP POWER EUROPE

Pavel Horský

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, such as LEAG, Eggborough Power, EP Coal Trading, or Nafta. 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.

- MEMBER OF THE BOARD OF DIRECTORS
AND CHIEF FINANCIAL OFFICER AT EPH
- MEMBER OF THE MANAGEMENT BOARD
OF EP INFRASTRUCTURE
- VICE CHAIRMAN OF THE BOARD OF DIRECTORS
OF EP POWER EUROPE

Jan Špringl

Mr. Špringl has been working for EPH since 2009. Mr. Špringl is a Chairman of the Board of Directors in Nafta, Fiume Santo and EP Produzione. Mr. Špringl serves on Boards of Directors of the Company and supervisory boards of several of subsidiaries and affiliates of EPH, such as LEAG Holding or EP Commodities. 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.

- MEMBER OF THE BOARD OF DIRECTORS OF EPH
- MEMBER OF THE MANAGEMENT BOARD
OF EP INFRASTRUCTURE
- VICE CHAIRMAN OF THE BOARD OF DIRECTORS
OF EP POWER EUROPE

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.

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;
- 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
- 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 takes steps to ensure **compliance with new data protection regulation** (GDPR) as well as regulation concerning energy sector (EMIR, REMIT, MAR & MIFID II).

GDPR challenge

The Group pays great attention to the protection of personal data of its employees and business partners especially considering the newest General Data Protection Regulation (“GDPR”). EPH approached the EU’s GDPR challenge as an opportunity to review and further strengthen its processes connected to personal data protection. By keeping these data safe, the following risks are mitigated:

- information risk: Only needful data for specific purposes should be stored and made accessible for persons in charge. This lower the risk of information leakage.
- lower administrative burden: The GDPR means for a company continuous process of effective data processing
- reputation risk: If data are adequately protected and information leakage risk is low, then good name of the company in the area of data protection will be secured as well.

During implementation phase we provided assistance to our subsidiaries to smoothen the process of becoming compliant with GDPR.

EPH takes steps also to ensure compliance with regulation concerning energy sector (EMIR, REMIT, MAR & MIFID II).

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.

Stakeholders

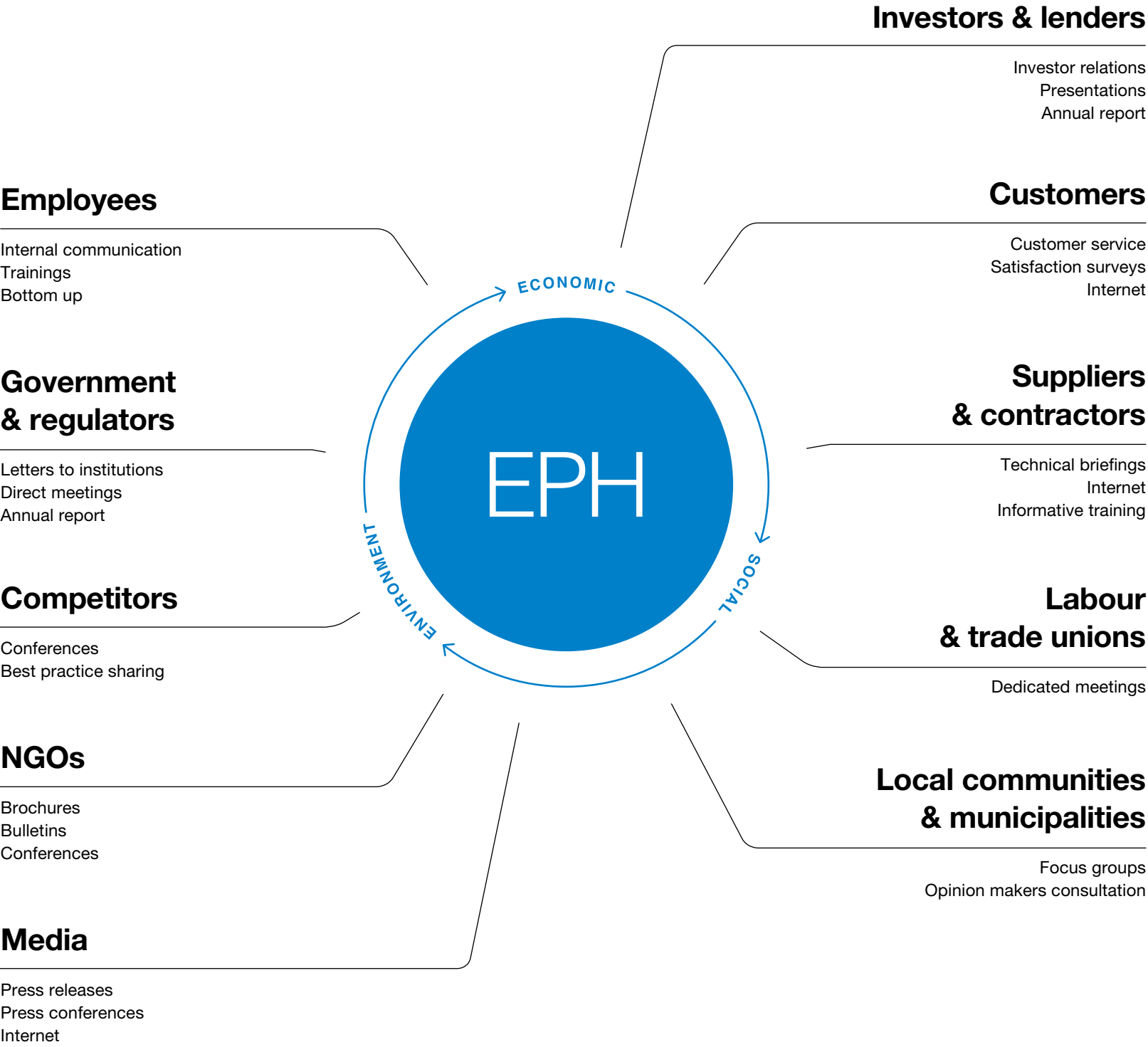


Fig. 24 Stakeholders overview.

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 the **Figure 24**. 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 the **Figure 24**.

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 predefine 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 25**, 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 27).

Primary stakeholder groups and priority areas

Stakeholder group	Economic aspects	Environment	Social aspects
Investors and lenders	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>
Customers	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>
Employees	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>
Government and regulators	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>
Suppliers and contractors	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>
Competitors	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>
Local communities and municipalities	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>
Labour and trade unions	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>
NGOs	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>
Media	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>

Fig. 25 Primary stakeholder groups and priority areas.

Engagement with stakeholders in 2016/2017

SSD¹ – criticism over electricity prices increase for households

Towards the end of 2016, the regional energy distribution company Stredoslovenská distribučná (“SSD”) came under public scrutiny over increases of electricity prices to end customers.

These price increases, more specifically, change in the structure of the tariffs for electricity supplies, followed the change in the price regulation set by the Regulatory Office for Network Industries, the Slovak regulatory authority. This change indeed caused some price anomalies among selected businesses and delivery points managed by municipalities. The price anomalies concerned primarily on end customers with inadequately set and oversized maximum reserved capacity expressed by the value of input circuit breaker.

SSD swiftly reacted by upfront communication with impacted customers as well as communication

towards all stakeholders explaining that most of the customers were not impacted by the change in tariffs and the aforementioned change did not serve to increase its financial revenues by changing prices.

Year 2017 was the first year of new regulatory period 2017–2021. RONI decided to simplify tariff structure for low voltage customers and joined 19 original distribution tariffs into 10 new tariffs. This change eliminated discrimination between low voltage customers; however it caused significant increase of distribution costs for some customers. Therefore, before the end of February 2017, RONI published a new price regulation and a price decision with retroactive effect from 1 January 2017 and put back the original tariff structure.

1 Stredoslovenská Energetika - Distribúcia (SSE-D) changed its company name to Stredoslovenská distribučná (SSD) from 1 March 2018.

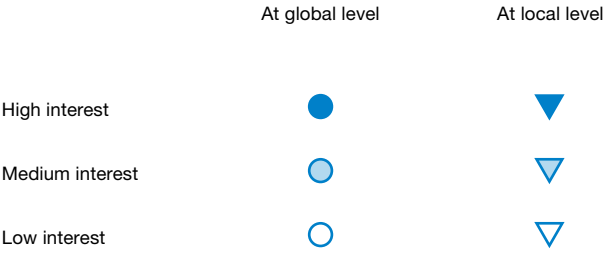


Fig. 25 Primary stakeholder groups and priority areas.

Priorities

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 Report.

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 2017 results and future goals
Comparability	Presentation of 2016–2017 trends for most indications and comments on changes in report scope and restatements
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 2017
Clarity	Consultations with local units interacting with stakeholders in order to define the most appropriate amount and quality of data
Reliability	Continued engagement of external assurance provider

Fig. 26 Principles for Report Content and Quality: EPH approach.

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 the **Figure 27** with further detail provided in the **Figure 28**, which shows how these areas were mapped to corresponding GRI indicators.

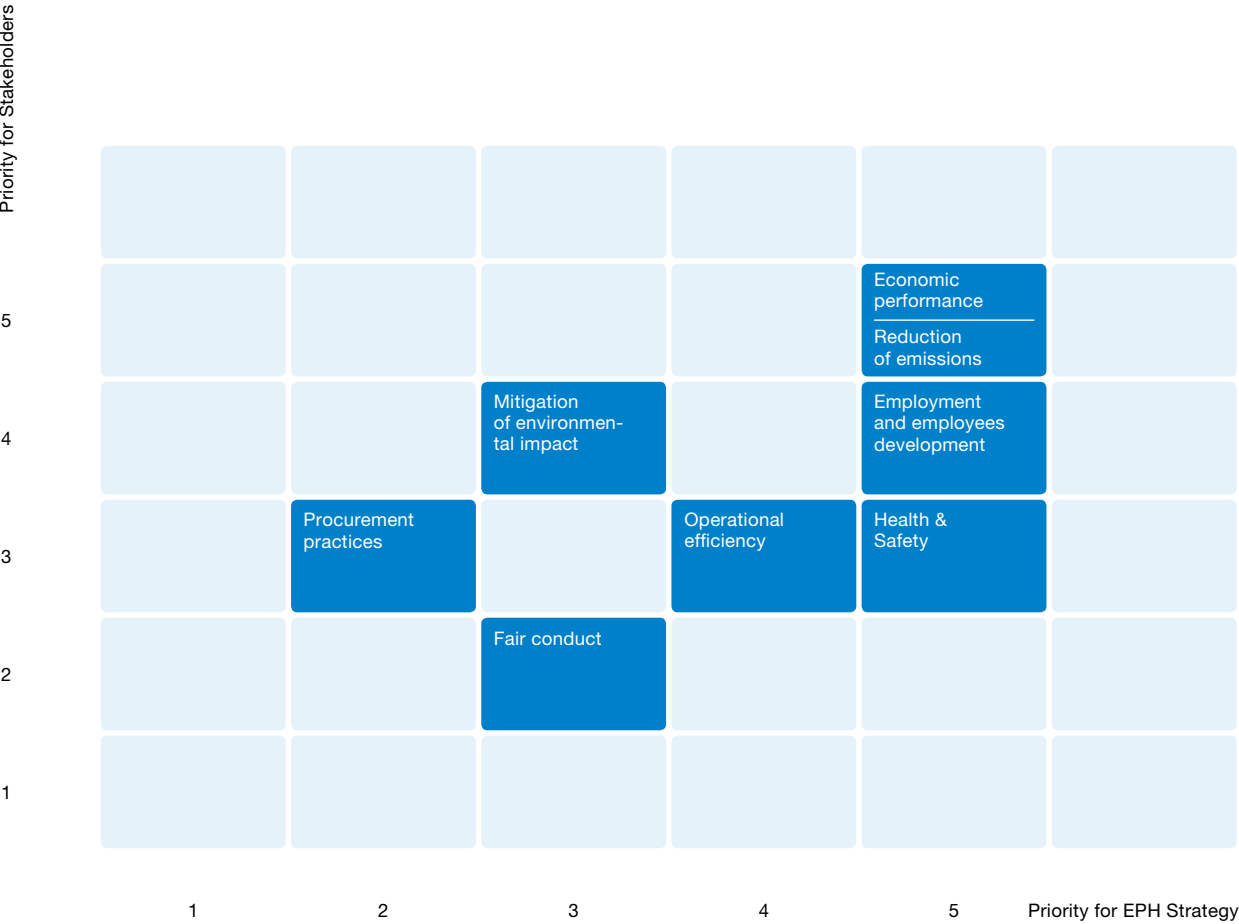


Fig. 27 Materiality matrix.

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 Standards 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

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

Fig. 28 Mapping of material areas to GRI indicators.

Economic **performance & business**



7.1 Economic performance

2017 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. Within Europe, EPH Group is the sixth largest power producer in Europe in 2017 in terms of net power production. For the year ended December 2017, EPH recorded total consolidated sales and EBITDA of EUR 6,005 million* and EUR 1,819 million*, respectively.

The results of 2017 proved that EPH is a very stable and reliable company. Both financial and non-financial indicators are showing continuous improvement and sustainable growth. This is the result of not only organic growth but also acquisitions.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business.

EUR 1,937 million, or 32.3% of EPH's sales in 2017, was 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 approximately 94% of the Slovak population, and iii) electricity distribution by SSE in central Slovakia, where it operates as the only power distribution Company with almost 750 thousands 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. Additionally, EPH owns a 33% stake in Slovenské elektrárne, this is however not consolidated and therefore does not impact the sales figures.

EPH consolidated sales per country

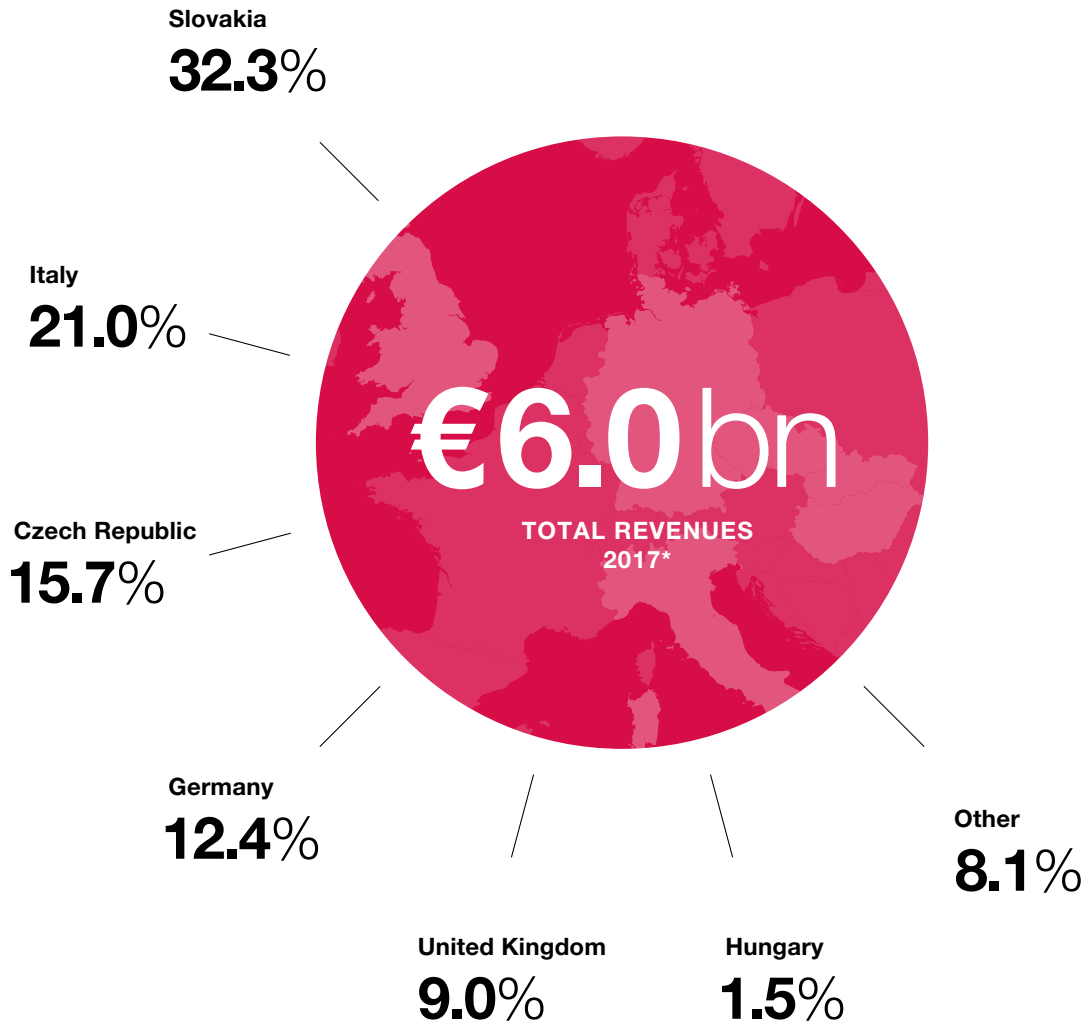


Fig. 29 EPH consolidated sales per country.
Source: EPH audited consolidated financial statements.

Italy is the second largest revenue contributor for EPH, with total revenues in 2017 amounting to EUR 1,260 million (EUR 866 million in 2016). This increase is primary due to a significant production boost (by 55% more power generated in our CCGT plants) by our Italian assets and due to improved operations as well as price conditions on the Italian power market.

In 2017, in terms of revenues, the Czech Republic was the third most important market for EPH. EPH owns and operates 3 large-scale cogeneration power plants with adjacent heating networks and also owns and operates the most extensive district heating system in the Czech Republic, which supplies heat to the City of Prague. EPH realized sales of EUR 942 million through its Czech based subsidiaries in 2017 (EUR 850 million in 2016).

Sales totaling EUR 744 million were recorded in Germany in 2017 (EUR 524 million in 2016) and are mostly connected with the lignite mining operations of MIBRAG, partially also with the newly acquired hard coal power plant Mehrum and gas sold to Germany by EP Commodities. EP Commodities increased its revenues from gas sold from EUR 40 million in 2016 to EUR 106 million in 2017.

Despite the fact that the operations of Slovak companies account for 32.3% of EPH's total sales, Slovak operations have a 66.6% share in EPH's 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.

Other important markets include the United Kingdom and Hungary as well which were both entered via acquisitions during the course of 2015.

* This data has been compared with EPH's 2017 Annual Report by the independent auditing firm EY.

* This data, after giving effect to rounding, has been compared with EPH's 2017 Annual Report by the independent auditing firm EY.

EPH consolidated sales and EBITDA

EPH reported significant EBITDA and sales growth

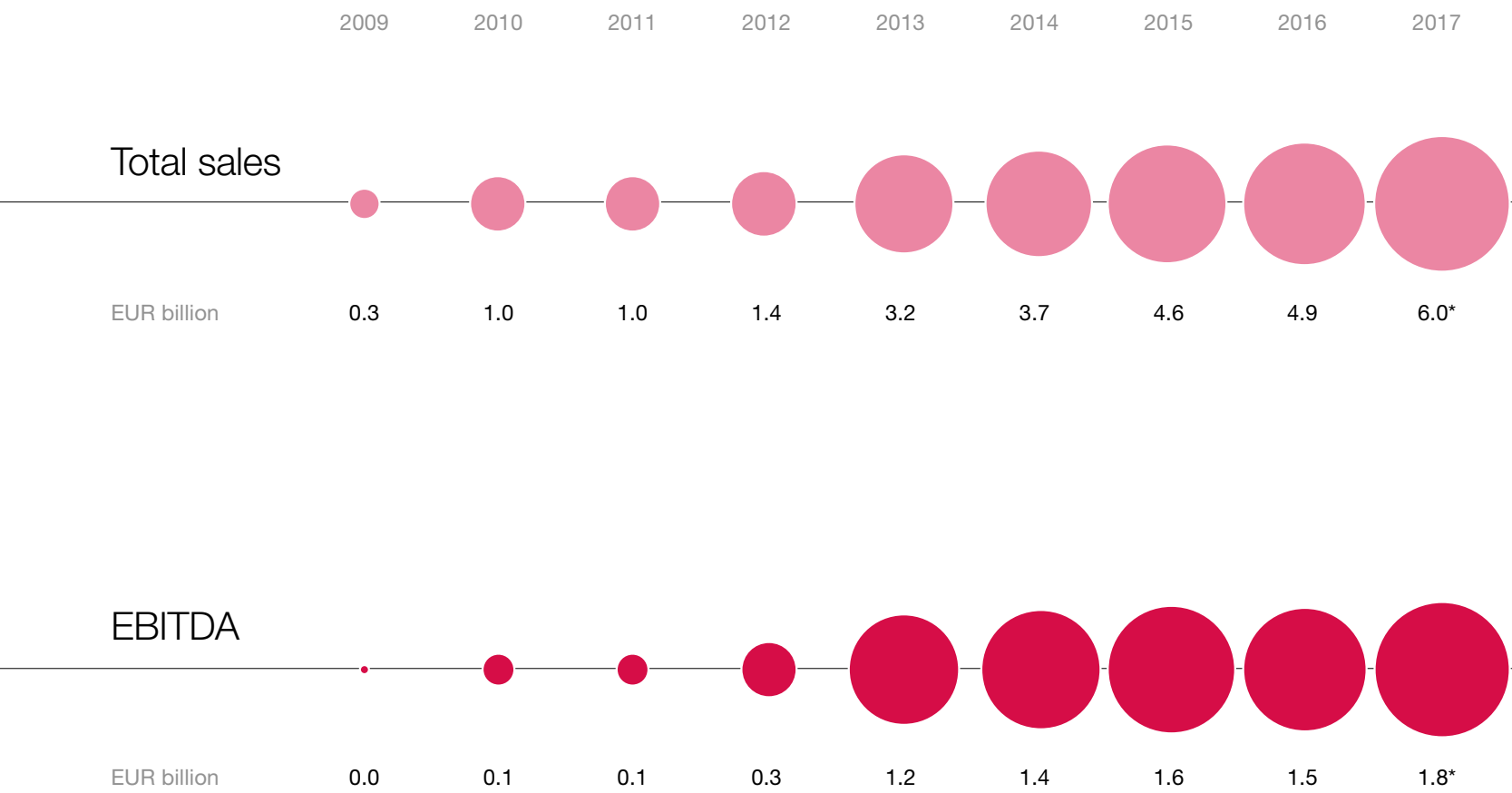


Fig. 30 EPH consolidated sales and EBITDA.
Source: EPH audited consolidated financial statements.

Growth of EPH

The acquisition growth of EPH can be illustrated by its sales: CAGR of 47% and EBITDA CAGR of 61% between 2009 and 2017. 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, after giving effect to rounding, has been compared with EPH's 2017 Annual Report by the independent auditing firm EY.

EPH total assets & equity

EPH performance is backed by a heavy and well invested asset base

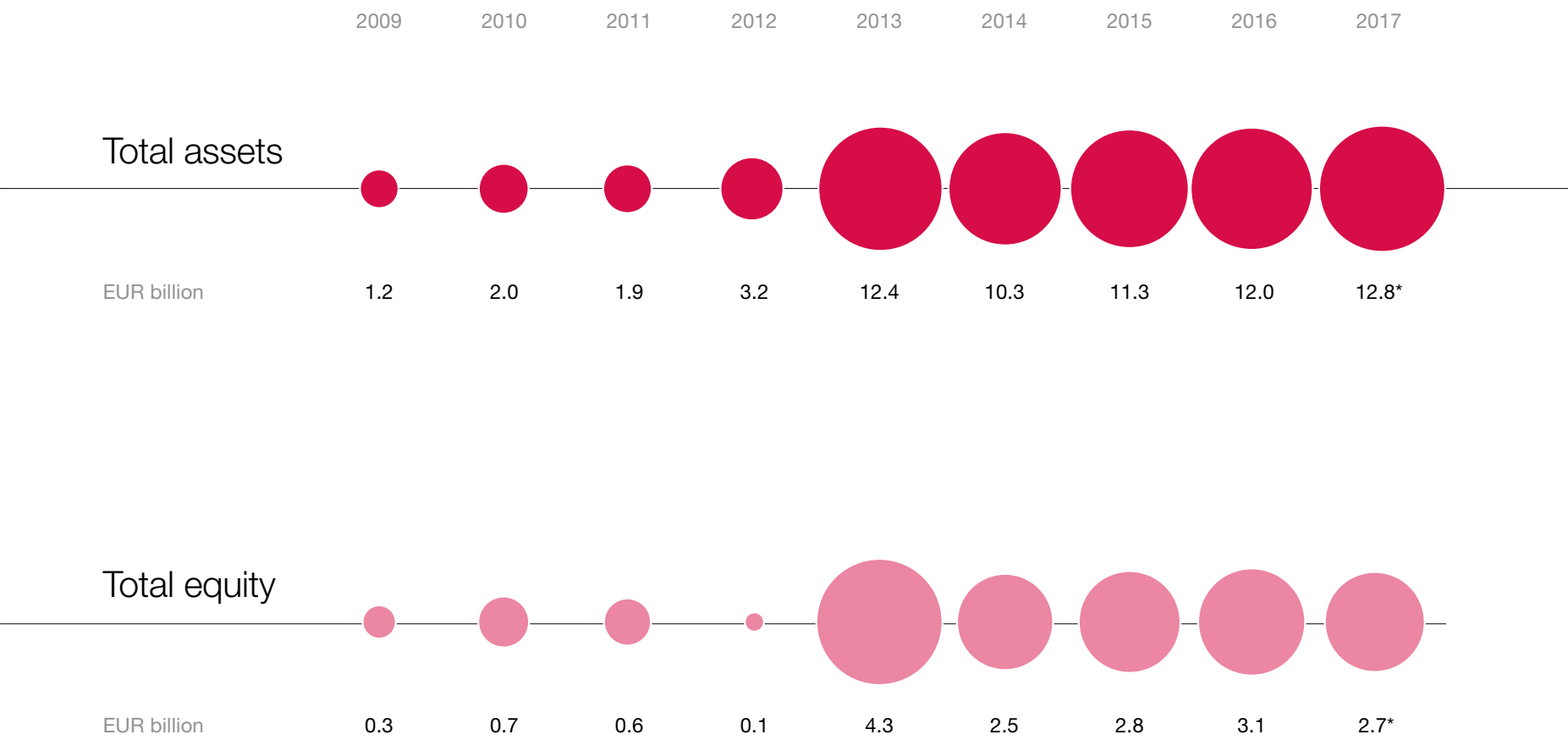


Fig. 31 EPH total assets and equity.
Source: EPH audited consolidated financial statements.

The growth of the business and its profitability has not only transformed EPH into one of the leading industrial conglomerates in the region, but it also follows 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 EUR 953 million cumulatively in the last three years.

* This data, after giving effect to rounding, has been compared with EPH's 2017 Annual Report by the independent auditing firm EY.

EPH income tax paid

EPH is a responsible tax payer

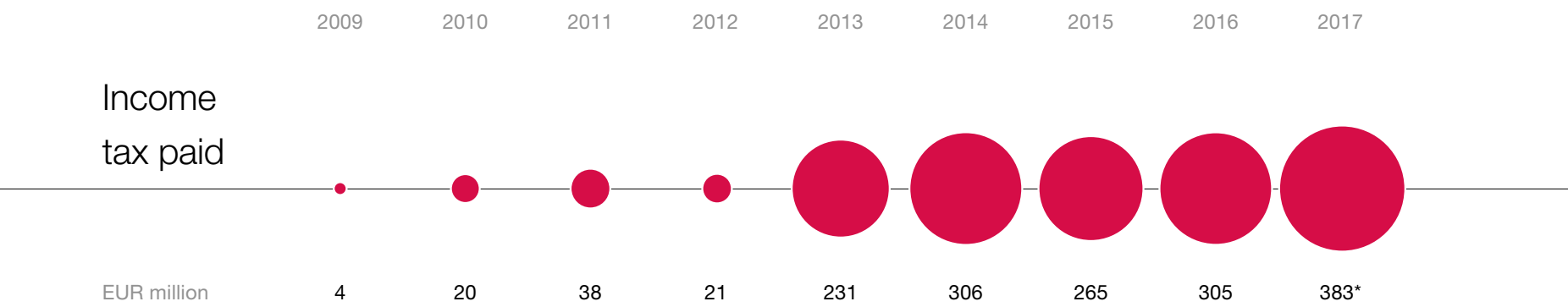


Fig. 32 EPH income tax paid.
Source: EPH audited consolidated financial statements.

Although the majority of EPH total sales is realized in the Slovak Republic (32.3% of 2017 total sales, 41.0% in 2016), in Italy (21.0% of 2017 total sales, 17.6% in 2016) and in the Czech Republic (15.7% of 2017 total sales, 17.2% in 2016), 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 3.5% of the Slovak Republic’s budget income for 2017 with Eustream being the largest corporate income tax payer with a bill of some EUR 177 million in 2017 (EUR 161 million in 2016) including levy tax. Moreover, almost equal amount to total taxes and levies contributed to the Slovak budget were paid by EPH portfolio companies to the Slovak state in form of dividends.

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. In 2016 and previously, this levy was payable by any regulated entity (i.e. a licensed entity) with revenues from regulated business activities exceeding 50% of company’s total revenues. From 2017 it was modified and the levy had to be paid by all businesses in regulated industries with annual profit higher than EUR 3 million. Moreover, the levy itself was increased to 8.712% per year from profit before tax for 2017 and 2018 (twice more than in the previous year). In 2017, Eustream, SPP-D, Nafta and SSE group incurred higher costs of some EUR 44.1 million, EUR 18.4 million, EUR 5.6 million and EUR 5.7 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.

* This data, after giving effect to rounding, has been compared with EPH’s 2017 Annual Report by the independent auditing firm EY.

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 creation of the EPH Foundation at the end of 2014, which has so far participated in funded a number of projects such as the reconstruction of several heritage sites in Slovakia, educational and innovation activities, support of youth sport clubs in Slovakia and support of activities of civil associations in the social sector. As an example, in 2016 the Foundation helped to fund the project organizing trainings of critical thinking of Slovak high school students and lectors, publishing the Encyclopedia of European photography and a project providing social services to homeless people in Bratislava.

In total, EPH foundation contributed more than EUR 749 thousand to grant programs. In 2017, EPH foundation increased its activities substantially and much more projects were supported. Moreover, an additional EUR 602 thousand was provided to partnership programs. Division of grant programs is described on the following chart.

For further information on the EPH Foundation please refer to the separate case study on page 134.

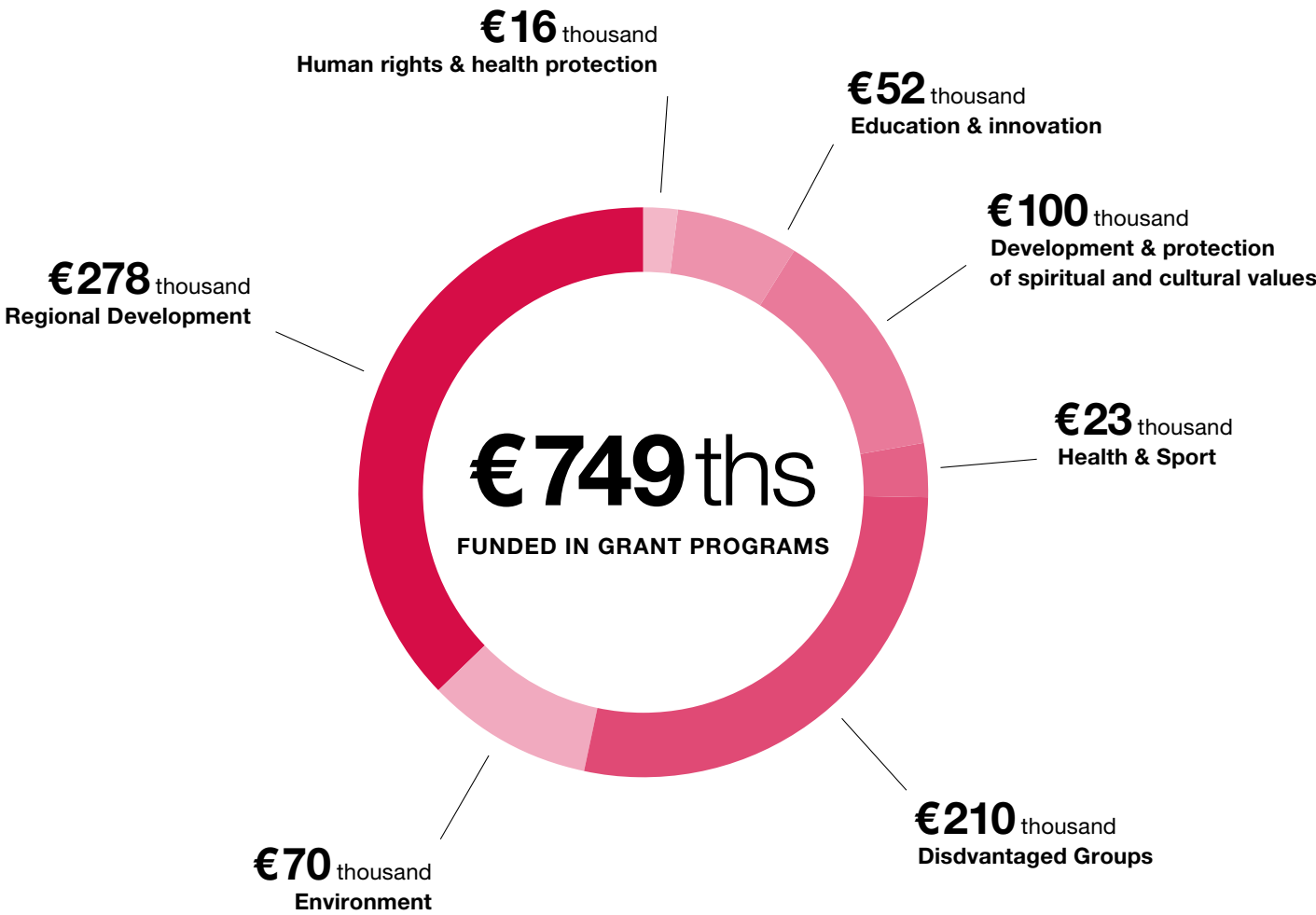
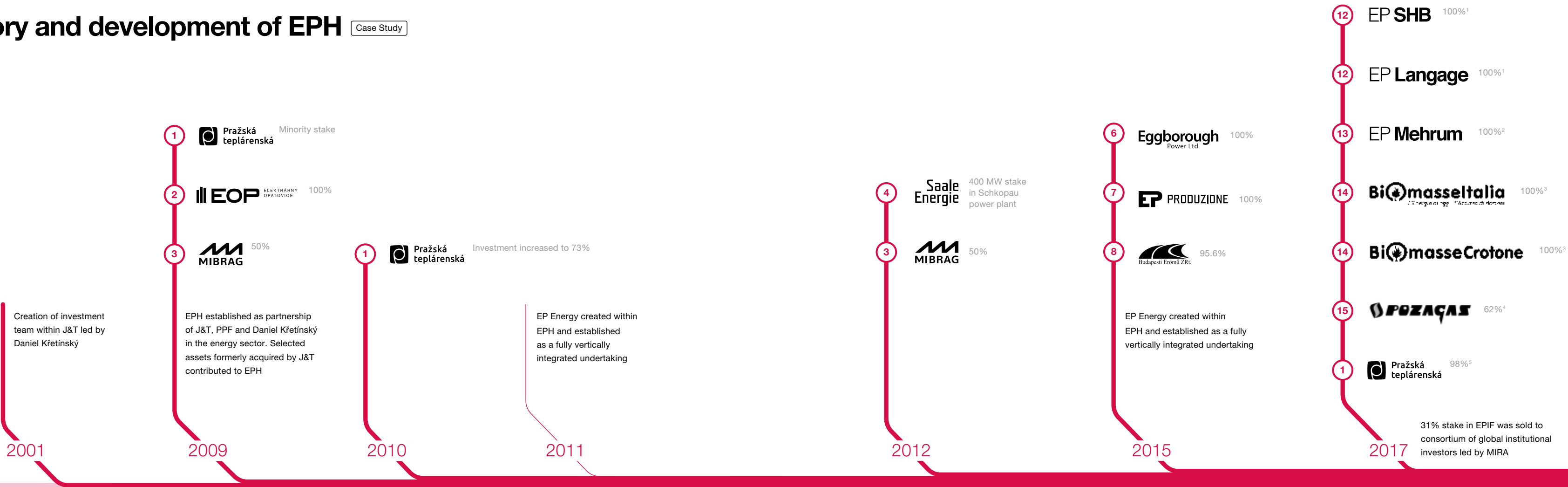


Fig. 33 Grant programs supported by EPH Foundation in 2017.
Source: Financial statements.

History and development of EPH

Case Study



Formation of EPH

The core of the current EPH management team 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 at that time had a 20% stake in EPH.

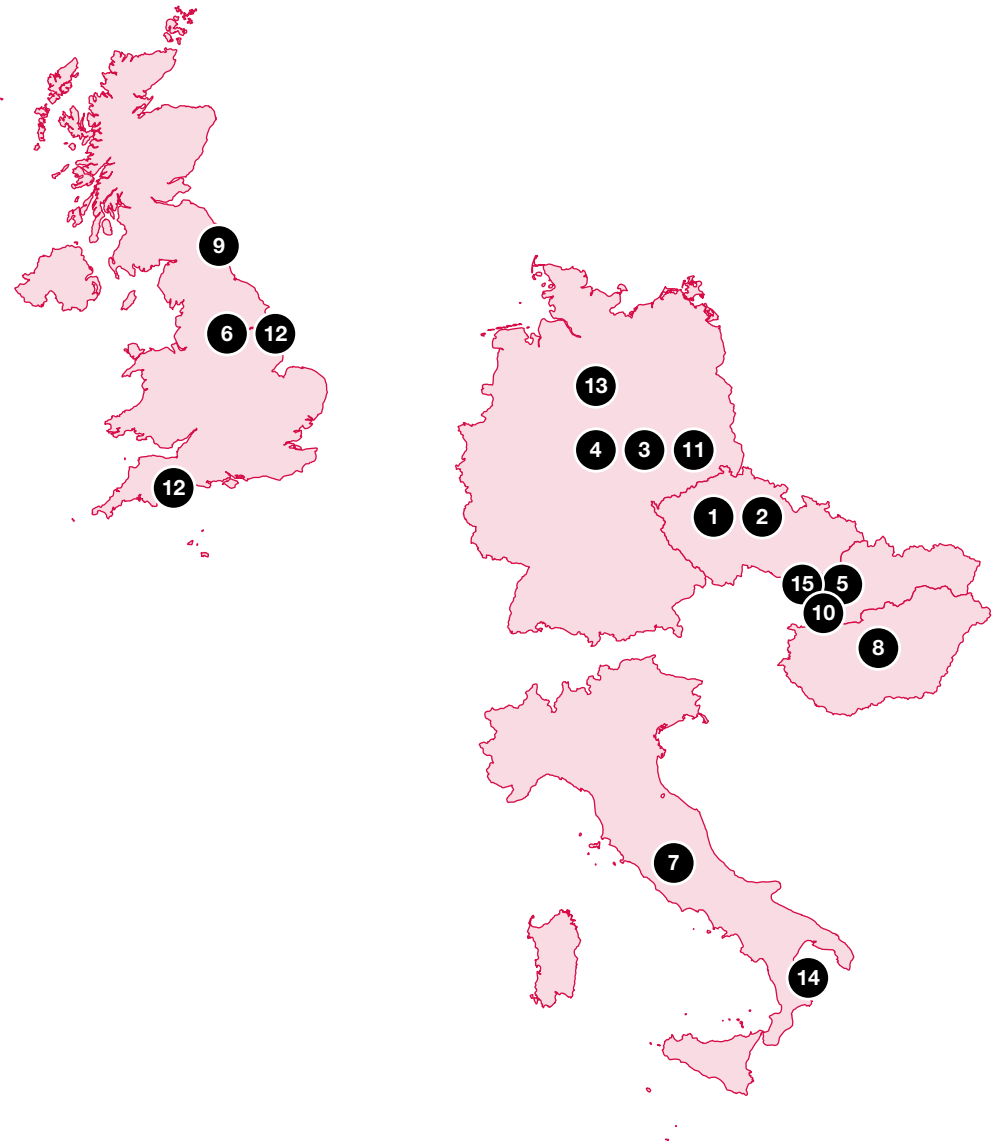
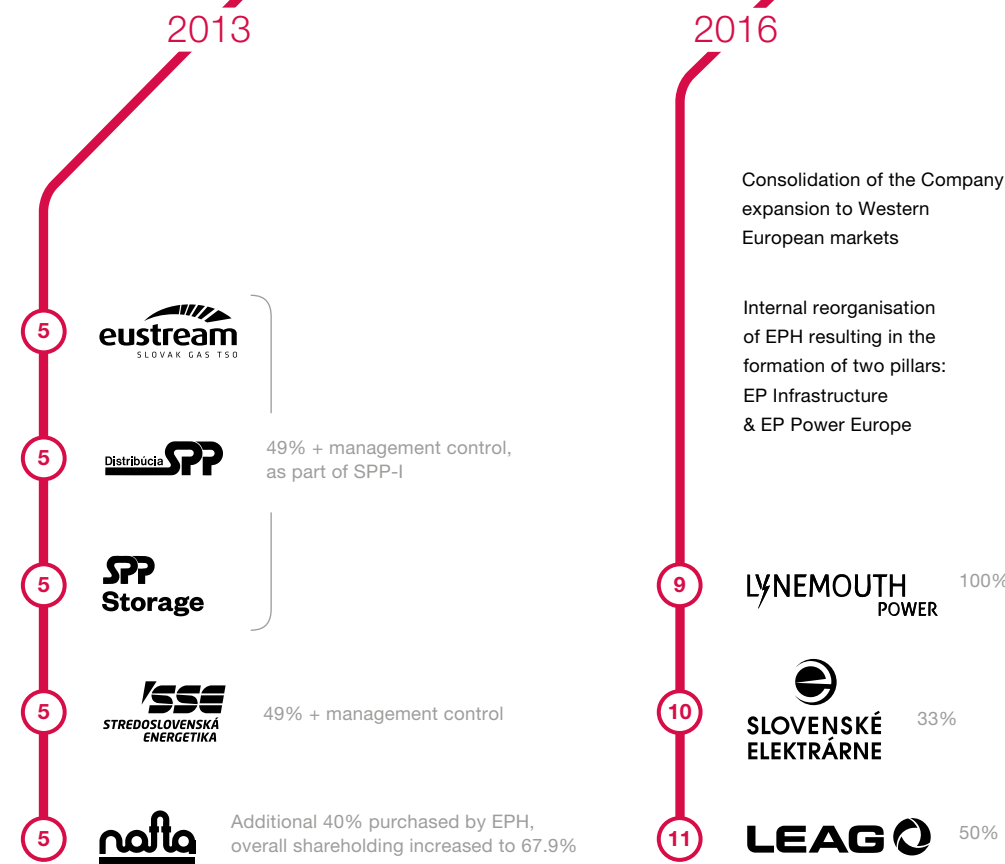


Fig. 34 EPH growth.

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



1 Langage and South Humber Bank CCGT plants were acquired from Centrica, transaction was completed at the beginning of September 2017.

2 Kraftwerk Mehrum acquired from Stadtwerke Hannover and BS Energy in September 2017, transaction was completed in November 2017.

3 Biomasse Italia and Biomasse Crotona acquired from from Bioenergie (50%) and Api Nóva Energia (50%). Transaction was completed in December 2017.

4 Share in POZAGAS was increased in December 2017 and control obtained.

5 Ownership share was increased from 73.8% to 98% in December 2017.

7.2 System efficiency

If the European climate protection targets or the goals as adopted at the Paris climate conference that came into force in November 2016 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 are not economically viable.

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 CO₂ certificates that our installations need to buy and helps mitigate the risk of potentially higher GHG costs in the future.

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 which is described in more detail in the section on GHG Emissions in this Report.

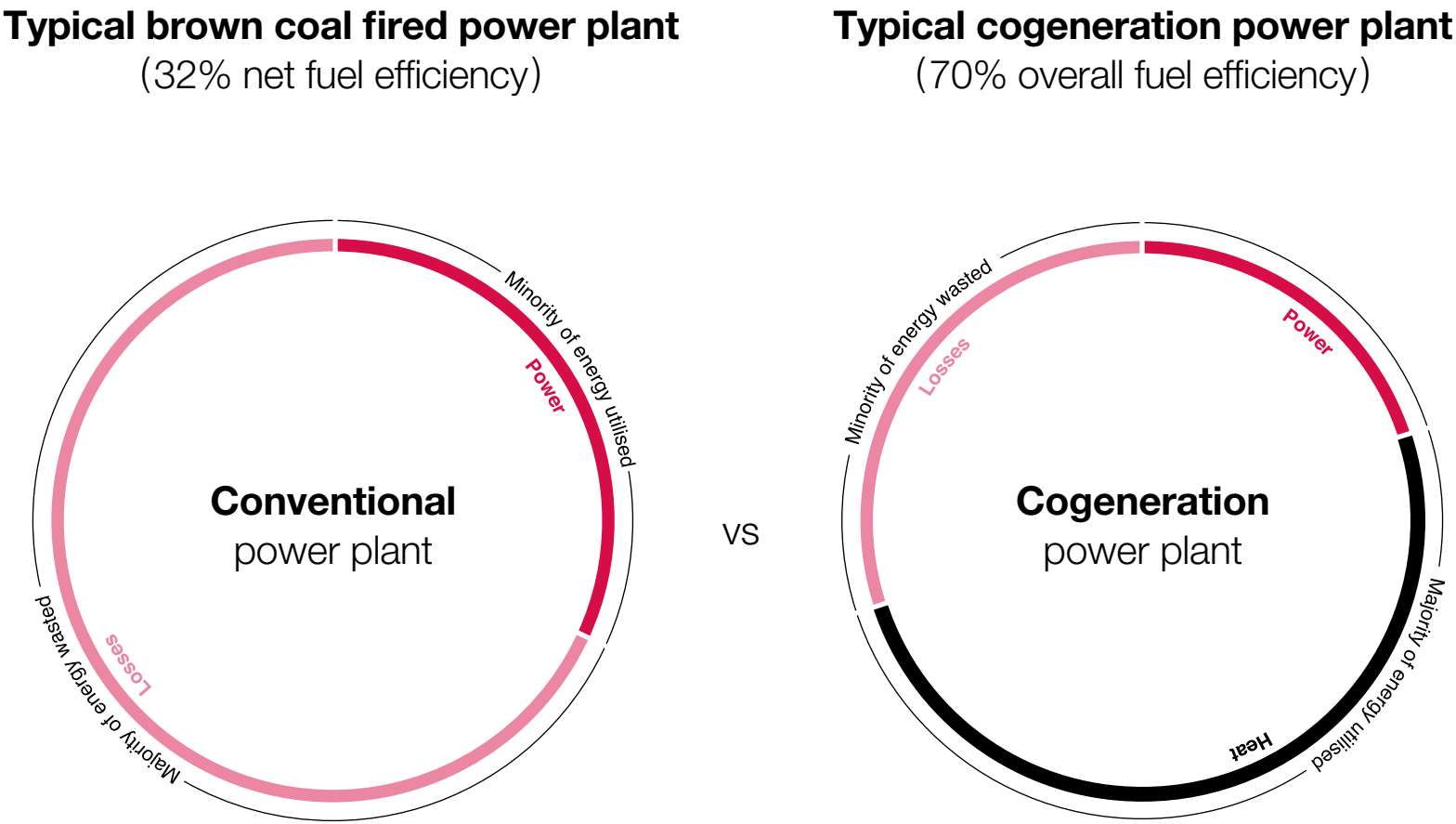


Fig. 35 Conventional vs. cogeneration power plant.

Maximum achievable efficiencies by technology type

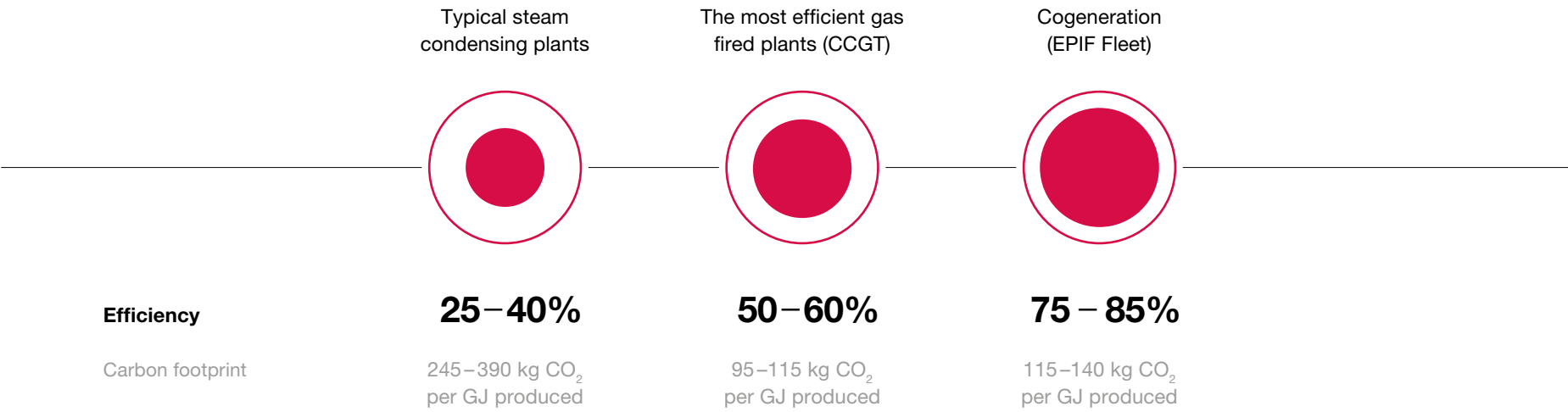


Fig. 36 Maximal achievable efficiencies by technology type.

7.3 Access

As one of our crucial responsibilities, we strive to provide affordable and 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.

There are many risks which the Group is exposed to such as failures, breakdowns, unplanned outages, as well as natural disasters, sabotage, or terrorism or public opposition may cause delays or interruptions in the Group’s operations.

For example, in December 2017, the gas transmission in Eustream’s network was paralyzed for several hours due to an accident at the compressor station of the Austrian gas transporter Gas Connect Austria at the Central European gas hub in Baumgarten where the explosion of a gas filter caused a short-term inability to transmit natural gas to Austria. However, transmission was restarted immediately after the situation was stabilized.

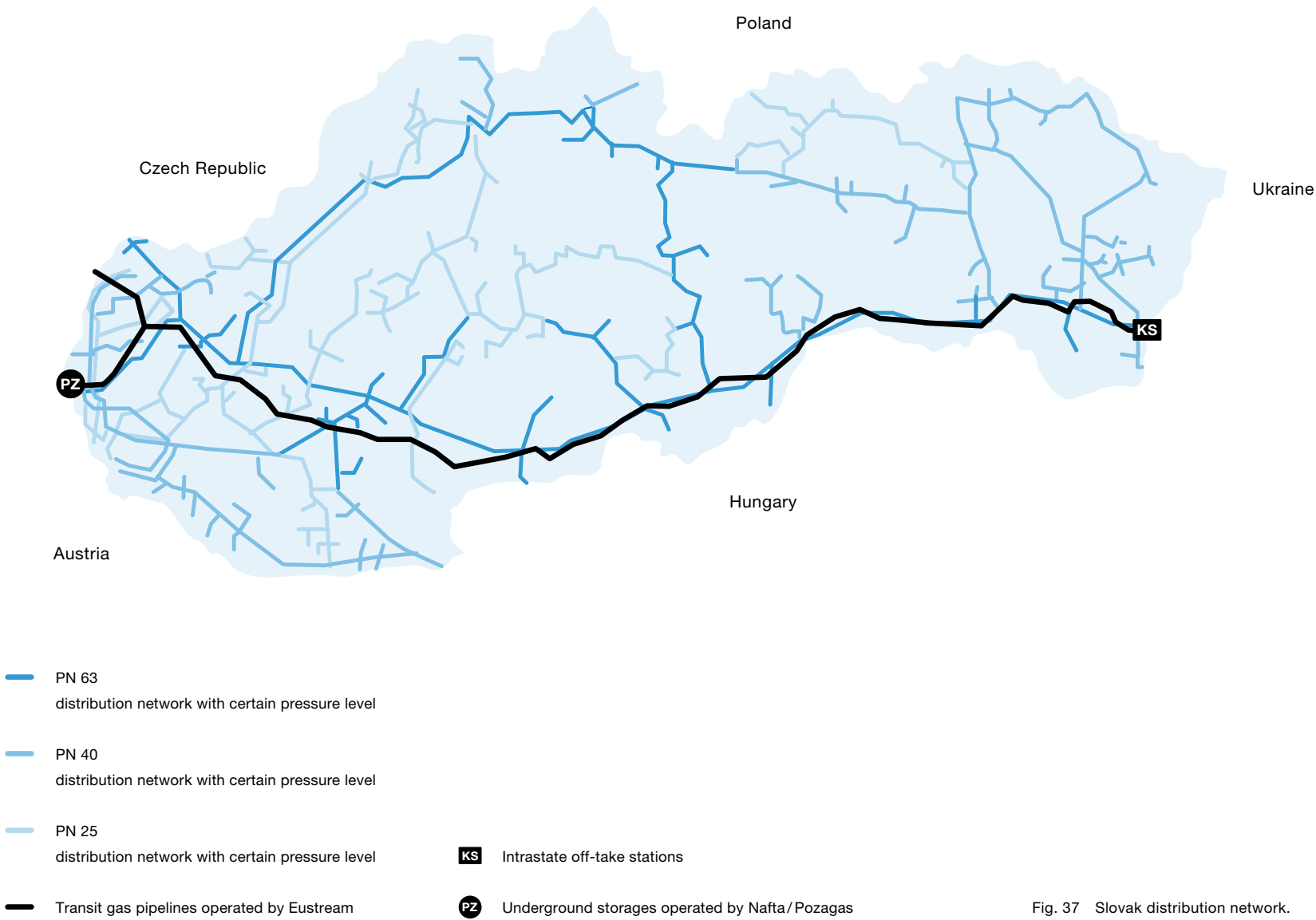


Fig. 37 Slovak distribution network.

Other problems, such as the current crisis in Ukraine, create political and economic uncertainty which could adversely impact the business, financial condition, results of operations, cash flows and prospects of the Group.

Heightened levels of tension between Russia and Ukraine could have a direct impact on the Group in the future. Further escalation of the conflict may lead to fluctuations in gas prices, further U.S. and EU-backed sanctions affecting the long-term sustainable availability of Russian gas or decreased demand for gas due to any of the above factors. This could also affect Ukraine’s ability to transport gas to or from Eustream’s system.

There are no significant domestic sources of gas in the Slovak Republic or the Czech Republic and there is no previous experience in the Slovak Republic or the Czech Republic of an extended period of disruption in gas supply from the Russian-Ukrainian route, except for the 13 days’

disruption in January 2009. In case of a prolonged gas shortage, gas would have to be sourced from other state interconnectors such as the Czech Republic (from the Lanžhot entry point) and Austria (from the Baumgarten entry point) and/or gas stored by shippers in underground gas storage facilities.

Since November 2015, Ukraine has ceased imports of gas from Russia. As a result, Ukraine has been increasingly reliant on Eustream’s reverse flow facilities for its access to gas, thus increasing Eustream’s revenues from reverse flow bookings. If supplies of Russian gas to Ukraine were to resume, this may lead to lower demand for Eustream’s reverse flow facilities. On the other hand, further escalation of the dispute may ultimately lead to a sustained interruption of the flow of natural gas from Russia to the Slovak Republic, in which case the consequences might be much more severe and difficult to predict.

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 2017 and 2016 SPP-D distributed 4.9 billion m³ and 4.7 billion m³ of gas, respectively. This increase was caused mainly by a colder winter at the beginning in 2017.

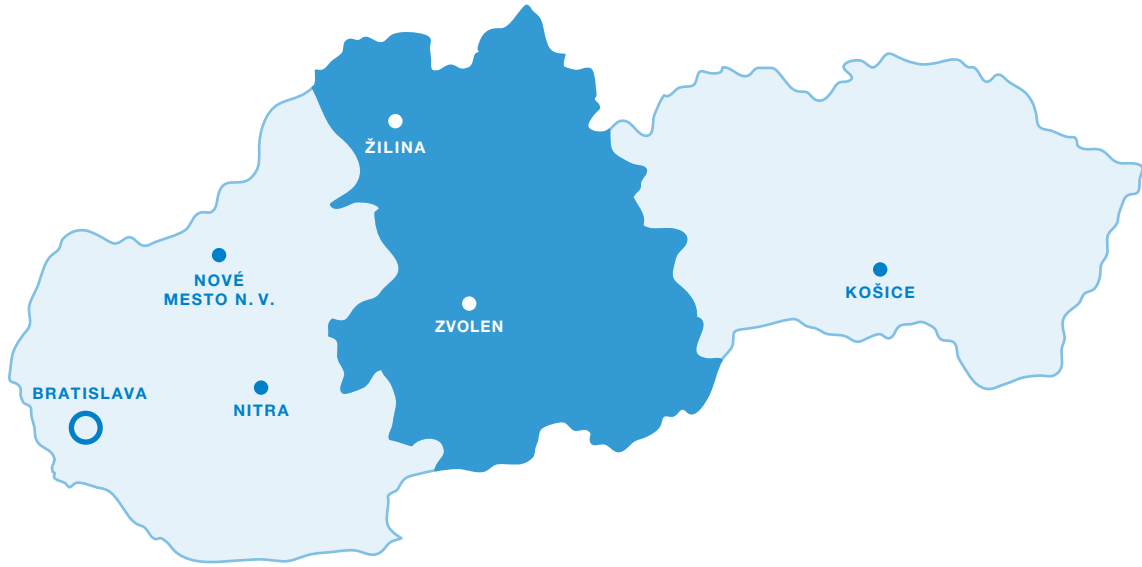
We continued with the renovation and reconstruction of our backbone network to ensure a reliable provision of our traditional distribution services and to reflect modern trends in terms of electricity distribution. Our total capital expenditures in this segment were EUR 78 million and we plan to continue our investment activities in the following years as well.

EPIF owns 49% and has management control in Stredoslovenská energetika which is predominantly active in electricity distribution and is the second largest out of three electricity distributor networks in Slovakia with approximately 6.2 TWh of power distributed in 2017.

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:

Operational KPIs	Unit	2017	2016
High Voltage (HV)	km	2,529	2,532
Medium Voltage (MV)	km	10,778	10,718
Low Voltage (LV)	km	21,311	21,201
Total network length	km	34,618	34,451
HV Substations	#	6	6
Transformers HV / MV	#	56	55
Switching stations HV / MV	#	64	56
Distribution substations	#	8,778	8,737

Fig. 38 Key distribution network data in 2016 and 2017.



700,000 Custommers

Stredoslovenská energetika

Central Slovakia region

Fig. 39 Region covered by the SSD electricity distribution network.

		2017	2016
SAIFI	Index	2.1	2.2
SAIDI	Index	99.8	86.0

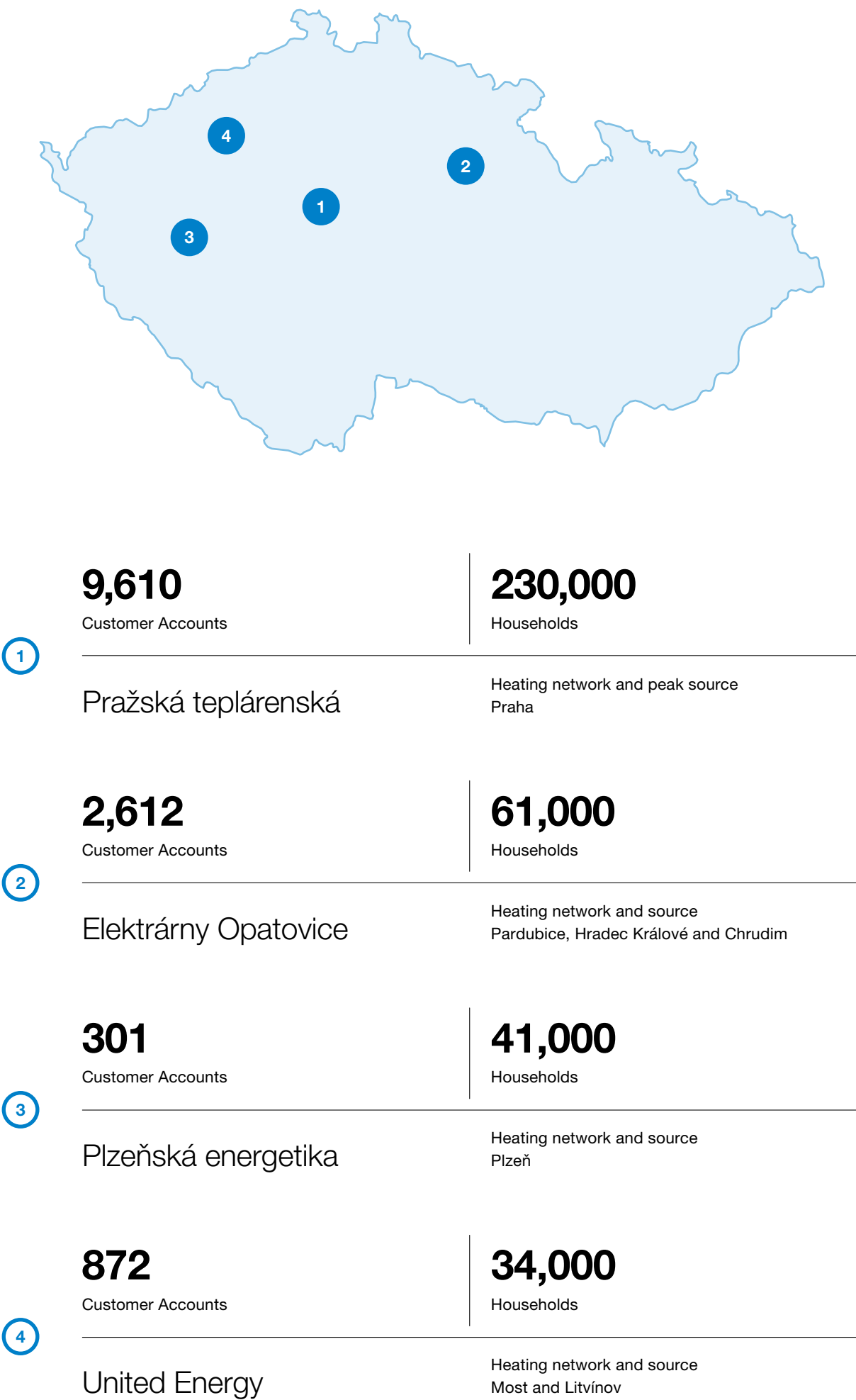
Fig. 40 SAIFI, SAIDI.

Based on increase in SAIDI and indicator, internal analysis was done and the following main causes were identified:

- Higher number of high voltage network breakdowns of the following critical components: dielectric and conductors, malfunctions without damage to facilitie were caused mainly by falling trees
- More high voltage network breakdowns which have significant impact on customers

- Higher occurrence of low voltage network breakdowns
- Parallel failures of networks within one district which led to overload of available capacities
- Localization and remediation of malfunctions during night where a repair was stopped due to health &safety rules

Based on this analyses corrective measures were defined to avoid these negative impacts in the future.



Note: Numbers of supplied households are estimated as the companies do not have direct agreements with each one. Number of customers accounts are precise.

Fig. 41 Czech network.

EPIF operates heat generation plants & distribution networks in the Czech Republic with 1,100 km of district heating networks, **distributing 15.2 PJ of heat to approximately 327 thousand of customers.**

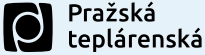



Company	Overview
	<p>Owens and operates the largest district heating network in the Czech Republic, as well as 33 heating stations</p> <p>Although PT owns and operates cogeneration sources (which do not run in condensation mode), the company only directly generates heat and power through these sources during peak demand in the winter months</p> <p>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</p>
	<p>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</p> <p>Provides among the lowest-priced heat in the Czech Republic because of its cogeneration capabilities</p> <p>EOP is also an important provider of grid balancing services to ČEPS, the Czech TSO</p>
	<p>Owner and operator of a combined heat & power plant and heat distribution network, supplier of heat to end consumers in Pilsen</p>
	<p>Together with its 100% subsidiary, Severočeská teplotárenská, owns and operates a combined heat & power plant and heat distribution network and supplies heat to households and commercial customers in North-West Bohemia</p>

Fig. 42 EPH Czech district heating companies.

Volumes of gas transmitted by Eustream

Eustream pipeline

Fig. 43 Eustream pipeline within European network.




Fig. 44 Eustream's 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 64.2 billion m³ of gas transported in 2017. At the same time, Eustream's pipeline offers the flexibility of gas flows in both directions.

Eustream's network is well invested in with high quality, well maintained pipelines and significant investments in compressor stations in previous years.

Company	Overview
	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

7.4 Procurement practices

EPH has a centralized procurement function managed by EPH Group Procurement. (“EPH Group Procurement”). The key role of EPH Group Procurement is to develop and consistently apply best practices in strategic procurement across individual subsidiary companies primarily with the aim of minimizing the total cost of ownership of external purchases.

EPH Group 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. Where appropriate, EPH Group Procurement tenders selected categories for the entire Group (e.g. IT, office supplies, pipes, etc.).

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

Thanks to the standardised and unified approach towards suppliers across EPH, EPH Group 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 Group Procurement has actively introduced an electronic auction process (eAuction) across EPH and tripled coverage of tenders via eAuctions since 2014.

Key tenders from across our subsidiaries are published on the EPH web page (<http://www.ephholding.cz/en/suppliers/>), which led to increased supplier participation.

Total spend covered by EPH Group Procurement is a function of the budgeting process within the organization which is based on prudent demand management and evaluation of actual needs. In general, the spend value under the umbrella of EPH Group Procurement is growing proportionately to the overall growth of EPH. In 2017 the value exceeded EUR 1 billion (2016: EUR 150 million), especially due to the recent acquisition of LEAG (50% share acquired in 2016).

Joint cooperation among EPH Group Procurement and EPH companies’ procurement has brought significant monetary savings (in average 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 from:

- 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 Group Procurement will diligently focus on the demand management aspects of procurement activities, engaging broader function across organization to drive down costs. That has already contributed to savings in 2017.

Finally, at EPH Group Procurement we also strive to promote environmentally friendly methods of communication using emails for document exchanges, preferring 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.

From 2018, we have introduced the eRFP process of tendering, where all documents sent out or received will be published via eTool, thus reducing the consumption of paper and improving process efficiency.

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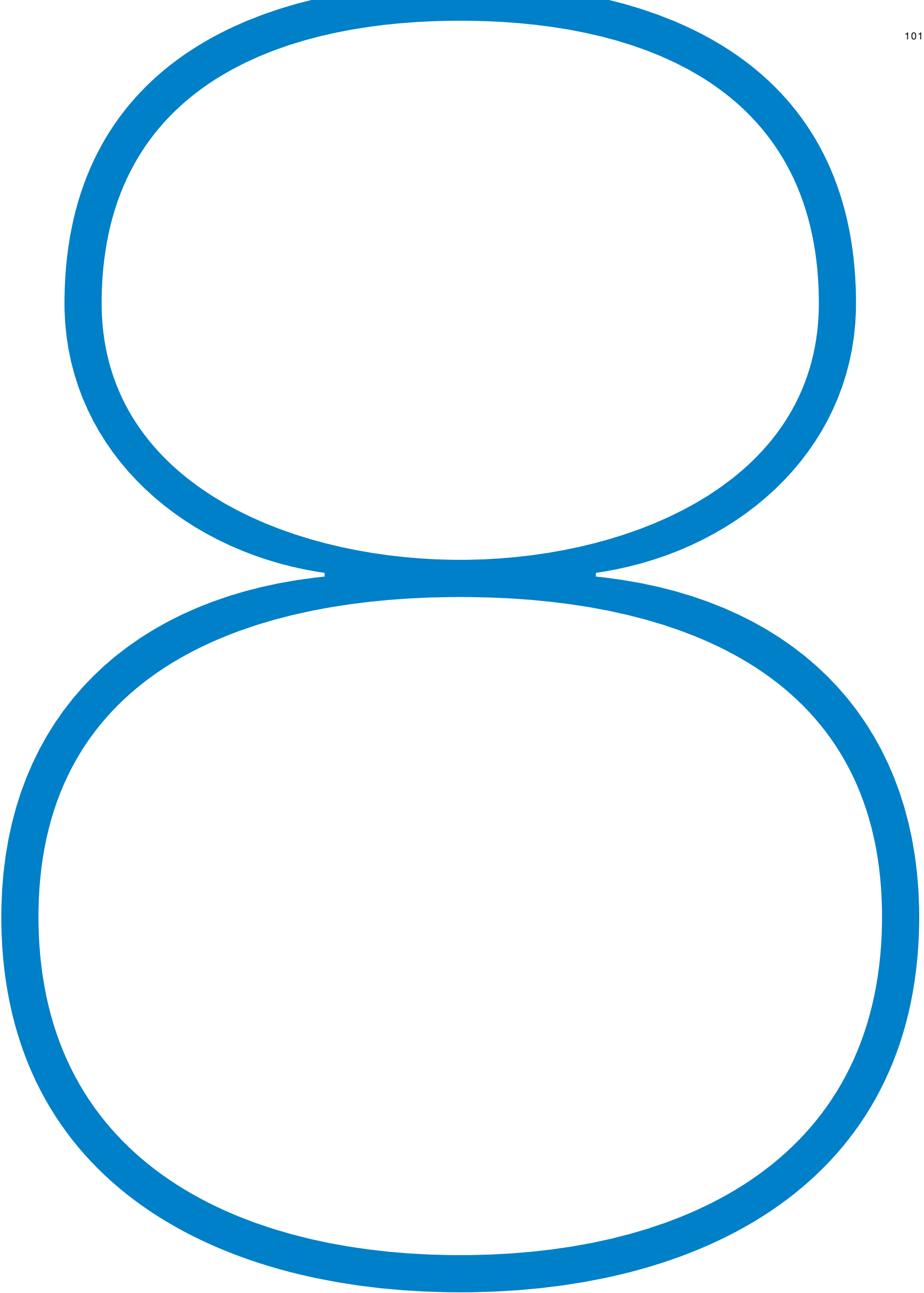


Fig. 45 A view on details of the bearing structures and the steam pipelines inside the steam generator house of the Livorno Ferraries power station.

Environment

Our environmental performance and impact

In this section of the Report, EPH reports information relating to its environmental performance and impacts during the reported 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 in this subject, 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 materially relevant to our organization.



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 that 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 and avoid the financial penalties or other burdens that may be placed on us. We are proud to report that during 2017, 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 defined by the United Nations Framework Convention on Climate Change and the Kyoto Protocol. These GHGs are currently: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃).

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.



Focus on co-generation

Focus on the 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.

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 save up to 1.5 million tons of CO₂-eq in average annually compared to coal. Finalization of conversion project planned in 2018 and current estimated net installed capacity is 395 MW.

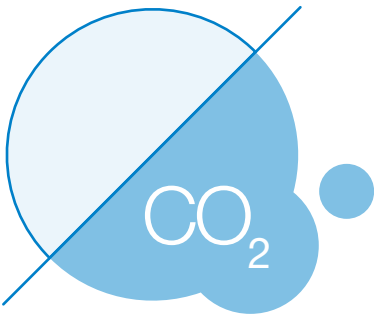


Agreement in Germany

Agreement to place the Buschhaus power plant in Germany into a security stand-by mechanism from October 2016, 14 years prior to the end of its technical lifetime, which is expected to reduce CO₂-eq emissions by some 30–35 million tons compared to original plans.

Security stand-by mechanism

Commitment to respect the decision of the German government to place two units of Jänschwalde power plant into the security-stand by mechanism by 2018 and 2019, respectively saving a further 7 million tons CO₂-eq annually and preparedness to contribute to a safe and affordable transition of the German energy system (Energiewende).



Modernisation of CHP fleet

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

Fig. 46 Examples of key measures and initiatives in sustainability.

EP Infrastructure

Approximately 90% of EPIF's 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 approximately 359 thousand tons CO₂-eq per annum. These GHG emissions were produced mainly by Eustream via its natural gas fuelled compressor operations amounted to only 319 thousand tons CO₂-eq in 2017, 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 CO₂-eq in 2012.

A smaller part of EPIF's business (approximately 10% of 2017 EPIF's 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 approximately 1,100 km of central district heating networks that distributed 15.2 PJ of heat (through hot water within the pipelines) to over 327 thousand customers in the Czech Republic. Together with heat supplied in Hungry it is in total almost 25 PJ of heat supplied to district heating networks (before heat losses in networks). 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 meet all of the latest GHG emissions criteria.

EP Power Europe

EPPE comprises the following core operations:

- Italian operations represented by EP Produzione (acquired in 2015) and Biomasse Italia and Biomasse Crotone (acquired in 2017);
- UK operations represented by Eggborough power plant (acquired in 2015 and currently in decommissioning phase), Lynemouth Power (acquired in 2016) and Langage and South Humber Bank CCGT plants (acquired in 2017);
- German operations represented by MIBRAG (initial acquisition in 2009 with an additional share increase in 2012), Saale Energie¹ (acquired in 2012) and Kraftwerk Mehrum (acquired in 2017).

Through the 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 rebranded to LEAG), EPPE acquired minority stakes, or stakes without management control and as such these are not fully consolidated.

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

- 89% of the net installed capacity of the 3.8 GW acquired in Slovakia is carbon free technology;
- 72% of the acquired installed capacity in Italy is based on modern gas-fired CCGT low carbon technology and based on the recent acquisitions of Biomasse Italia and Biomasse Crotone we added another 73 MW of net installed capacity in biomass;
- 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 with net installed capacity to be about 395 MW.

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 the 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 fueled power plants in markets that are or will physically be unable to secure stable power supplies from alternative sources (Germany, the 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 the fulfillment 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 played 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 served as a strategic reserve for the TSO until February 2017, which was a result of our continuous dialogue with stakeholders.

At the beginning of 2017, Eggborough entered a capacity agreement with National Grid, and was ready to provide power namely in the winter of 2017–2018, but failed to qualify for the capacity agreement in period from October 2018 to September 2019. Thus, planning of decommissioning and its gradual realization is currently in place.

Under the scheme, the overall GHG emissions were around 1 million tons CO₂-eq in 2017 compared to approximately 2 million tons CO₂-eq in 2016 and 4.7 million tons CO₂-eq emissions in 2015.

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 (hard coal power plant

due for conversion into biomass), which is now in a final phase. Commissioning completion is planned for the second half of 2018.

- The power plant stopped burning hard coal in December 2015, which alone resulted in a 1.3 million tons reduction in CO₂-eq in 2016 compared to 2015. In 2016 and 2017 emissions were negligible;
- Lynemouth is currently being converted into 100% biomass fuel, with very low carbon intensity, with commissioning expected in the second half of 2018 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 stabilized GHG emissions at approximately 2 million tons per year for 2016 and 2017. Thus, consumption of 2016 and 2017 combined is still 2 million tons of CO₂-eq lower than total UK emissions in 2015.

Italy

We own and operate a fleet of 4 modern, efficient and active CCGT power plants (total installed capacity of 3.1 GW) in Italy as well as 1 OCGT power plant in Sicily (0.2 GW) 1 hard coal power plant in Sardinia (0.6 GW). One oil unit (0.3 GW) is authorized but it is mothballed. And from the end of 2017 we added to this portfolio two new biomass plants: Biomasse Crotone (0.027 GW) and Biomasse Italia (0.047 GW out of which 0.001 GW is photovoltaic).

EPH is decommissioning 2 older oil units (Fiume Santo Unit 1 and Unit 2) 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 2017 of 529 kg whilst in 2016 it was 551 kg of GHG per MWh of net electricity produced, being an improvement of 4% year-on-year.

The situation in Sardinia, where the Fiume Santo power plant is the key generation source on the island, is different and EPH believes 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. 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 CO₂-eq p.a. In 2015, we agreed to voluntarily participate in the security stand-by mechanism 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. The plant enetered into the security stand-by mechanism in Q4 2016 and hence reduced GHG emissions by over 2 million tons CO₂-eq p.a. and approximately 30–35 million tons CO₂-eq for its remaining technical life time¹.

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

Contrary to this, EPH acquired 690 MW hard coal power plant Mehrum in 2017 with production about 2 TWh and 2 million tons CO₂-eq of GHG emissions annually.

EPH’s position in Germany is influenced by our acquisition of a 50% stake in LEAG. Please refer to section 3.2 Lausitz Energie Verwaltungsgesellschaft.

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.

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, the acquisition of biomass plants in Italy mentioned above, together with the former 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 continues 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.

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 of 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 involved 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, as 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 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:

- ① 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 slowdown;
- ② 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. The EU is on track to meet its emissions reduction target for 2020 and is putting in place legislation to achieve its 2030 target. EU emissions were reduced by 23%

between 1990 and 2016 (0.7% in 2016)¹. 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 ETS²

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 that we sell a specific amount of electricity in the future market, we procure the combustion fuel required and purchase any necessary GHG emission certificates.

1 Progress made in cutting emissions, European Commission, https://ec.europa.eu/clima/policies/strategies/progress_en.

2 Calculation of Emissions intensity indicators excludes emissions from non-energy producing operations, namely Eustream, SPP - distribúcia, Emissions intensity – Including heat component. Nafta and Pozagás in Slovakia and SPP Storage in the Czech Republic and in respective summary indicators, with an insignificant quantity for both years.

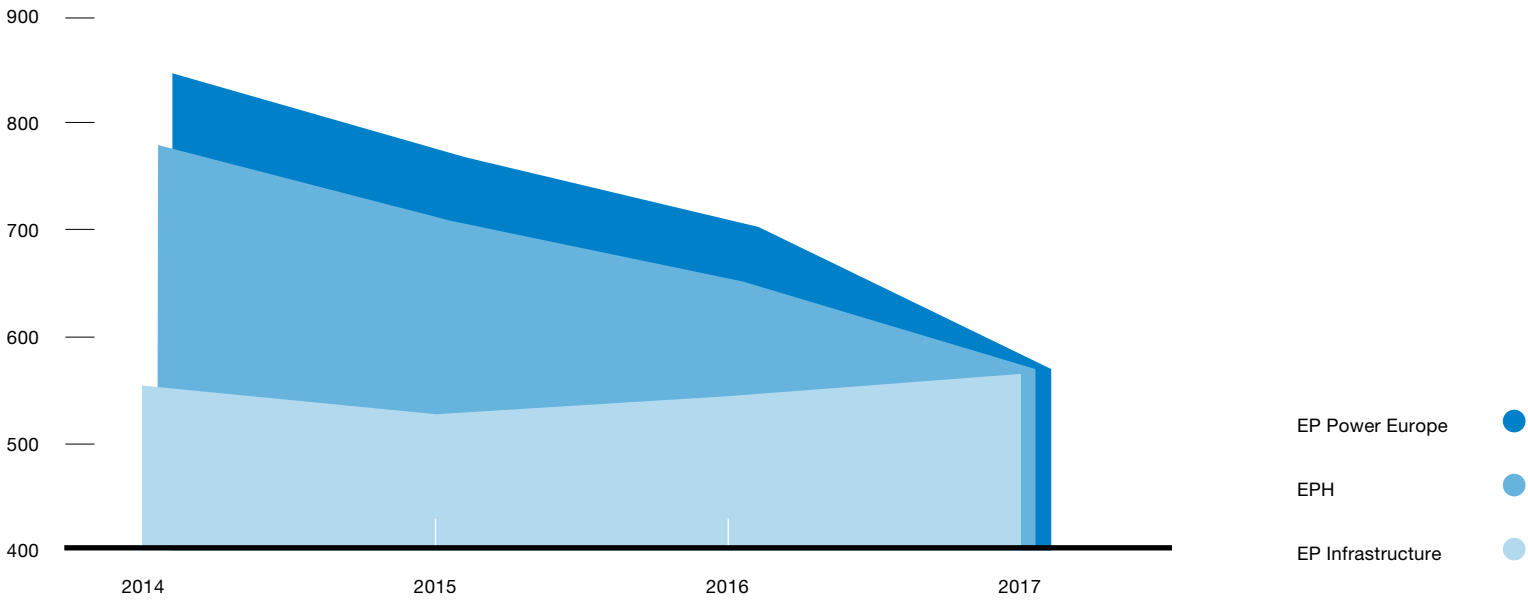


Fig. 47 Emissions intensity – Including heat component.

Note: Data for 2014–2015 restated for exclusion of Ergosud from the consolidation scope. Calculation of Emissions intensity indicators excludes emissions from non-energy producing operations, namely eustram, SPP - Distribúcia, Nafta and Pozagas in Slovakia and SPP Storage in the Czech Republic.

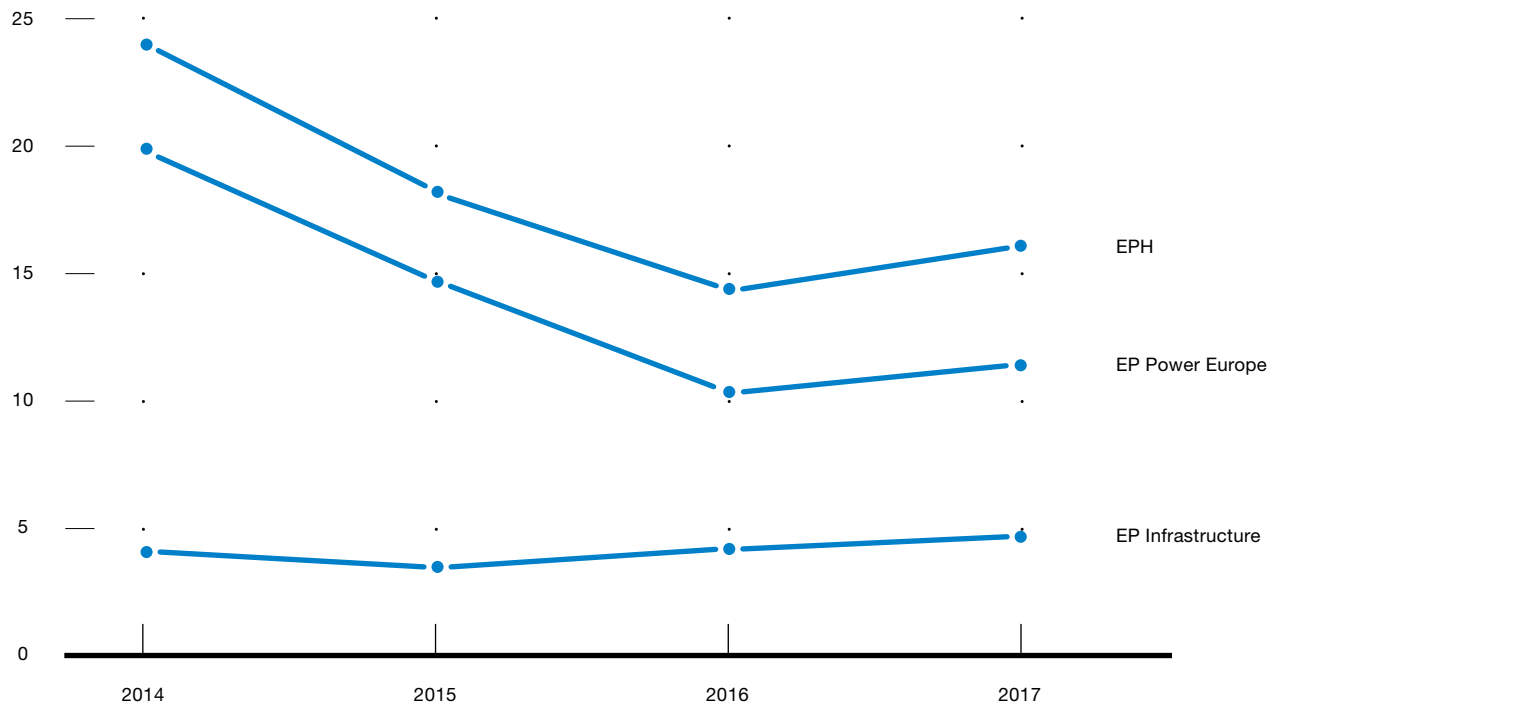


Fig. 48 Direct GHG Emissions (Scope 1).

The GHG intensity of our operations decreased by approximately 13% for EPH overall in 2017. 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 decreased in 2017 and will decrease significantly in the upcoming periods due to some assets being placed into the security stand-by mechanism. For example, the agreement to place the Buschhaus power plant into the security stand-by mechanism from October 2016 is expected to reduce GHG emissions by some 30–35 million tons CO₂-eq in total compared to the original plans.

The situation is similar for our operations in the UK where the GHG intensity in Eggborough was 985 tons CO₂-eq/GWh in 2017 but where absolute GHG emissions were reduced significantly. For example, the agreement with the UK government to place the Eggborough plant into Supplemental Balancing Reserve reduced GHG emissions by 2.7 million tons CO₂-eq in 2016 compared to 2015 and additionally by 1 million tons CO₂-eq in 2017.

Conversely, our new acquisitions from 2017 EP SHB and EP Langage had much lower GHG intensity: each under 400 ton CO₂-eq/GWh in 2017.

In addition, the full conversion of the Lynemouth hard coal power plant into biomass avoided up to 1.5 million tons CO₂-eq per annum in average.

GHG intensity for our operations in Hungary was 250 tons CO₂-eq/GWh in 2017, reflecting the fact

that the CHP operations are efficient and powered mainly by natural gas. The GHG intensity of our operations in Italy was at 529 tons CO₂-eq/GWh in 2017, reflecting the combination of efficient CCGTs and the more conventional facility at Fiume Santo. Finally, our operations in Slovakia have the lowest GHG intensity (2017: 27 tons CO₂-eq/GWh) due to their wide-scale use of renewables, biogas generation and some photovoltaic.

Total direct GHG emissions for our EPH portfolio of companies was 16 million tons CO₂-eq in 2017, representing an increase of 1.6 million tons CO₂-eq compared to 2016, but it is 12% lower than in 2015 (2015: 18.2 million tons CO₂-eq). Though most of our business from a financial perspective sits within EPIF, their corresponding GHG emissions were less than 30% 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 increased by 12% or 0.5 million tons CO₂-eq from the prior year, mainly due to increased production in the Czech Republic. Since materially, all GHG emissions from EPIF subholding 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 59.9 PJ in 2017, increase of 12% from 53.6 PJ in 2016. Hence, energy and GHG emissions both increased in 2017 mainly due to increased production.

Please note that we have to restate the value of energy consumption in EPIF for 2016 and even for 2015 as well: Data reported by SSE group for natural gas consumption were previously reported in m³ instead of GJ. Thus we reported much higher energy consumption. In 2016 it was by 0.2 PJ (and in 2015 by 0.4 PJ). Additionally, we found that Renewables SK reported in 2016 as well as in 2015 additional energy consumption of 0.09 PJ, 0.2 PJ respectively. This was reported by this company by mistake. Data for 2017 is reported correctly.

Please note that in 2017 we also added the energy consumption of our logistics division. 2016 was adjusted respectively to be comparable. Logistics consumed 0.09 PJ in 2017 as well as in 2016.

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 lignite, natural gas and hard coal. 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 increased by 1.1 million tons CO₂-eq in 2017 or 11% compared to 2016 (equal to 11.4 million tons CO₂-eq in 2017). This rise was mainly driven by new acquisitions partially compensated mainly by almost zero GHG emissions of Helmstedter Revier power plant (year-on-year decrease by 1.8 million tons CO₂-eq due to stand-by mode (capacity reserve) of the power plant since October 1, 2016). Still the GHG emissions are lower in 2017 compared to 2015 by 3.3 million tons CO₂-eq, or 23% (2015: 14.7 million tons CO₂-eq), mainly due to reduced production from the Eggborough plant during 2016, which was driven by placement of the power plant into the Supplementary Balance Reserve and shutting down of Lynemouth with regards to the ongoing biomass conversion project. As with EPIF, the trend in direct GHG emissions from the EPPE sub-holding closely follows the trend in the underlying energy consumption data. Total energy consumption in EPPE increased by 19% to 153.6 PJ in 2017 from 129.1 in 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.

8.2 Air emissions

We have invested EUR 100 million within EOP towards reduction of dust, SO_x and NO_x emissions in the last 4 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.

The biggest atmospheric pollutants associated with our activities are sulphur oxides (SO₂), 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 SO₂ emissions. Two methods by which we can reduce our SO₂ 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. 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.

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. Therefore, we are developing the respective technical measures to reduce our mercury emissions.

Total emissions

Total SO₂, NO_x and dust emissions all reduced from 2015 in relation to the volume of generated energy and mainly reflected the decrease in production within EPPE, as explained in the section 8.1 Climate change and energy. Overall, SO₂ emissions reduced by 22%, NO_x emissions by 10%. More detailed quantitative information on our air emissions performance is included in the section 11.1 GRI Index.




Company	Examples of key measures and initiatives in sustainability
	<p>In Plzeňská energetika, two projects were prepared that are related to legislative requirements for the tightening of the Industrial Emissions Directive (IED), related investments included:</p> <ul style="list-style-type: none">• DeNO_x of boiler K3• Intensification of wet scrub desulphurization – a modern technology of desulphurization in a flue gas absorber <p>Realization of these will take place in the period 2019–2020 and we expect investment expenses in the order of several tens of million EUR.</p>
	<p>The most significant projects in the area of ecology in EOP were realized in the period 2014–2016. A total investment of approximately EUR 100 million was spent to meet the new emission limits. The works included reconstruction of 4 boilers, construction of 4 new dust separators and 2 desulphurization lines.</p> <p>In 2017 there were partial projects related to further finalisation of the mentioned investments. These included retrofits of boiler, FGD and electro-separators and amounted to about EUR 280 thousand.</p>
	<p>Wood chips and pellets are used in Vojany power plant (Slovenské elektrárne) for co-incineration during unit start-ups. This saves gas consumption and increases usage of renewable biomass.</p>

Fig. 49 Examples of key measures and initiatives in sustainability.

8.3 Water

SSD **reduced the amount of oiled water** (hazardous waste) generated in the detention tanks at the power stations.

Amount of disposed oiled water decreased between 2016 and 2017 by 2,248 tons or by 90%.

Water is extremely important to our operations for

- heat distribution where water is the main medium;
- coal mining and
- the production of electricity

In these areas water is the direct energy source (hydro power plants) or acts as a 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 aim to reduce our water footprint through methods including the reuse and recycling of water, more intensive use of pumped water from opencast mines and 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 operations increased to 2,004.9 million m³ in 2017 (2016: 1,377.3 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, increasing to 1,894.7 million m³ in 2017. This year-on-year increase in water withdrawn and discharge was caused mainly by our Italian plants (increase by almost 400 million m³) and by our newly acquired plan EP SHB in UK which is using water from the river Humber for cooling (additional increase of 226 million m³ in 2017).

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 Performance indicators.

8.4 Biodiversity

SSD continued to protect birds of prey by installing technical devices **to prevent the death of birds** on electrical lines.

Almost EUR 74 thousand was invested in 2017.

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 the 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, the 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. EPH pays attention to recultivation projects after end of lignite exploitation or end of power plant's lifetime period. We consistently strive to reduce waste and are committed to protecting and restoring ecosystems.

8.5 Waste

SSD is **prioritizing recovery of waste** prior to its disposal.

SSD uses recycling facilities for construction waste, ferrous and non-ferrous metals, cables, discarded equipment, including electrometers, batteries and oils. Waste sold increased year-on-year by 35%, which meant additional revenues of EUR 144 thousand in 2017.

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. Despite this, in 2017 we noticed an increase of landfill, which was mainly connected with Lynemouth biomass conversion (annual rise of by 1 thousand tons).

Total waste other than by-products was 247.1 thousand tons in 2017. Last year EPH reported total waste other than by-products equal to 132.9 thousand tons, but this value should be restated due to two reasons: the corrected value

for 2016 is 161.5 thousand tons. Restatement is connected to SPP-D and the reason was that the value reported in 2016 was reported under old legislation. Based on new legislation SPP-D should report construction waste as this company is its originator (previously, construction supplier was the originator of construction waste). Values in 2017 are reported in the correct manner.

The annual increase by 76% in EPPE between 2016 and 2017 was caused mainly by MIBRAG’s activities in the Profen mine area, mainly site clearance / clean-up of old contaminated sites.

Waste from EPIF decreased slightly (by 5.6%) to 42.7 thousand tons but represented only around 18% of total waste from within EPH.

In addition to waste, we also generated 1,920.3 thousand tons of by-products in 2017, slightly lower in comparison with the prior year. As we are frequently able to sell the by-products for further commercial use when they are collected from our facilities we report waste and by-products separately. However, in order to be transparent, we have reported our by-products and waste data together as a summary in this section with more detailed quantitative information on our waste performance in the section 11.2 Performance indicators.

In Mochovce nuclear power plant (Slovenské elektrárňe), several projects are underway **to reduce radioactive waste**.

As an example, a system for onsite processing of radioactive liquids is being implemented. This ensures the volume of radioactive substances will be 95% lower. This means that a much lower amount has to be delivered to and processed by external companies which are dealing with radioactive waste and higher safety will be achieved as well.

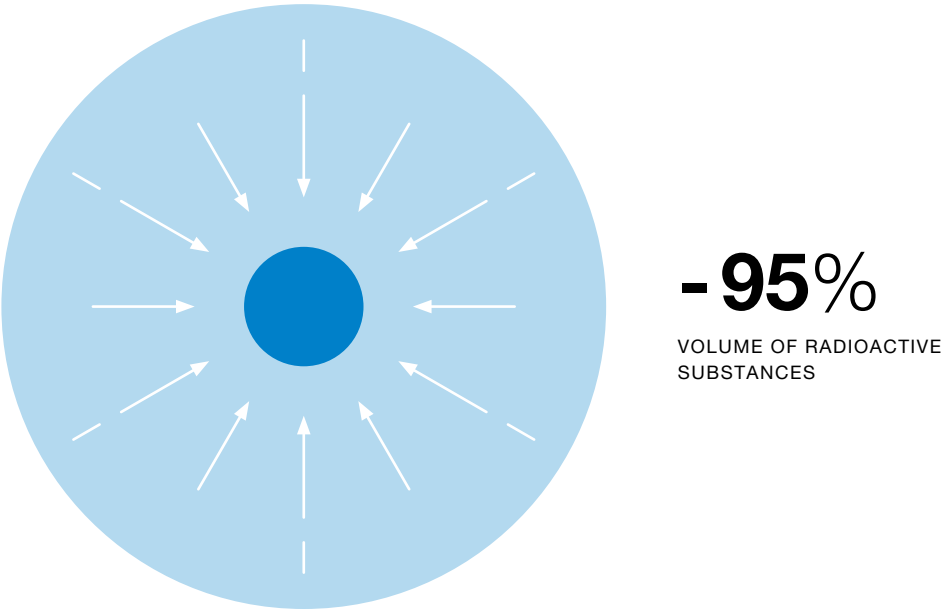


Fig. 50 Decrease in volume of radioactive substances.

EP Logistics International

In this Report, we would like to introduce a logistics division of our group that is gradually being formed. The division comprises companies from both EPH and EPIF and its simplified structure is presented on the next page.

A case study on successful implementation of the Innofreight technology by EP Cargo can be found on the next page.

The Logistics segment is focused on providing combined transportation services, mainly for own needs of EPH, as well as rolling stock and railway personnel pooling.

That being said, it is clear that our logistics companies are tightly interconnected with our trading activities, represented by EP Coal Trading under EPH as well as EP Sourcing which operates as a part of EPIF. Such symbiosis is natural considering the fact that the fuel, including its transportation costs, accounts for about 75% of a coal power plant's variable costs, thus being one of the significant areas of potential cost optimization.

Our very last acquisition in the logistics segment was the addition of SPEDICA Group to our portfolio. Companies of the SPEDICA Group provide among other shipping services in rail and road transport and sea freight. EPH became a strategic partner and a majority shareholder of the SPEDICA Group at the end of January 2017.

The main activities of the logistics division include:

- delivery of hard coal to our Fuime Santo and Mehrum power plants;
- coal supply and by-products disposal for our Czech and Slovak power plants;
- delivery of kerosene to Václav Havel Prague airport;
- rolling stock and railway personnel pooling.

Based on GRI's Logistics and Transportation Sector Supplement (pilot version 1.0) the following key indicators are reported. Total energy consumption of our logistics core companies was 0.09 PJ in 2017 (0.09 PJ in 2016), this value being already included in the total EPH consumption as reported in the Performance Indicators section. Total ton-kilometres performed in 2017 and 2016 were 937 and 914 million respectively. In each of those years, a distance of over 4 million kilometres was driven.

Fuel, including its transportation costs, accounts for about 75% of a coal power plant's variable costs, **thus being one of the significant areas of potential cost optimization.**

EPH

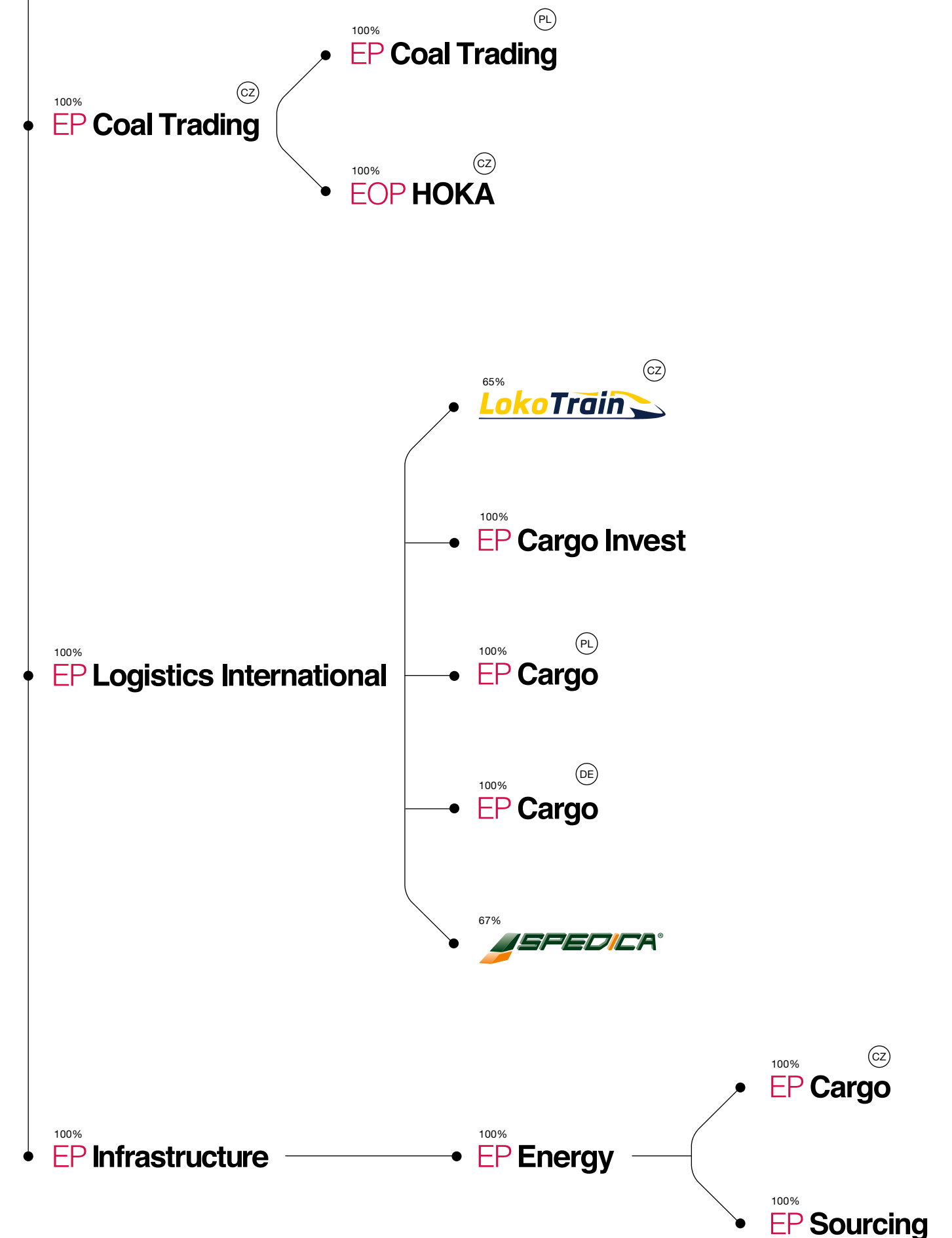


Fig. 51 Current structure of the logistics division including trading (EP Coal Trading, EP Sourcing and partially EOP HOKA).

EP Cargo: fuel transport solutions secured in-house by EPH

Case Study

History

The company was founded in August 2010 and received a carrier license in the Czech Republic under the name EŽC in September 2010. In the same year, EŽC was issued The Carrier Safety Certificate Section A and B, which gave it a reputation of a fully-fledged rail carrier. In the first two years, the company had just one employee whose task was to optimise the coal transportation towards EPH customers.

Preparations for start-up of major operations and the first scheduled projects took place in 2011.

In 2012, EŽC provided the first transportation from MIBRAG to power plants in Počerady, Komořany, EOP and also to paper mills in Hněvice, in form of freight forwarding. Cooperation with German company Metrans and Czech ČD Cargo was developed. Several attempts of coal transportation from Polish mine PG Silesia to ČEZ's power plants in Poříčí, Hodonín and Dětmarovice as well as to Pražská Teplárenská were carried

out. The following chart demonstrates the development of tons transported throughout the years.

From 2013, regular transportation between MIBRAG and Buschhaus was launched. Hard coal transportation from Třebošice to EOP and brown coal transportation from MIBRAG to Hněvice were the most crucial orders. In 2013, the company hired two more employees.

The year 2014 was a transformational year for the growth of EŽC as it started to conduct the siding in Opatovice power plant and got responsibility for all the employees involved there. The same happened in PT, where the conducting of the siding was taken over.

Subsequently, EŽC changed its name to EP Cargo to show clear affiliation with the group.

EP Cargo has an ambitious goal to become one of the key players in the area of Innofreight technology.

Thanks to the geographical location of the Czech Republic as well as varied international activities of EPH group, EP Cargo is on track to expand its activities into international transportation business.



Fig. 52 Special 20' Lignite Containers for the Opatovice Power Plant. Containers are unloaded automatically and replaced the previous method of conventional supplies to power plant.

Additionally, EP Cargo started discussions with Innofreight about possible usage of non-conventional technology for transportation of brown coal between the MIBRAG mine and the Buschhaus power plant.

In 2015, container technology Innofreight was selected as the most efficient way of brown coal transportation from MIBRAG to Buschhaus. Several tests were carried out in loading and unloading as well as climate tunnel, which proved the reliable usage of the technology in bad weather conditions. The good results of testing led to the final decision. The contract between EP Cargo and Innofreight on long-term rental of a container system including stationary unloading system was signed. Number of employees raised again.

Later in the year, Helmstedter Revier, owner of the Buschhaus power plant agreed with the German government to put the plant into the security stand-by mechanism in 2016. As a result of this decision, the agreed cooperation with Innofreight was amended and it was decided that the technology will be implemented in EOP, where the actual reconstruction started at the end of 2016.

The foundations for the stationary unloading system were built. The unloading system was connected to the existing belt transport and additional construction works on tracks in the area of EOP were carried out. The shunting engine was equipped by remote control to be operable from the cabin in which unloading system is controlled as well.

The year 2017

The first coal transport for EOP in Innofreight’s containers was delivered in March 2017. Stationary unloading system was tested as well and final building approval was carried out. From that time, in less than 10 months, EP Cargo celebrated its first one million of delivered tons of material in the Innofreight containers.

The expected benefits of container system were evident especially in winter time. The whole unloading is carried out without defrosting tunnel and the time of unloading has rapidly decreased.

Four sets of 15 cars operate regularly and each set can transport more than 1,800 tons.

The implementation of stationary unloading system did not eliminate conventional types of cars (formerly used Falls) that are still in use. The place for unloading was preserved to be used in case of the lack of capacity of the new system or other unpredictable events.

In 2017 EP Cargo was given the Certificate of Carrier in Poland and the first transportation to Poland was realized in November of the same year.

Role of EP Cargo within the Group and the future

The implementation of Innofreight technology in the area of EOP siding will be finished in 2018. Security system of the siding will be replaced by modern, fully automated security system that provides maximum safety.

The investment will be carried out without interrupting full operations.

EP Cargo has an ambitious goal to become one of the key players in this area. Thanks to the geographical location of the Czech Republic as well as varied international activities of EPH group, EP Cargo is on track to expand its activities into international transportation business.

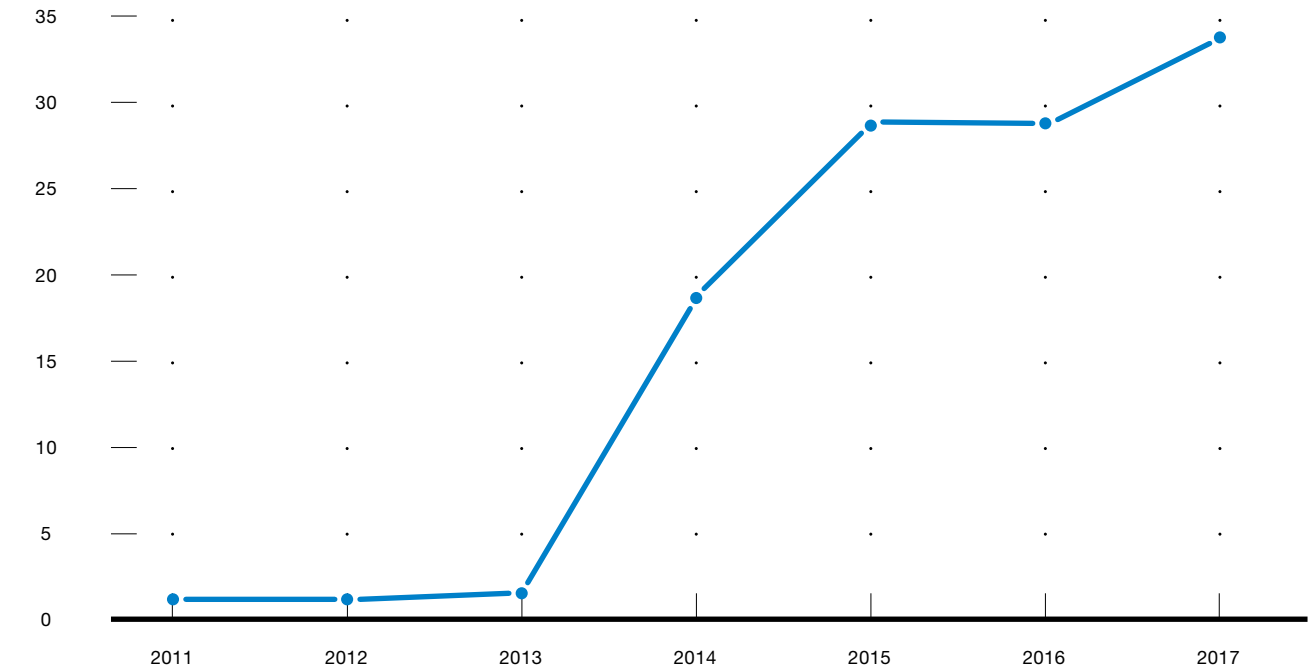


Fig. 53 Number of employees in 2011–2017.

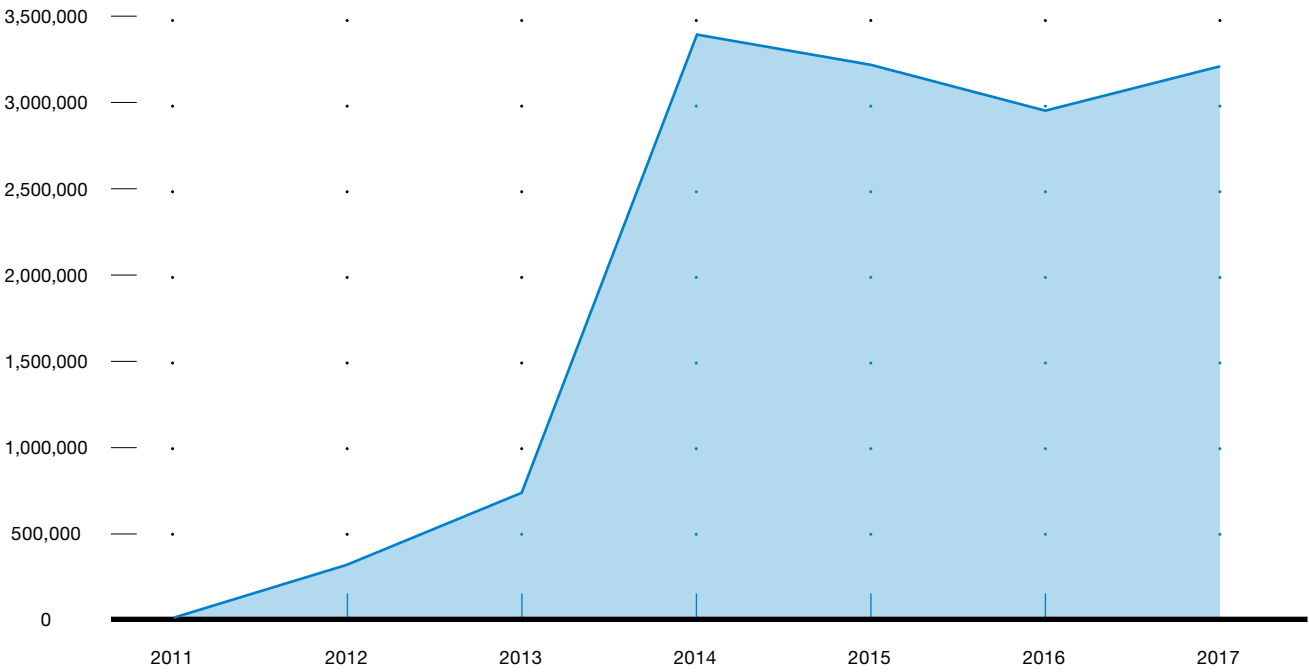
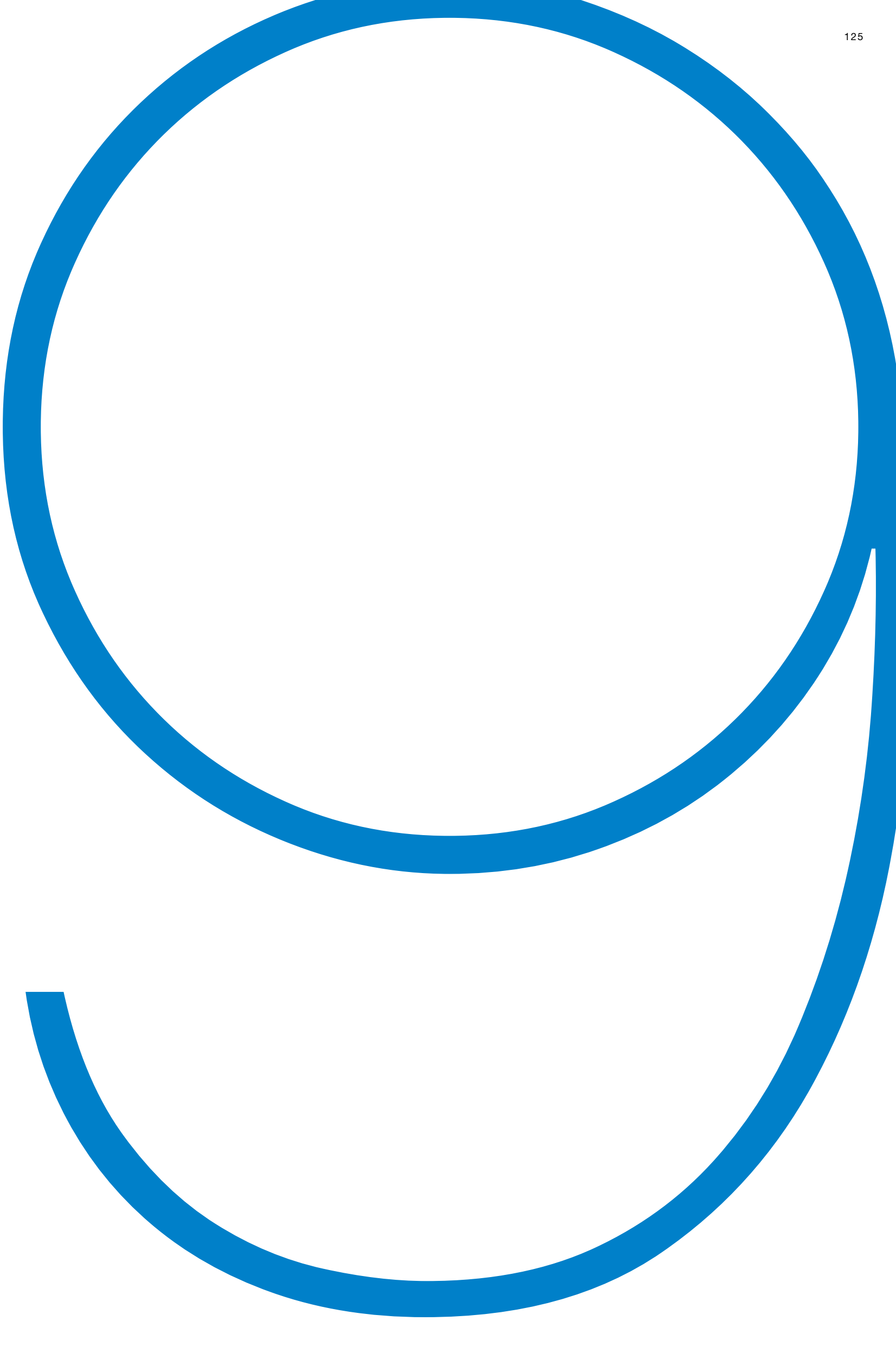


Fig. 54 The outline of transported tons in 2011–2017.

Social



64% of EPH’s employees work in companies that are **certificated with OHSAS 18001**.

9.1 Occupational health and safety

During 2016 EPH and its subsidiaries had no fatal accidents involving its own employees. In 2017, regrettably, 1 fatal accident happened in SSE in Slovakia involving its own employees. It was caused by electric shock during maintenance of transformer station due to human failure.

SSE thus intensified trainings in the area of employees’ safety. It is critically important to avoid such a regrettable event to happen in the future.

Overall, the injury frequency rate¹ was approximately 3 in 2016 and 4 in 2017, 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. Overall, total injuries increased from 41 to 64 in EPH, which was comprised of an increase in both EPPE and EPIF.

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	2017	2016	2017 - 2016	%
403-2	Registered injuries – Employees					
	EP Infrastructure					
	Czech Republic	#	12 *	12	–	
	Slovakia	#	15	9	6	67%
	Hungary	#	2	1	1	100%
	Total – EP Infrastructure	#	29	22	7	32%
	EP Power Europe					
	Czech Republic	#	–*	–	–	
	Germany	#	28	17	11	65%
	UK	#	–	1	(1)	(100%)
	Italy	#	1	3	(2)	(67%)
	Total – EP Power Europe	#	29	21	8	38%
	Other companies within the Group					
	Czech Republic	#	6 *	3	3	100%
	Poland	#	–	–	–	
	Total – other comapnies	#	6	3	3	100%
	Total – EPH	#	64	46	18	39%

* These data has received limited assurance from the independent auditing firm EY.
Fig. 55 Number of injuries for EPH split by sub-holding and by country of operation for 2016 and 2017.

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

The 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 goal, however being able to continuously achieve better 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 2017, Nafta recorded 1 lost time incident with 27 lost days, 7 reportable injuries (0 lost days in total) and 6 High potential near-misses in connection with safety. This reporting of incidents and near – misses is due to having simplified its reporting process and launching dedicated information and communication campaigns and also additional analysis of all records in the reporting information system.

EP Produzione implements various tools focused on improvement and prevention. In order to enhance safety leadership, initiatives such as “Safety walk and talk”, “Awareness card” 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 2017, 48 near- misses (36 last year), 4 first aid events (3 in 2016) and 735 unsafe acts (434 in the previous year) were recorded and managed in terms of improvement activities.

More unsafe act/conditions records together with more near-misses show an improvement in terms of hazard perception and identification: people from EP Produzione recognize more clearly what is dangerous and openly report that.

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.

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 2017 5 on-site inspections were completed (6 in 2016).

5. Focus on behaviour

According to studies, 80–90% of accidents are caused by human error (Heinrich et al, 1980). 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. The BBS puts employees at the center, trying to understand the reasons of unsafe behaviour and defining 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.

Lynemouth started with the BBS in 2010. From the beginning of the project until 2017, up to 141 employees were trained. The number of observations increased significantly from 95 in 2010 to 14,176 in 2017 (11,350 in 2016).

MIBRAG pays increased attention to 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 2017 about 1,630 contractors and 324 employees were retrained.

BERT also organises trainings on safety rules for contractors and employees. In 2017, 221 colleagues were trained (254 in 2016). Each training ends with an examination. In 2017, moreover, 63 employees participated in first-aid courses (120 in the previous year). Majority of the trainings were managed by e-learning system, however, the first aid course was done personally. 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.

In 2017 BERT also customized the e-learning training material according to internal needs, so the participants were able to faster acquire the training material.

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

Among other projects, **EOP installed a noise absorber for the TG2 steam turbine in order to reduce noise pollution in the neighbouring municipalities.** The investment totalled approximately EUR 44 thousand.

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 396 in 2017 and 370 in 2016, respectively.

At Eustream, regular emergency drills are controlled by HSEQ department in collaboration with the dispatch department and fire safety brigades. During 2017, 3 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 (394 in 2017 and 365 employees in 2016).

BERT organises health screening tests for its employees: 111 in 2017 participated (137 in 2016).

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.

Slovenské elektrárne is realizing particular construction works **to ensure failure-free operation** of units 1 and 2 in the Mochovce nuclear power plant during potential seismic activity.

Protection against potencial seismic activity

Seismic danger for Mochovce locality measured in peak ground acceleration (“PGA”)¹ is equal to 0.143 g. After the construction works are finalised, all cooling towers should be ready for PGA 0.17g. This level of PGA is perceived to be a relative strong one, such that could potentially cause significant damage (lost lives, building demolition). Realization will be completed in 2018. Budgeted investment amount is approximately EUR 2 million. Moreover, in connection with this construction, also some older hazardous asbestos cement parts from cooling towers will be replaced despite their life-time period was not fully exhausted. New material will be stainless steel instead of asbestos cement.

1 Peak ground acceleration is equal to the maximum ground acceleration that occurred during earthquake shaking at a location. PGA is equal to the amplitude of the largest absolute acceleration recorded on an accelerogram at a site during a particular earthquake. Peak ground acceleration can be expressed in g (the acceleration due to Earth’s gravity, equivalent to g-force) as either a decimal or percentage; in m/s² (1 g = 9.81 m/s²).



Fig. 56 Cooling towers of Mochovce, units 3 and 4.

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 2017, across our operations and geographies, EPH employed 10,237 professionals, out of which 8,387 were male employees and 1,850 were female. 89% of EPH employees are covered by various collective employment agreement schemes.

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 place on our most precious asset – our people.

In 2017, almost **237 thousand hours** were dedicated and committed to trainings & development of the employees within EPH.

Training hours

Employee data

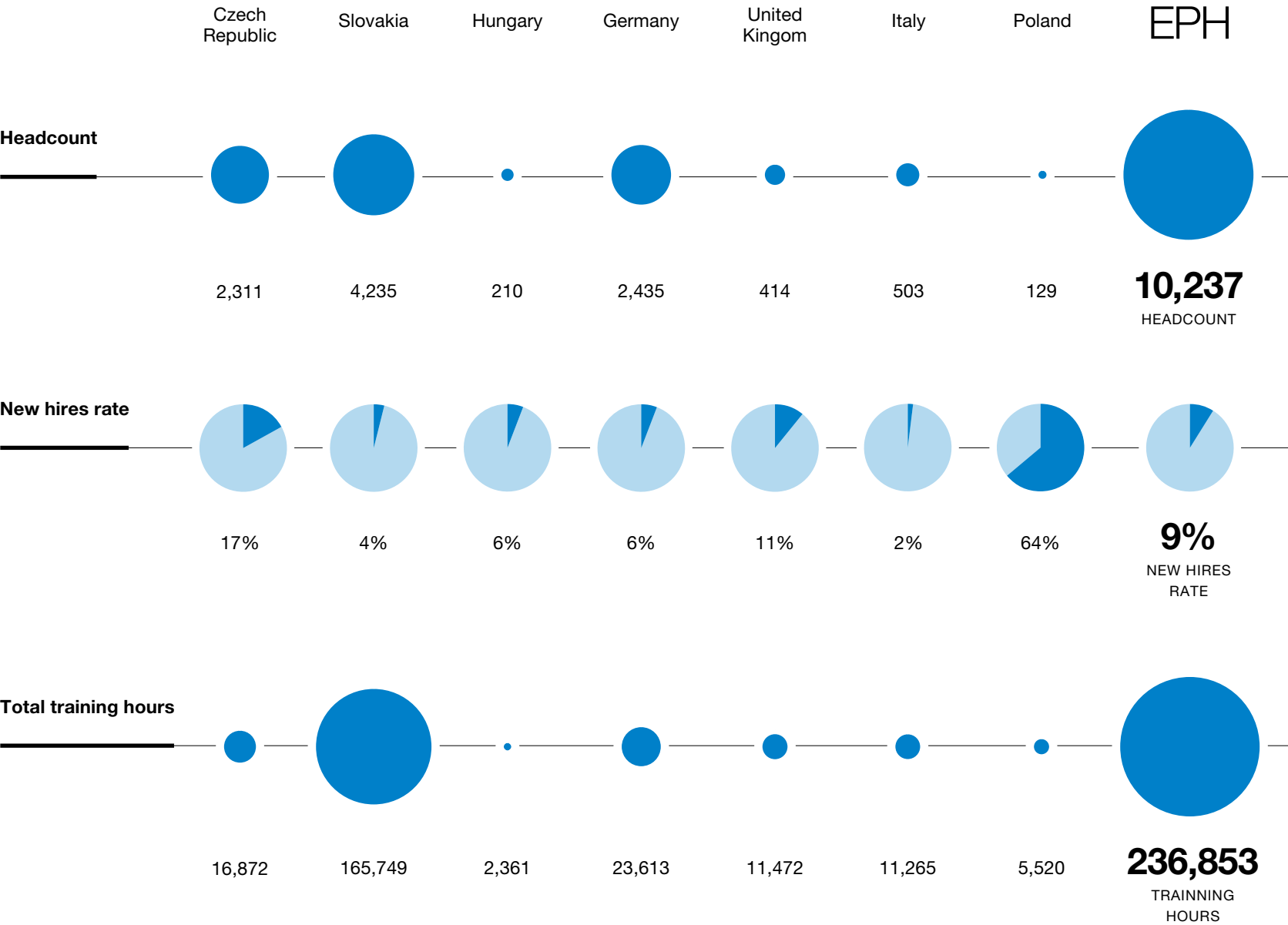


Fig. 57 Key employment statistics.

EPH Foundation

Case Study

Nadácia EPH

Our community efforts and social aspirations led to the former creation of our own EPH Foundation. The Foundation represents an effective tool for supporting and developing civil society, and an opportunity to help people in difficult life situations, as well as a space for cooperation and partnerships in meaningful projects. We have been actively developing our activities since mid-2016.

We consider support for activities that benefit the public as an investment in the development of innovative solutions for the problems that society is facing. We perceive the most important values as the preservation of traditions, natural and cultural heritage, but we also want to reflect the needs and initiative of regional or community development. Through our activities, we show solidarity towards disadvantaged groups and actively seek to resolve their situation. The Foundation’s activities further support education, science development, sport and health care.

Our vision is based on the development and protection of spiritual, cultural, natural values, the environment, support for science, education, sport and physical education and, of

course, in the protection of health, human rights and other humanitarian goals. Reality invites us to struggle with different problems. We would like to understand these problems and try to support their systematic solutions in cooperation with institutions, organizations or active individuals who have the same or similar goals.

During 2016 we participated in and funded a number of beneficial project in the areas of education & innovation, culture, health & sport, disadvantaged groups, environment and regional development.

In 2017 number of projects were funded across several programmes. The highest amounts were spent in the program called “Municipality”. This project was established for further development and protection of spiritual and cultural values (42 projects). The most projects were supported in the program “Foothold” which is dedicated mainly to protect human rights (60 projects). From all categories together, EPH foundation participated in 222 projects. We picked some of the projects and added more detail about them:



Theatre Association GUnaGU

By its work, the GUnaGU Bratislava Theatre reacts to the current social affairs and people’s personal problems and torments through humour. As a result, it is becoming increasingly popular not only among young audiences but also in the middle generation, and many of the performances have been sold out. There are also more and more of own performances (for example, the project The Opposite Side of the Moon, written for Emília Vášáryová), that are attended by audiences in the age of 50 to 65 years old. An interesting precedent has been that part of own poetics that are more experimental, have been popular among younger audiences, while more artful plays, more literary, are attended by older audiences. Theatre GUnaGU has been gaining a steady clientele for 33 years in Bratislava, as well as on tours in Slovakia. The theatre performs 180 performances a year. The aim of the project was to prepare two new plays from Viliam Klimáček, which respond to the situation of today’s world, in which people feel uncertainty and distraction of the current values.

The first play called Love & Turpentine looks at these themes from the historical point of view, through the character of

a painter who, after the Second World War, becomes a communist regime servant to become an art forger after 1989. Famous Slovakian actor Milan Kňažko took the lead role under the direction of Ján Luterán.

The second play called Youtubers is designed for younger viewers and describes various views on the reality offered by the YouTube channel. The play also deals with alternative websites and sources of fake news which affect public opinion around the world.

Both plays talk about manipulation of people in a spectacular view, Love & Turpentine in the form of drama with acting psychorealism, while the play Youtubers has a clip-like form of a modern cabaret to appeal to the youngest audiences to whom it is targeted.

Planned goals to introduce these two premieres and then to repeat them was successful. Both titles are sold out for month in advance and are very popular among audiences. GUnaGU Theater plans to keep them on repertoire until the end of 2019.

Fig. 58 Protagonists of the play Youtubers by Viliam Klimáček in GUnaGU Bratislava Theatre.



The Calvary in Banská Štiavnica

The aim of the project was to move forward with further work on the restoration of the Calvary in Banská Štiavnica. One goal was to finance the reconstruction of the fresco in its greatest dominance – the Upper church, which has been restored for three years, while second goal was to secure the visitors' safety and the monuments themselves. The safety of visitors had to be addressed in particular for the critical condition of some sections of the access roads which are year-round eroded due to rainfall. Since the monument is freely accessible and has been looted several times in the past, its security is also to be considered. The project helped repair and develop the CCTV system in one of the churches and complete the CCTV system at the Information centre for site visitors.

The Calvary in Banská Štiavnica is primarily a religious monument, so the faithful who uses it, whether from the local community or from other parts of Slovakia, will surely appreciate progressive work. Since the Calvary is the dominant of the region, a UNESCO monument and has beautiful views, the majority of visitors are tourists – individual groups, seniors or families from all over Slovakia and abroad. The total number of these visitors increases every year and is estimated around 70,000 for 2017. The reconstruction works on the monument therefore have a positive impact on the whole spectrum of the public. The security of the monument itself, of course, has a positive effect on the people who take care of it, as it is the prevention of financial and material damage that could possibly arise from theft or vandalism.

Fig. 59 Restoration of the interior fresco in the Upper church of the Calvary.



Slovak Skiers' Association of Disabled People – Support for disabled skiers

Slovak handicapped skiers have achieved excellent results at the top world events for many years – Winter Paralympic Games, World Championships and World Cups. Within this project, the aim was to create conditions for both current and new skiers interested in skiing with the intention to participate in training and subsequent participation in events.

The objectives of the project were to materially provide disabled skiers with the necessary sport equipment and

to organize a training camp for these athletes. The target group was handicapped skiers who, through sport, find implementation and integration with unaffected part of the population. At the same time, they also motivate other disabled people with their sporting results. These activities could not be done without staffing in the preparatory part, especially for the visually impaired skiers, which need to be guided, and without trainer – methodist to guide training preparation.

Fig. 60 Training camp of Slovak handicapped skiers on the Hintertux Glacier in Austria.

Assurance





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 2017 (“the Report”) prepared by the Company for the year ended 31 December 2017.

Subject Matter Information and Applicable Criteria

The assurance engagement relates to the information marked with (“**”) as set out in the Report on pages 127, 167, 174 and 182 comprising the relevant on-site operations in the Czech Republic (together “the Selected Information”) which has been prepared based on the Global Reporting Initiative Sustainability Reporting Guidelines (“GRI Standards”) for 2017 and that consists of: Total Energy consumption within the organisation in GJs (302-1), Total Water Withdrawal by Source in millions of m3 (303-1), Quantity of Discharged Water in millions of m³ (306-1) and Total Number of Work-related Injuries (403-2).

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 2017. 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 Standards. 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.

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 2017 and for the year then ended, marked with (“**”) and included in the Report on pages 80, 81, 82, 83 and 84 with those included in the Company’s consolidated financial statements

as of 31 December 2017 that form part of the Company’s 2017 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 Standards.

Ernst & Young Audit, s.r.o.
License No. 401

Luděk Jireček, Auditor
License No. 2164

21 September 2018
Prague, Czech Republic

Appendix



11.1 GRI Content Index

This Report has been developed to follow the GRI Standards. This index lists our standard and specific disclosures with reference to GRI 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
GRI 102-14	Statement from senior decision-maker	1 Foreword	4

Organisational profile

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
GRI 102-1	Name of the organisation	1 Foreword	4
		3 EPH and its business	28
GRI 102-2	Activities, brand, products, and services	3 EPH and its business	28
GRI 102-3	Location of headquarters	3 EPH and its business	28
GRI 102-4	Location of operations	3 EPH and its business	28
GRI 102-5	Ownership and legal form	3 EPH and its business	28
GRI 102-6	Markets served	3 EPH and its business	28
GRI 102-7	Scale of the organisation	11.2 Performance indicators	152
GRI 102-8	Information on employees and other workers	9.2 Employment	132
		11.2 Performance indicators	152
GRI 102-41	Collective bargaining agreements	9.2 Employment	132
		11.2 Performance indicators	152

Organisational profile (continue)

Profile Disclosure	Description	Reported in Section	Reference page / Explanations
GRI 102-9	Supply chain	7.4 Procurement practices	98
GRI 102-10	Significant changes to the organization and its supply chain	3 EPH and its business	28
GRI 102-11	Precautionary Principle or approach	–	–
GRI 102-12	External initiatives	–	–
GRI 102-13	Membership of associations	–	–
EU1	Net installed capacity	11.2 Performance indicators	152
EU2	Net power production	11.2 Performance indicators	152
GRI 102-45	Entities included in the consolidated financial statements	2 About this Report	24
GRI 102-46	Defining report content and topic Boundaries	2 About this Report	20
		5 Stakeholders	68
		6 Priorities	74
GRI 102-47	List of material topics	6 Priorities	74
GRI 103-1	Explanation of the material topic and its Boundary	–	–
GRI 103-1	Explanation of the material topic and its Boundary	–	–
GRI 102-48	Restatement of information	11.2 Performance indicators	152
		2 About this Report	20
GRI 102-49	Changes in reporting	2 About this Report	20

Stakeholder engagement

Profile Disclosure	Description	Reported in Section	Reference page / Explanations
GRI 102-40	List of stakeholder groups	5 Stakeholders	68
GRI 102-42	Identifying and selecting stakeholders	5 Stakeholders	68
GRI 102-43	Approaches to stakeholder engagement	5 Stakeholders	68
GRI 102-44	Key topics and concerns raised	5 Stakeholders	68

Report profile

Profile Disclosure	Description	Reported in Section	Reference page / Explanations
GRI 102-50	Reporting period	2 About this Report	20
GRI 102-51	Date of most recent report	–	–
GRI 102-52	Reporting cycle	–	–
GRI 102-53	Contact point for questions regarding the report	–	–
GRI 102-54	Claims of reporting in accordance with the GRI Standards	2 About this Report	20
GRI 102-55	GRI content index	11.1 GRI Content index	144
G4-33 GRI 102-56	External assurance	2 About this Report	27

Governance

Profile Disclosure	Description	Reported in Section	Reference page / Explanations
GRI 102-18	Governance structure	4 Governance and ethics	58

Ethics and integrity

Profile Disclosure	Description	Reported in Section	Reference page / Explanations
GRI 102-16	Values, principles, standards and norms of behavior	4 Governance and ethics	58

Economic

Profile Disclosure	Description	Reported in Section	Reference page / Explanations
GRI 201 Economic Performance			
GRI 201-1	Direct economic value generated and distributed		2017 Annual report, Consolidated statement of comprehensive income, Consolidated statement of financial position, pages 46–49
GRI 201-3	Defined benefit plan obligations and other retirement plans		2017 Annual report, page 149
System Efficiency			
EU11	Average generation efficiency	7.2 System efficiency	88
EU12	Transmission and distribution losse as a percentage of total energy	7.3 Access	90

Environmental

Profile Disclosure	Description	Reported in Section	Reference page / Explanations
GRI 103 Aspect: Energy			
GRI 302-1	Energy consumption within the organisation	8.1 Climate change and energy	102
		11.2 Performance indicators	152
GRI 303 Water			
GRI 303-1	Total water withdrawal by source	11.2 Performance indicators	152
GRI 303 Water			
GRI 303-1	Total water withdrawal by source	11.2 Performance indicators	152
GRI 304 Biodiversity			
GRI 304-3	Habitats protected or restored	8.5 Biodiversity	116
GRI 305 Emissions			
GRI 305-1	Direct (Scope 1) (GHG) emissions	8.1 Climate change and energy	102
		11.2 Performance indicators	152
GRI 305-4	Greenhouse gas (GHG) emissions intensity	8.1 Climate change and energy	102
		11.2 Performance indicators	152
GRI 305-5	Reduction of GHG emissions	8.1 Climate change and energy	102
		11.2 Performance indicators	152
GRI 305-7	NO _x , SO _x , and other significant air emissions	8.2 Air Emissions	112
		11.2 Performance indicators	152
GRI 306 Effluents and Waste			
GRI 306-1	Water discharge by quality and destination	11.2 Performance indicators	152
GRI 306-2	Waste by type and disposal method	11.2 Performance indicators	152
GRI 307 Environmental Compliance			
GRI 307-1	Non- compliance with environmental laws and regulations.	8.1 Climate change and energy	102

Social: labor practices and decent work

Profile Disclosure	Description	Reported in Section	Reference page / Explanations
GRI 401 Employment			
GRI 401-1	New employee hires and employee turnover	11.2 Performance indicators for new employees hires and employee turnover country region.	Please note data has not been reported by age and gender group since this information is not currently available and will be the subject of improvement for further reports.
GRI 403 Occupational Health and Safety			
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	9.1 Occupational health and safety	126
GRI 404 Training and Education			
GRI 404-1	Average hours of training per year per employee	11.2 Performance indicators	152
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	9.3 Training and development	132

Social: society

Profile Disclosure	Description	Reported in Section	Reference page / Explanations
GRI 205 Anti-Corruption			
GRI 205-2	Communication and training about anti-corruption tpolicies and procedures	4.2 Compliance	66
GRI 419 Socioeconomic Compliance			
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	–	There have not been any significant fines or incidents of non-compliance during the reporting period.

Social: responsibility

Profile Disclosure	Description	Reported in Section	Reference page / Explanations
Access			
EU28	Power outage frequency	7.3 Access	90
EU29	Average power outage duration	7.3 Access	90

11.2 Performance indicators

Data reported for the whole year or from date of acquisition of particular plant excluding share participations. For more information please refer to the section 2 Organisational boundaries.

EPH and its business

For the year ended 31 December 2017

Country

GRI/ EUSS	KPI	Unit	2017	2016	2017 - 2016	%
EU1	Net installed capacity – Electricity – Total					
	EP Infrastructure					
	Czech Republic	MW	868	868	–	0%
	Slovakia	MW	67	67	–	0%
	Hungary	MW	396	396	–	0%
	Total – EP Infrastructure	MW	1,331	1,331	–	0%
	EP Power Europe					
	Germany	MW	1,157	467	690	148%
	UK	MW	4,625	2,355	2,270	96%
	Italy	MW	4,399	4,324	74	2%
	Total – EP Power Europe	MW	10,181	7,146	3,034	42%
	Total – EPH	MW	11,511	8,477	3,034	36%

EPH and its business

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
EU1	Net installed capacity – Electricity – Conventional sources					
	EP Infrastructure					
	Czech Republic	MW	859	859	–	0%
	Slovakia	MW	50	50	–	0%
	Hungary	MW	396	396	–	0%
	Total – EP Infrastructure	MW	1,305	1,305	–	0%
	EP Power Europe					
	Germany	MW	1,150	460	690	150%
	UK	MW	4,230	1,960	2,270	116%
	Italy	MW	4,321	4,321	–	0%
	Total – EP Power Europe	MW	9,701	6,741	2,960	44%
	Total – EPH	MW	11,006	8,046	2,960	37%

Note: UK includes also Eggborough power plant (1.960 MW) which is in decommissioning phase from 2018.

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
EU1	Net installed capacity – Electricity – Renewable sources					
	EP Infrastructure					
	Czech Republic	MW	9	9	–	0%
	Slovakia	MW	17	17	–	0%
	Hungary	MW	–	–	–	
	Total – EP Infrastructure	MW	26	26	–	0%
	EP Power Europe					
	Germany	MW	7	7	0	1%
	UK	MW	395	395	–	0%
	Italy	MW	77	3	74	2,671%
	Total – EP Power Europe	MW	479	405	74	18%
	Total – EPH	MW	506	431	74	17%

Note: Lynemouth (UK) biomass conversion project in progress from 2016. Expected completion in 2018. Expected net installed capacity.

Note: We excluded 3 MW capacity of Greeninvest as these are not IFRS consolidated in both 2016 and 2017.

EPH and its business

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	2017	2016	2017-2016	%
EU1	Net installed capacity – Heat					
	EP Infrastructure					
	Czech Republic	MW	2,662	2,615	47	2%
	Slovakia	MW	–	–	–	
	Hungary	MW	1,401	1,401	–	0%
	Total– EP Infrastructure	MW	4,063	4,016	47	1%
	EP Power Europe					
	Germany	MW	156	156	–	0%
	UK	MW	–	–	–	
	Italy	MW	–	–	–	
	Total – EP Power Europe	MW	156	156	–	0%
	Total – EPH	MW	4,219	4,172	47	1%

Fuel

GRI/EUSS	KPI	Unit	2017	2016	2017-2016	%
EU1	Net installed capacity – Electricity – Total					
	EP Infrastructure					
	Conventional sources	MW	1,305	1,305	–	0%
	Renewable sources	MW	26	26	–	0%
	Total – EP Infrastructure	MW	1,331	1,331	–	0%
	EP Power Europe					
	Conventional sources	MW	9,701	6,741	2,960	44%
	Renewable sources	MW	479	405	74	18%
	Total – EP Power Europe	MW	10,181	7,146	3,034	42%
	Total – EPH	MW	11,511	8,477	3,034	36%

EPH and its business

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	2017	2016	2017-2016	%
EU1	Net installed capacity – Electricity – Conventional sources					
	EP Infrastructure					
	Hard coal	MW	110	110	–	0%
	Lignite	MW	707	707	–	0%
	CCGT	MW	396	396	–	0%
	OCGT and other NG	MW	71	71	–	0%
	Oil	MW	21	21	–	0%
	Other	MW	–	–	–	
	Total – EP Infrastructure	MW	1,305	1,305	–	0%
	EP Power Europe					
	Hard coal	MW	3,290	2,600	690	27%
	Lignite	MW	460	460	–	0%
	CCGT	MW	5,400	3,130	2,270	73%
	OCGT and other NG	MW	216	216	–	0%
	Oil	MW	320	320	–	0%
	Other	MW	15	15	–	0%
	Total – EP Power Europe	MW	9,701	6,741	2,960	44%
	Total – EPH	MW	11,006	8,046	2,960	37%

Note: Hard coal includes also Eggborough power plant (1.960 MW) which is in decommissioning phase from 2018.

EPH and its business

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	2017	2016	2017-2016	%
EU1	Net installed capacity – Electricity – Renewable sources					
	EP Infrastructure					
	Wind	MW	6	6	–	0%
	Photovoltaic	MW	15	15	–	0%
	Hydro	MW	3	3	–	0%
	Biomass	MW	–	–	–	
	Other	MW	3	3	–	0%
	Total – EP Infrastructure	MW	26	26	–	0%
	EP Power Europe					
	Wind	MW	7	7	0	1%
	Photovoltaic	MW	2	1	1	100%
	Hydro	MW	2	2	–	0%
	Biomass	MW	468	395	73	18%
	Other	MW	–	–	–	
	Total – EP Power Europe	MW	479	405	74	18%
	Total – EPH	MW	506	431	74	17%

Note: Lynemouth biomass conversion project in progress in 2017. Net expected installed capacity 395 MW.

EPH and its business

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	2017	2016	2017-2016	%
EU1	Net installed capacity – Heat					
	EP Infrastructure					
	Hard coal	MW	242	242	–	0%
	Lignite	MW	1,382	1,382	–	0%
	CCGT	MW	1,401	1,401	–	0%
	OCGT and other NG	MW	804	757	47	6%
	Oil	MW	234	234	–	0%
	Other	MW	–	–	–	
	Total – EP Infrastructure	MW	4,063	4,016	47	1%
	EP Power Europe					
	Hard coal	MW	–	–	–	
	Lignite	MW	156	156	–	0%
	CCGT	MW	–	–	–	
	OCGT and other NG	MW	–	–	–	
	Oil	MW	–	–	–	
	Other	MW	–	–	–	
	Total – EP Power Europe	MW	156	156	–	0%
	Total – EPH	MW	4,219	4,172	47	1%

EPH and its business

For the year ended 31 December 2017

Country

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
EU2	Net power production – Total					
	EP Infrastructure					
	Czech Republic	TWh	2.3	2.0	0.3	17%
	Slovakia	TWh	0.0	0.0	(0.0)	(2%)
	Hungary	TWh	1.3	1.1	0.2	18%
	Total – EP Infrastructure	TWh	3.7	3.2	0.5	17%
	EP Power Europe					
	Germany	TWh	1.0	2.4	(1.3)	(57%)
	UK	TWh	3.7	2.2	1.5	66%
	Italy	TWh	15.0	9.7	5.4	55%
	Total – EP Power Europe	TWh	19.8	14.3	5.5	38%
	Total – EPH	TWh	23.5	17.4	6.0	34%

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
EU2	Net power production – Conventional sources					
	EP Infrastructure					
	Czech Republic	TWh	2.3	2.0	0.3	17%
	Slovakia	TWh	0.0	0.0	0.0	151%
	Hungary	TWh	1.3	1.1	0.2	18%
	Total – EP Infrastructure	TWh	3.7	3.1	0.5	17%
	EP Power Europe					
	Germany	TWh	1.0	2.3	(1.4)	(58%)
	UK	TWh	3.7	2.2	1.5	66%
	Italy	TWh	15.0	9.7	5.4	55%
	Total – EP Power Europe	TWh	19.7	14.3	5.5	38%
	Total – EPH	TWh	23.4	17.4	6.0	34%

EPH and its business

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
EU2	Net power production – Renewable sources					
	EP Infrastructure					
	Czech Republic	GWh	10.9	11.1	(0.2)	(2%)
	Slovakia	GWh	29.2	30.7	(1.5)	(5%)
	Hungary	GWh	–	–	–	
	Total – EP Infrastructure	GWh	40.1	41.8	(1.7)	(4%)
	EP Power Europe					
	Germany	GWh	15.1	12.2	2.9	23%
	UK	GWh	–	–	–	
	Italy	GWh	5.6	3.9	1.8	45%
	Total – EP Power Europe	GWh	20.7	16.1	4.6	29%
	Total – EPH	GWh	60.8	57.9	3.0	5%

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
EU2	Net heat production					
	EP Infrastructure					
	Czech Republic	TWh	2.0	2.0	0.1	3%
	Slovakia	TWh	–	–	–	
	Hungary	TWh	1.9	1.9	0.0	0%
	Total – EP Infrastructure	TWh	3.9	3.8	0.1	2%
	EP Power Europe					
	Germany	TWh	0.4	0.3	0.0	6%
	UK	TWh	–	–	–	
	Italy	TWh	–	–	–	
	Total – EP Power Europe	TWh	0.4	0.3	0.0	6%
	Total – EPH	TWh	4.3	4.2	0.1	2%

EPH and its business

For the year ended 31 December 2017

Fuel

GRI/ EUSS	KPI	Unit	2017	2016	2017 - 2016	%
EU2	Net power production – Total					
	EP Infrastructure					
	Conventional sources	TWh	3.7	3.1	0.5	17%
	Renewable sources	TWh	0.0	0.0	(0.0)	(4%)
	Total – EP Infrastructure	TWh	3.7	3.2	0.5	17%
	EP Power Europe					
	Conventional sources	TWh	19.7	14.3	5.5	38%
	Renewable sources	TWh	0.0	0.0	0.0	29%
	Total – EP Power Europe	TWh	19.7	14.3	5.5	38%
	Total – EPH	TWh	23.4	17.4	6.0	34%

EPH and its business

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	2017	2016	2017-2016	%
EU2	Net power production – Conventional sources					
	EP Infrastructure					
	Hard coal	TWh	–	–	–	
	Lignite	TWh	2.3	2.0	0.3	17%
	CCGT	TWh	1.3	1.1	0.2	18%
	OCGT and other NG	TWh	0.0	0.0	0.0	151%
	Oil	TWh	(0.0)	(0.0)	0.0	(53%)
	Other	TWh	–	–	–	
	Total – EP Infrastructure	TWh	3.7	3.1	0.5	17%
	EP Power Europe					
	Hard coal	TWh	4.9	4.7	0.2	5%
	Lignite	TWh	0.7	2.3	(1.7)	(71%)
	CCGT	TWh	13.9	7.1	6.8	96%
	OCGT and other NG	TWh	0.2	0.1	0.1	77%
	Oil	TWh	–	–	–	
	Other	TWh	0.0	0.0	(0.0)	(5%)
	Total – EP Power Europe	TWh	19.7	14.3	5.5	38%
	Total – EPH	TWh	23.4	17.4	6.0	34%

EPH and its business

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	2017	2016	2017-2016	%
EU2	Net power production – Renewable sources					
	EP Infrastructure					
	Wind	GWh	7	8	(0)	(4%)
	Photovoltaic	GWh	17	17	0	2%
	Hydro	GWh	5	7	(2)	(23%)
	Biomass	GWh	–	–	–	
	Other	GWh	10	10	(0)	(1%)
	Total – EP Infrastructure	GWh	40	42	(2)	(4%)
	EP Power Europe					
	Wind	GWh	15	12	3	23%
	Photovoltaic	GWh	2	1	0	38%
	Hydro	GWh	4	3	1	49%
	Biomass	GWh	–	–	–	
	Other	GWh	–	–	–	
	Total – EP Power Europe	GWh	21	16	5	29%
	Total – EPH	GWh	61	58	3	5%

EPH and its business

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	2017	2016	2017-2016	%
EU2	Net heat production					
	EP Infrastructure					
	Hard coal	TWh	–	–	–	
	Lignite	TWh	1.9	1.8	0.0	3%
	CCGT	TWh	1.9	1.9	0.0	0%
	OCGT and other NG	TWh	0.2	0.1	0.0	9%
	Oil	TWh	0.0	0.0	(0.0)	(90%)
	Other	TWh	–	–	–	
	Total – EP Infrastructure	TWh	3.9	3.8	0.1	2%
	EP Power Europe					
	Hard coal	TWh	–	–	–	
	Lignite	TWh	0.3	0.3	0.0	6%
	CCGT	TWh	–	–	–	
	OCGT and other NG	TWh	–	–	–	
	Oil	TWh	0.0	0.0	(0.0)	(1%)
	Other	TWh	–	–	–	
	Total – EP Power Europe	TWh	0.4	0.3	0.0	6%
	Total – EPH	TWh	4.3	4.2	0.1	2%

EPH and its business

For the year ended 31 December 2017

Country

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
EU2	Total net energy production					
	EP Infrastructure					
	Czech Republic	TWh	4.4	4.0	0.4	10%
	Slovakia	TWh	0.0	0.0	(0.0)	(2%)
	Hungary	TWh	3.2	3.0	0.2	7%
	Total – EP Infrastructure	TWh	7.6	7.0	0.6	8%
	EP Power Europe					
	Germany	TWh	1.4	2.7	(1.3)	(49%)
	UK	TWh	3.7	2.2	1.5	66%
	Italy	TWh	15.0	9.7	5.4	55%
	Total – EP Power Europe	TWh	20.1	14.6	5.5	38%
	Total – EPH	TWh	27.7	21.6	6.1	28%

Note: Includes electric energy and heat production.

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
102-7	Amount of electric energy sold					
	EP Infrastructure					
	Czech Republic	TWh	2.6	2.2	0.4	18%
	Slovakia	TWh	3.9	4.0	(0.1)	(2%)
	Hungary	TWh	1.3	1.1	0.2	20%
	Total – EP Infrastructure	TWh	7.8	7.3	0.5	7%
	EP Power Europe					
	Germany	TWh	0.7	2.0	(1.3)	(67%)
	UK	TWh	3.5	2.1	1.5	71%
	Italy	TWh	15.5	10.2	5.4	53%
	Total – EP Power Europe	TWh	19.8	14.3	5.5	39%
	Total – EPH	TWh	27.6	21.6	6.1	28%

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

EPH and its business

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
102-7	Heat supplied to district heating network					
	EP Infrastructure					
	Czech Republic	PJ	18.2	17.9	0.3	2%
	Slovakia	PJ	–	–	–	
	Hungary	PJ	6.7	6.5	0.2	4%
	Total – EP Infrastructure	PJ	24.9	24.4	0.5	2%
	EP Power Europe					
	Germany	PJ	0.4	0.4	0.0	1%
	UK	PJ	–	–	–	
	Italy	PJ	–	–	–	
	Total – EP Power Europe	PJ	0.4	0.4	0.0	1%
	Total – EPH	PJ	25.3	24.7	0.5	2%

Note: Before heat losses in district heating networks.

EPH and its business

For the year ended 31 December 2017

Type

GRI/ EUSS	KPI	Unit	Electricity	Electricity	Gas
102-7	Number of customer accounts – SSE		Distribution	Supply	Supply
	SSE				
	Residential	#	658,327	563,260	9,898
	Mid-size	#	5,347	53,369	1,977
	Large(*)	#	85,018	23,591	265
	Total	#	748,692	640,220	12,140
	Gas				
	Number of connection points – SPPD(**)		Distribution		
	Residential	#			1,438,423
	Industrial	#			705
	Commercial & Institutional	#			78,891
Total	#			1,518,019	
Heat					
Number of connection points – District heating companies		Supply			
Residential	#			9,149	
Industrial	#			491	
Commercial	#			2,005	
Institutional	#			1,449	
Total	#			13,094	

Note: Data based on network connections, which might not necessarily reflect the number of customers served.
(*) Large customers are customers with annual consumption greater than 500 MWh.
(**) SPPD 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

For the year ended 31 December 2017

Country

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
302-1	Energy consumption					
	EP Infrastructure					
	Czech Republic	PJ	38.7(*)	34.0	4.7	14%
	Slovakia	PJ	7.1	6.7	0.4	6%
	Hungary	PJ	14.1	12.9	1.2	10%
	Total – EP Infrastructure	PJ	59.9	53.6	6.3	12%
	EP Power Europe					
	Germany	PJ	14.5	29.3	(14.8)	(50%)
	UK	PJ	30.7	23.1	7.6	33%
	Italy	PJ	108.4	76.7	31.7	41%
	Total – EP Power Europe	PJ	153.6	129.1	24.6	19%
	EP Logistics international					
	Czech Republic	PJ	0.0(*)	0.0	0.0	1%
	Germany	PJ	–	–	–	
	Poland	PJ	–	–	–	
	Total – EP Logistics International	PJ	0.0	0.0	0.0	1%
	Other companies within the Group					
	Czech Republic	PJ	0.1(*)	0.1	0.0	8%
	Total – EPH	PJ	213.7	182.8	30.9	17%

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

Environment / Climate change and energy

For the year ended 31 December 2017

Fuel

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
302-1	Energy consumption					
	EP Infrastructure					
	Hard Coal	PJ	6.0	5.9	0.2	3%
	Lignite	PJ	31.5	27.3	4.3	16%
	Natural Gas	PJ	22.1	20.3	1.8	9%
	Other	PJ	0.3	0.2	0.1	85%
	Total – EP Infrastructure	PJ	59.9	53.6	6.3	12%
	EP Power Europe					
	Hard Coal	PJ	50.9	48.6	2.2	5%
	Lignite	PJ	10.6	27.7	(17.1)	(62%)
	Natural Gas	PJ	91.2	50.1	41.2	82%
	Other	PJ	0.9	2.7	(1.7)	(65%)
	Total – EP Power Europe	PJ	153.6	129.1	24.6	19%
	EP Logistics international					
	Other	PJ	0.0	0.0	0.0	1%
	Total – EP Logistics International	PJ	0.0	0.0	0.0	1%
	Other companies within the Group					
	Other	PJ	0.1	0.1	0.0	8%
	Total – Other companies within the Group	PJ	0.1	0.1	0.0	8%
	Total – EPH	PJ	213.7	182.8	30.9	17%

Note: Figures include fuels consumed mostly for electricity and heat generation sold to third parties. Electricity and heat figures are not netted from the figures provided.

Environment / Climate change and energy

For the year ended 31 December 2017

Country

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
305-1	Direct GHG Emissions (Scope 1)					
	EP Infrastructure					
	Czech Republic	million tons CO ₂ eq.	3.5	3.1	0.4	14%
	Slovakia	million tons CO ₂ eq.	0.4	0.3	0.0	4%
	Hungary	million tons CO ₂ eq.	0.8	0.7	0.1	9%
	Total – EP Infrastructure	million tons CO ₂ eq.	4.7	4.2	0.5	12%
	EP Power Europe					
	Germany	million tons CO ₂ eq.	1.4	2.8	(1.4)	(50%)
	UK	million tons CO ₂ eq.	2.0	2.1	(0.1)	(3%)
	Italy	million tons CO ₂ eq.	7.9	5.3	2.6	49%
	Total – EP Power Europe	million tons CO ₂ eq.	11.4	10.3	1.1	11%
	Total – EPH	million tons CO ₂ eq.	16.1	14.4	1.6	11%

Environment / Climate change and energy

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
305-4	GHG Emissions intensity – Including heat component					
	EP Infrastructure					
	Czech Republic	ton CO ₂ eq./GWh	797	771	26	3%
	Slovakia	ton CO ₂ eq./GWh	27	12	15	124%
	Hungary	ton CO ₂ eq./GWh	250	244	6	2%
	Total – EP Infrastructure	ton CO ₂ eq./GWh	564	543	21	4%
	EP Power Europe					
	Germany	ton CO ₂ eq./GWh	1,045	1,056	(12)	(1%)
	UK	ton CO ₂ eq./GWh	551	937	(386)	(41%)
	Italy	ton CO ₂ eq./GWh	529	551	(22)	(4%)
	Total – EP Power Europe	ton CO ₂ eq./GWh	568	703	(135)	(19%)
	Total – EPH	ton CO ₂ eq./GWh	567	651	(84)	(13%)

Note: Calculation of Emissions intensity indicators excludes emissions from non-energy producing operations, namely Eustram, SPP Distribúcia and Nafta in Slovakia and SPP Storage in the Czech Republic and in respective summary indicators, in ammount of 0.3 and 0.4 mil ton CO₂ in 2016 and 2017 respectively.

Environment / Air emissions

For the year ended 31 December 2017

Country

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
305-7	Total SO ₂ emissions					
	EP Infrastructure					
	Czech Republic	thousand tons	7.7	7.6	0.1	1%
	Slovakia	thousand tons	0.0	0.0	0.0	18%
	Hungary	thousand tons	–	0.0	(0.0)	(100%)
	Total – EP Infrastructure	thousand tons	7.7	7.6	0.1	1%
	EP Power Europe					
	Germany	thousand tons	1.4	3.1	(1.8)	(56%)
	UK	thousand tons	1.3	3.5	(2.2)	(62%)
	Italy	thousand tons	1.8	1.4	0.4	29%
	Total – EP Power Europe	thousand tons	4.5	8.0	(3.5)	(44%)
	Total – EPH	thousand tons	12.1	15.6	(3.5)	(22%)
305-7	Total NO _x emissions					
	EP Infrastructure					
	Czech Republic	thousand tons	3.4	3.2	0.2	6%
	Slovakia	thousand tons	0.3	0.3	(0.0)	(9%)
	Hungary	thousand tons	0.5	0.5	(0.0)	(2%)
	Total – EP Infrastructure	thousand tons	4.2	4.1	0.2	4%
	EP Power Europe					
	Germany	thousand tons	1.0	1.7	(0.8)	(45%)
	UK	thousand tons	1.6	3.0	(1.4)	(48%)
	Italy	thousand tons	3.1	2.1	1.0	47%
	Total – EP Power Europe	thousand tons	5.6	6.9	(1.3)	(18%)
	Total – EPH	thousand tons	9.8	10.9	(1.1)	(10%)

Environment / Air emissions

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
305-7	Total dust emissions					
	EP Infrastructure					
	Czech Republic	thousand tons	0.3	0.2	0.1	51%
	Slovakia	thousand tons	0.0	0.0	0.0	7%
	Hungary	thousand tons	0.0	0.0	(0.0)	(96%)
	Total – EP Infrastructure	thousand tons	0.3	0.2	0.1	51%
	EP Power Europe					
	Germany	thousand tons	0.0	0.0	(0.0)	(57%)
	UK	thousand tons	0.2	0.2	(0.0)	(13%)
	Italy	thousand tons	0.1	0.1	0.0	54%
	Total – EP Power Europe	thousand tons	0.3	0.3	0.0	2%
	Total – EPH	thousand tons	0.6	0.5	0.1	20%

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
305-7	SO ₂ emissions intensity					
	EP Infrastructure					
	Czech Republic	ton/GWh	1.7	1.9	(0.2)	(8%)
	Slovakia	ton/GWh	0.0	0.0	0.0	82%
	Hungary	ton/GWh	–	0.0	(0.0)	(100%)
	Total – EP Infrastructure	ton/GWh	1.0	1.1	(0.1)	(7%)
	EP Power Europe					
	Germany	ton/GWh	1.0	1.2	(0.2)	(14%)
	UK	ton/GWh	0.4	1.6	(1.2)	(77%)
	Italy	ton/GWh	0.1	0.1	(0.0)	(17%)
	Total – EP Power Europe	ton/GWh	0.2	0.5	(0.3)	(59%)
	Total – EPH	ton/GWh	0.4	0.7	(0.3)	(39%)

Environment / Air emissions

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
305-7	NO _x emissions intensity					
	EP Infrastructure					
	Czech Republic	ton/GWh	0.8	0.8	(0.0)	(3%)
	Slovakia	ton/GWh	0.6	1.6	(1.0)	(65%)
	Hungary	ton/GWh	0.1	0.2	(0.0)	(8%)
	Total – EP Infrastructure	ton/GWh	0.5	0.5	(0.0)	(4%)
	EP Power Europe					
	Germany	ton/GWh	0.7	0.6	0.1	8%
	UK	ton/GWh	0.4	1.4	(0.9)	(68%)
	Italy	ton/GWh	0.2	0.2	(0.0)	(5%)
	Total – EP Power Europe	ton/GWh	0.3	0.5	(0.2)	(41%)
	Total – EPH	ton/GWh	0.3	0.5	(0.1)	(30%)

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
305-7	Dust emissions intensity					
	EP Infrastructure					
	Czech Republic	ton/GWh	0.06	0.04	0.02	38%
	Slovakia	ton/GWh	0.02	0.01	0.01	58%
	Hungary	ton/GWh	0.00	0.00	(0.00)	(97%)
	Total – EP Infrastructure	ton/GWh	0.03	0.02	0.01	39%
	EP Power Europe					
	Germany	ton/GWh	0.01	0.01	(0.00)	(15%)
	UK	ton/GWh	0.04	0.08	(0.04)	(47%)
	Italy	ton/GWh	0.01	0.01	0.00	(1%)
	Total – EP Power Europe	ton/GWh	0.01	0.02	(0.01)	(26%)
	Total – EPH	ton/GWh	0.02	0.02	(0.00)	(6%)

Note: Calculation of Emissions intensity indicators excludes emissions from non-energy producing operations, namely eustram, SPP Distribúcia, Nafta and Pozagas in Slovakia and SPP Storage in Czech Republic and in respective summary indicators, in ammount of 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

For the year ended 31 December 2017

Country

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
303-1	Quantity of water withdrawn					
	EP Infrastructure					
	Czech Republic	million m³	127.2(*)	122.7	4.5	4%
	Slovakia	million m³	0.0	0.0	(0.0)	(7%)
	Hungary	million m³	14.8	15.4	(0.6)	(4%)
	Total – EP Infrastructure	million m³	142.1	138.1	3.9	3%
	EP Power Europe					
	Germany	million m³	100.7	107.6	(6.9)	(6%)
	UK	million m³	258.1	18.7	239.4	1,280%
	Italy	million m³	1,504.0	1,112.9	391.1	35%
	Total – EP Power Europe	million m³	1,862.8	1,239.2	623.6	50%
	Total – EPH	million m³	2,004.9	1,377.3	627.6	46%

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
306-1	Quantity of water discharged					
	EP Infrastructure					
	Czech Republic	million m³	122.0(*)	118.1	3.9	3%
	Slovakia	million m³	0.1	0.2	(0.1)	(31%)
	Hungary	million m³	14.4	15.0	(0.6)	(4%)
	Total – EP Infrastructure	million m³	136.5	133.3	3.3	2%
	EP Power Europe					
	Germany	million m³	1.3	1.1	0.2	22%
	UK	million m³	252.3	14.8	237.5	1,608%
	Italy	million m³	1,504.6	1,107.6	397.0	36%
	Total – EP Power Europe	million m³	1,758.1	1,123.4	634.8	57%
	Total – EPH	million m³	1,894.7	1,256.7	638.0	51%

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

Environment / Water

For the year ended 31 December 2017

Type

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
303-1	Quantity of water withdrawn					
	EP Infrastructure					
	Surface water	million m³	140.5	136.8	3.7	3%
	Ground water	million m³	0.1	0.1	(0.0)	(11%)
	Municipal water supplies or other water utilities	million m³	0.9	0.7	0.1	20%
	Other	million m³	0.7	0.6	0.1	18%
	Total – EP Infrastructure	million m³	142.1	138.1	3.9	3%
	EP Power Europe					
	Surface water	million m³	1,799.1	1,164.5	634.6	54%
	Ground water	million m³	63.1	73.6	(10.5)	(14%)
	Municipal water supplies or other water utilities	million m³	0.6	1.1	(0.5)	(46%)
	Other	million m³	–	–	–	
	Total – EP Power Europe	million m³	1,862.8	1,239.2	623.6	50%
	Total – EPH	million m³	2,004.9	1,377.3	627.6	46%

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
303-1	Cooling Water					
	EP Infrastructure					
	Cooling water – withdrawal	million m³	138.8	135.4	3.4	3%
	Cooling water – discharge	million m³	133.2	130.1	3.1	2%
	Total – EP Infrastructure – Usage	million m³	5.6	5.3	0.3	5%
	EP Power Europe					
	Cooling water – withdrawal	million m³	1,763.5	1,130.8	632.6	56%
	Cooling water – discharge	million m³	1,757.0	1,123.9	633.1	56%
	Total – EP Power Europe – Usage	million m³	6.4	6.9	(0.5)	(7%)
	Total – EPH – Usage	million m³	12.0	12.2	(0.2)	(2%)

Environment / Effluents and waste

For the year ended 31 December 2017

Country

GRI / EUSS	KPI	Unit	2017	2016	2017 - 2016	%
306-2	Byproducts – Total production					
	EP Infrastructure					
	Czech Republic	thousand tons	1,496.4	1,287.0	209.4	16%
	Slovakia	thousand tons	–	–	–	
	Hungary	thousand tons	0.3	0.3	(0.0)	(14%)
	Total – EP Infrastructure	thousand tons	1,496.6	1,287.3	209.3	16%
	EP Power Europe					
	Germany	thousand tons	209.8	523.8	(314.0)	(60%)
	UK	thousand tons	70.0	160.1	(90.1)	(56%)
	Italy	thousand tons	143.9	112.3	31.6	28%
	Total – EP Power Europe	thousand tons	423.7	796.1	(372.5)	(47%)
	Total – EPH	thousand tons	1,920.3	2,083.4	(163.1)	(8%)

GRI / EUSS	KPI	Unit	2017	2016	2017 - 2016	%
306-2	Waste other than byproducts – Total production					
	EP Infrastructure					
	Czech Republic	thousand tons	2.4	2.6	(0.2)	(7%)
	Slovakia	thousand tons	40.2	42.7	(2.4)	(6%)
	Hungary	thousand tons	0.1	0.0	0.0	120%
	Total – EP Infrastructure	thousand tons	42.7	45.3	(2.6)	(6%)
	EP Power Europe					
	Germany	thousand tons	198.0	106.8	91.2	85%
	UK	thousand tons	4.0	6.5	(2.5)	(39%)
	Italy	thousand tons	2.4	2.8	(0.4)	(16%)
	Total – EP Power Europe	thousand tons	204.4	116.1	88.2	76%
	Total – EPH	thousand tons	247.1	161.5	85.7	53%

Note: In 2016 we originally reported 14.1 thousand tons of waste in Slovakia, but this figure did not include all waste produced that year, thus we are restating this number here to the correct one.

Environment / Effluents and waste

For the year ended 31 December 2017

Type

GRI / EUSS	KPI	Unit	2017	2016	2017 - 2016	%
306-2	Byproducts – Total production					
	EP Infrastructure					
	Additised granulate	thousand tons	478.7	400.6	78.1	19%
	Ash	thousand tons	486.7	445.9	40.8	9%
	Slag	thousand tons	187.9	162.1	25.7	16%
	Gypsum	thousand tons	155.3	143.5	11.8	8%
	Additional material – hydrated lime	thousand tons	22.9	16.6	6.3	38%
	Additional material – water	thousand tons	165.2	118.6	46.7	39%
	Total – EP Infrastructure	thousand tons	1,496.6	1,287.3	209.3	16%
	EP Power Europe					
	Additised granulate	thousand tons	–	–	–	
	Ash	thousand tons	256.9	496.5	(239.6)	(48%)
	Slag	thousand tons	54.7	47.9	6.7	14%
	Gypsum	thousand tons	112.1	251.7	(139.6)	(55%)
	Additional material – hydrated lime	thousand tons	–	–	–	
	Additional material – water	thousand tons	–	–	–	
	Total – EP Power Europe	thousand tons	423.7	796.1	(372.5)	(47%)
	Total – EPH	thousand tons	1,920.3	2,083.4	(163.1)	(8%)

Environment / Effluents and waste

For the year ended 31 December 2017

GRI / EUSS	KPI	Unit	2017	2016	2017 - 2016	%
306-2	Byproducts – Total means of disposal					
	EP Infrastructure					
	Sales	thousand tons	136.4	140.8	(4.4)	(3%)
	Storage – own stock	thousand tons	149.4	130.8	18.6	14%
	Storage – external	thousand tons	81.7	83.5	(1.9)	(2%)
	Stabilizate production	thousand tons	648.1	528.7	119.4	23%
	Storage – chargeable waste	thousand tons	481.1	403.5	77.6	19%
	Other	thousand tons	–	–	–	
	Total – EP Infrastructure	thousand tons	1,496.6	1,287.3	209.3	16%
	EP Power Europe					
	Sales	thousand tons	164.0	195.1	(31.1)	(16%)
	Storage – own stock	thousand tons	27.0	23.8	3.2	13%
	Storage – external	thousand tons	0.6	0.3	0.3	101%
	Stabilizate production	thousand tons	216.3	178.6	37.7	21%
	Storage – chargeable waste	thousand tons	2.6	43.0	(40.4)	(94%)
	Other	thousand tons	16.6	355.3	(338.7)	(95%)
	Total – EP Power Europe	thousand tons	427.1	796.1	(369.1)	(46%)
	Total – EPH	thousand tons	1,923.7	2,083.4	(159.8)	(8%)

Environment / Effluents and waste

For the year ended 31 December 2017

GRI / EUSS	KPI	Unit	2017	2016	2017 - 2016	%
306-2	Waste other than byproducts – Total production					
	EP Infrastructure					
	Non-hazardous waste	thousand tons	40.8	41.7	(0.9)	(2%)
	Hazardous waste	thousand tons	1.9	3.6	(1.7)	(46%)
	Total – EP Infrastructure	thousand tons	42.7	45.3	(2.6)	(6%)
	EP Power Europe					
	Non-hazardous waste	thousand tons	200.5	110.0	90.6	82%
	Hazardous waste	thousand tons	3.8	6.2	(2.4)	(38%)
	Total – EP Power Europe	thousand tons	204.4	116.1	88.2	76%
	Total – EPH	thousand tons	247.1	161.5	85.7	53%

Note: In 2016 we originally reported 13.2 thousand tons of non-hazardous waste in Slovakia, but this figure did not include all waste produced that year, thus we are restating this number here to the correct one.

GRI / EUSS	KPI	Unit	2017	2016	2017 - 2016	%
306-2	Waste other than by products – Non-hazardous – Disposal					
	EP Infrastructure					
	Recycling	thousand tons	6.2	7.4	(1.2)	(16%)
	Lanfill	thousand tons	3.1	1.4	1.7	116%
	Other	thousand tons	31.5	32.9	(1.4)	(4%)
	Total – EP Infrastructure	thousand tons	40.8	41.7	(0.9)	(2%)
	EP Power Europe					
	Recycling	thousand tons	54.2	39.6	14.6	37%
	Lanfill	thousand tons	1.5	2.5	(1.0)	(40%)
	Other	thousand tons	144.8	71.8	73.0	102%
	Total – EP Power Europe	thousand tons	200.5	114.0	86.5	76%
	Total – EPH	thousand tons	241.3	155.7	85.6	55%

Environment / Effluents and waste

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
306-2	Waste other than by products – Hazardous – Disposal					
	EP Infrastructure					
	Recycling	thousand tons	0.7	0.1	0.6	554%
	Lanfill	thousand tons	0.5	0.7	(0.2)	(25%)
	Other	thousand tons	0.7	2.8	(2.1)	(75%)
	Total – EP Infrastructure	thousand tons	1.9	3.6	(1.7)	(46%)
	EP Power Europe					
	Recycling	thousand tons	2.1	1.4	0.7	49%
	Lanfill	thousand tons	1.7	0.8	0.9	112%
	Other	thousand tons	–	–	–	
	Total – EP Power Europe	thousand tons	3.8	2.2	1.6	72%
	Total – EPH	thousand tons	5.7	5.8	(0.1)	(1%)

Logistics

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
302-1	Operations					
	Energy consumption	PJ	0.09	0.09	0.01	7%
	Diesel	PJ	0.08	0.07	0.01	8%
	Purchased Electricity	PJ	0.01	0.01	(0.00)	(2%)
	Other	PJ	0.00	0.00	0.00	4%
LT12						
	Number of road fatalities of drivers or third parties per million kilometres driven	index	15	14	1	7%
	Tonne-kilometre per year	million tkm	937	914	23	2%

Note: Energy consumption of logistics division is included also in the tables of total energy consumption on the pages 167 and 168.

Social / Occupational health and safety

For the year ended 31 December 2017

Country

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
403-2	Fatal injuries – Employees					
	EP Infrastructure					
	Czech Republic	#	–	–	–	
	Slovakia	#	1	–	1	0%
	Hungary	#	–	–	–	
	Total – EP Infrastructure	#	1	–	1	0%
	EP Power Europe					
	Czech Republic	#	–	–	–	
	Germany	#	–	–	–	
	UK	#	–	–	–	
	Italy	#	–	–	–	
	Total – EP Power Europe	#	–	–	–	
	Other companies within the Group					
	Czech Republic	#	–	–	–	
	Poland	#	–	–	–	
	Total – other comapnies	#	–	–	–	
Total – EPH	#	1	–	1	0%	

Social / Occupational health and safety

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
403-2	Registered injuries – Employees					
	EP Infrastructure					
	Czech Republic	#	12(*)	12	–	0%
	Slovakia	#	15	9	6	67%
	Hungary	#	2	1	1	100%
	Total – EP Infrastructure	#	29	22	7	32%
	EP Power Europe					
	Czech Republic	#	–(*)	–	–	
	Germany	#	28	17	11	65%
	UK	#	–	1	(1)	(100%)
	Italy	#	1	3	(2)	(67%)
	Total – EP Power Europe	#	29	21	8	38%
	Other companies within the Group					
	Czech Republic	#	6(*)	3	3	100%
	Poland	#	–	–	–	
	Total – other comapnies	#	6	3	3	100%
	Total – EPH	#	64	46	18	39%

Note: 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.

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

Social / Occupational health and safety

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
403-2	Worked hours – Employees					
	EP Infrastructure					
	Czech Republic	million hours	3.2	3.2	0.0	0%
	Slovakia	million hours	6.9	7.4	(0.5)	(7%)
	Hungary	million hours	0.4	0.5	(0.1)	(17%)
	Total – EP Infrastructure	million hours	10.4	11.0	(0.6)	(5%)
	EP Power Europe					
	Czech Republic	million hours	0.1	0.0	0.1	347%
	Germany	million hours	4.3	3.5	0.8	22%
	UK	million hours	0.7	0.6	0.2	26%
	Italy	million hours	0.5	0.5	0.0	4%
	Total – EP Power Europe	million hours	5.5	4.6	1.0	22%
	Other companies within the Group					
	Czech Republic	million hours	0.5	0.4	0.1	36%
	Poland	million hours	0.2	0.2	0.0	17%
	Total – other comapnies	million hours	0.7	0.6	0.2	30%
	Total – EPH	million hours	16.7	16.2	0.6	3%

Social / Occupational health and safety

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	2017	2016	2017-2016	%
403-2	Injury Frequency Rate – Employees					
	EP Infrastructure					
	Czech Republic	index	3.8	3.8	(0.0)	(0%)
	Slovakia	index	2.2	1.2	1.0	79%
	Hungary	index	5.1	2.1	3.0	142%
	Total – EP Infrastructure	index	2.8	2.0	0.8	39%
	EP Power Europe					
	Czech Republic	index	–	–	–	
	Germany	index	6.6	4.9	1.7	35%
	UK	index	–	1.7	(1.7)	(100%)
	Italy	index	2.1	6.6	(4.5)	(68%)
	Total – EP Power Europe	index	5.2	4.6	0.6	14%
	Other companies within the Group					
	Czech Republic	index	12.4	8.4	4.0	47%
	Poland	index	–	–	–	
	Total – other comapnies	index	12.4	8.4	4.0	47%
	Total – EPH	index	3.8	2.8	1.0	34%

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

Social / Occupational health and safety

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	2017	2016	2017-2016	%
403-2	Fatal injuries – Contractors					
	EP Infrastructure					
	Czech Republic	#	–	–	–	
	Slovakia	#	–	–	–	
	Hungary	#	–	–	–	
	Total – EP Infrastructure	#	–	–	–	
	EP Power Europe					
	Czech Republic	#	–	–	–	
	Germany	#	–	–	–	
	UK	#	–	–	–	
	Italy	#	–	–	–	
	Total – EP Power Europe	#	–	–	–	
	Other companies within the Group					
	Czech Republic	#	–	–	–	
	Poland	#	–	–	–	
	Total – other comapnies	#	–	–	–	
	Total – EPH	#	–	–	–	

Social / Occupational health and safety

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
403-2	Registered injuries – Contractors					
	EP Infrastructure					
	Czech Republic	#	1	1	–	0%
	Slovakia	#	–	–	–	
	Hungary	#	–	1	(1)	(100%)
	Total – EP Infrastructure	#	1	2	(1)	(50%)
	EP Power Europe					
	Czech Republic	#	–	–	–	
	Germany	#	5	2	3	150%
	UK	#	8	1	7	733%
	Italy	#	1	1	0	26%
	Total – EP Power Europe	#	15	4	11	265%
	Other companies within the Group					
	Czech Republic	#	–	–	–	
	Poland	#	–	–	–	
	Total – other comapnies	#	–	–	–	
	Total – EPH	#	16	6	10	160%

Note: Contractor injuries data not available for United Energy and Renewables Group, data on hours worked by contractors largely not available, thus injury frequency rate not reported.

Social / Employment

For the year ended 31 December 2017

Country

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
102-7	Headcount					
	EP Infrastructure					
	Czech Republic	#	1,878	1,912	(34)	(2%)
	Slovakia	#	4,235	4,391	(156)	(4%)
	Hungary	#	210	257	(47)	(18%)
	Total – EP Infrastructure	#	6,323	6,561	(238)	(4%)
	EP Power Europe					
	Czech Republic	#	65	15	50	333%
	Germany	#	2,435	2,473	(38)	(2%)
	UK	#	414	370	44	12%
	Italy	#	503	494	9	2%
	Total – EP Power Europe	#	3,416	3,352	64	2%
	Other companies within the Group					
	Czech Republic	#	368	298	70	24%
	Poland	#	129	99	30	31%
	Other	#	0	1	(0)	(41%)
	Total – other companies	#	498	397	100	25%
	Total – EPH	#	10,237	10,310	(73)	(1%)

Social / Employment

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	Total	% of total
102-41	Employees with collective bargaining agreements			
	EP Infrastructure			
	Czech Republic	#	1,641	87%
	Slovakia	#	4,184	99%
	Hungary	#	210	100%
	Total – EP Infrastructure	#	6,034	95%
	EP Power Europe			
	Czech Republic	#	–	–
	Germany	#	2,280	94%
	UK	#	249	60%
	Italy	#	503	100%
	Total – EP Power Europe	#	3,032	89%
	Other companies within the Group			
	Czech Republic	#	20	5%
	Poland	#	27	21%
	Total – other comapnies	#	47	9%
	Total – EPH	#	9,113	89%

Social / Employment

For the year ended 31 December 2017

Management

GRI/EUSS	KPI	Unit	2017	2016	2017 - 2016	%
102-7	Headcount					
	EP Infrastructure					
	Male	#	5,070	5,286	(216)	(4%)
	Female	#	1,253	1,275	(22)	(2%)
	Executives	#	118	126	(8)	(6%)
	Other Employees	#	6,205	6,435	(230)	(4%)
	Total – EP Infrastructure	#	6,323	6,561	(238)	(4%)
	EP Power Europe					
	Male	#	2,942	2,890	51	2%
	Female	#	475	462	13	3%
	Executives	#	81	63	19	30%
	Other Employees	#	3,335	3,289	46	1%
	Total – EP Power Europe	#	3,416	3,352	64	2%
	Other companies within the Group					
	Male	#	376	317	59	19%
	Female	#	122	81	41	51%
	Executives	#	30	9	20	218%
	Other Employees	#	468	388	80	21%
	Total – other companies	#	498	397	100	25%
	EPH					
	Male	#	8,387	8,493	(106)	(1%)
	Female	#	1,850	1,817	33	2%
	Executives	#	229	198	31	16%
	Other Employees	#	10,008	10,112	(104)	(1%)
	Total – EPH	#	10,237	10,310	(73)	(1%)

Social / Employment

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	Total	Male	Female
401-1	Number of new hires – Total				
	EP Infrastructure				
	Czech Republic	#	228	170	59
	Slovakia	#	179	121	57
	Hungary	#	12	4	8
	Total – EP Infrastructure	#	419	295	124
	EP Power Europe				
	Czech Republic	#	55	45	10
	Germany	#	146	126	20
	UK	#	44	39	5
	Italy	#	12	9	3
	Total – EP Power Europe	#	257	219	38
	Other companies within the Group				
	Czech Republic	#	114	85	29
	Poland	#	82	73	9
	Total – other comapnies	#	196	158	38
	Total – EPH	#	872	672	200

Social / Employment

For the year ended 31 December 2017

Country

GRI/EUSS	KPI	Unit	Total	Male	Female
401-1	Number of leavers – Total				
	EP Infrastructure				
	Czech Republic	#	261	207	55
	Slovakia	#	252	171	79
	Hungary	#	61	43	18
	Total – EP Infrastructure	#	573	421	152
	EP Power Europe				
	Czech Republic	#	7	4	3
	Germany	#	191	166	25
	UK	#	29	24	5
	Italy	#	8	6	2
	Total – EP Power Europe	#	236	200	35
	Other companies within the Group				
	Czech Republic	#	79	55	23
	Poland	#	39	37	2
	Total – other comapnies	#	118	92	25
	Total – EPH	#	927	714	213

Social / Employment

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	Total	Male	Female
401-2	New hires rate				
	EP Infrastructure				
	Czech Republic	%	12%	11%	16%
	Slovakia	%	4%	4%	7%
	Hungary	%	6%	2%	19%
	Total – EP Infrastructure	%	7%	6%	10%
	EP Power Europe				
	Czech Republic	%	85%	83%	91%
	Germany	%	6%	6%	5%
	UK	%	11%	10%	14%
	Italy	%	2%	2%	5%
	Total – EP Power Europe	%	8%	7%	8%
	Other companies within the Group				
	Czech Republic	%	31%	33%	26%
	Poland	%	64%	63%	69%
	Total – other comapnies	%	39%	42%	31%
	Total – EPH	%	9%	8%	11%

Social / Employment

For the year ended 31 December 2017

GRI/EUSS	KPI	Unit	Total	Male	Female
401-2	Employee turnover rate				
	EP Infrastructure				
	Czech Republic	%	14%	14%	15%
	Slovakia	%	6%	5%	9%
	Hungary	%	29%	26%	43%
	Total – EP Infrastructure	%	9%	8%	12%
	EP Power Europe				
	Czech Republic	%	11%	7%	27%
	Germany	%	8%	8%	7%
	UK	%	7%	6%	14%
	Italy	%	2%	1%	3%
	Total – EP Power Europe	%	7%	7%	7%
	Other companies within the Group				
	Czech Republic	%	21%	21%	22%
	Poland	%	30%	32%	15%
	Total – other comapnies	%	24%	25%	21%
	Total – EPH	%	9%	9%	12%

Social / Training

For the year ended 31 December 2017

GRI / EUSS	KPI	Unit	Ths. Hours	Hours per Employee
404-1	Total training hours			
	EP Infrastructure			
	Czech Republic	ths. hours	9.8	8.5
	Slovakia	ths. hours	165.7	39.2
	Hungary	ths. hours	2.4	11.3
	Total – EP Infrastructure	ths. hours	177.9	31.8
	EP Power Europe			
	Czech Republic	ths. hours	5.0	76.2
	Germany	ths. hours	23.6	9.7
	UK	ths. hours	11.5	27.7
	Italy	ths. hours	11.3	22.4
	Total – EP Power Europe	ths. hours	51.3	15.0
	Other companies within the Group			
	Czech Republic	ths. hours	2.1	5.7
	Poland	ths. hours	5.5	53.2
	Total – other comapnies	ths. hours	7.6	16.1
	Total – EPH	ths. hours	236.9	25.0

Note: Calculation of Training hours per Employee excludes employees from several companies which did not have training data readily available (total 756 employees), in the Czech Republic mainly Prazska teplarenska in the amount of 698 employees, then PT mereni (24), Slovakia: SPP Storage (9), Other: (25).

11.3 Acronyms and units

Acronyms

AA1000	Accountability Stakeholder Engagement Standards	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 ₂ O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF ₆) and nitrogen trifluoride (NF ₃).	
AOT	Asset Optimization	GRI G4	Global Reporting Initiative G4 Standards	
BBS	Behaviour Based Safety		H&S	Health and safety
BERT	Budapesti Erőmű Zrt.		HSE	Health and Safety Environment
CAGR	Compound annual growth rate		HFCs	Hydrofluorocarbons
CCGT	Combined cycle gas turbine		HSEQ	Health, Safety, Environment, and Quality
CENTREL	Association of transmission system operators in the Czech Republic, Slovakia, Poland and Hungary, set up in 1992. Now part of UCTE association.		HV	High voltage
CO ₂	Carbon dioxide		CH ₄	Methane
COP 21	Paris Climate Conference		CHP	Combined heat and power plant
EBITDA	Earnings before interest, taxes, depreciation and amortization		IED	The Industrial Emissions Directive
EBO	Bohunice power plant (Slovenské elektrárňe)		IFRS	International Financial Reporting Standards
EMIR	European Market Infrastructure Regulation ENSREG		INPO	The Institute of Nuclear Power Operations
EMO	Mochovce power plant (Slovenské elektrárňe)	IPCC	Intergovernmental Panel on Climate Change	
EMS	Environmental management system	ISAE 3000	International Standard on Assurance Engagements (ISAE) 3000, “Assurance Engagements Other than Audits or Reviews of Historical Financial Information	
ENO	Nováky power plant (Slovenské elektrárňe)	ISO 14001	Environmental Certification, Environmental management system	
EOP	Elektrárny Opatovice a.s. (group)		JTSD	JTSD Braunkohlebergbau GmbH
EPH	Parent company – Energetický a průmyslový holding, a.s.		J&T	J&T Finance Group SE
EPIF	EP Infrastructure		KPI	Key Performance Indicator
EPPE	EP Power Europe		KYC	“Know your customer” is the process of a business, identifying and verifying the identity of its customers
EU	European Union	LEAG	Lausitz Energie Bergbau AG and Lausitz Energie Kraftwerke AG	
EU ETS	European Union Emission Trading Scheme	LV	Low voltage	
EUA	European Emission Allowances			
EUSS	Energy Utility Sector Supplement			
Eustream	eustream, a.s.			
EVO	Vojany power plant (Slovenské elektrárňe)			
FR	“Frequency rate” = (the number of accidents/worked hours) × 10 ⁶			
GDPR	General Data Protection Regulation			

M&A	Mergers and acquisitions
MIBRAG	Mitteldeutsche Braunkohlengesellschaft mbH
MiFID II	Regulation on markets in financial instruments
MIRA	Macquarie Infrastructure and Real Assets
MV	Medium voltage
N ₂ O	Nitrous oxide
Nafta	NAFTA a.s.
NF ₃	Nitrogen trifluoride
NG	Natural gas
NGOs	Non-governmental organisations
NO _x	nitrogen oxide emissions
NPP	Nuclear power plant
O&M	Operation & Maintenance
OCGT	Open cycle gas turbine
OHSAS 18001	Occupational Health and Safety Management Systems
PFCs	Perfluorocarbons
PGA	Peak ground acceleration
PPF	PPF a.s.
PT	Pražská teplárenská, a.s.
REMIT	Regulation on Wholesale Energy Market Integrity and Transparency
RoSPA	Royal Society for the Prevention of Accidents
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
SBR	Supplemental balancing reserve
SE	Slovenské elektrárne a.s.
SF ₆	Sulphur hexafluoride
SO ₂	Sulphur dioxide
SO _x	Sulphur oxides
SPH	Slovak Power Holding BV
SPP-D	SPP- distribúcia, a. s
SPP-I	SPP Infrastructure, a.s.
SSE	Stredoslovenská energetika, a.s.
SSE-D	Stredoslovenská energetika – Distribúcia, a.s. (before renaming to SSD)
SSD	Stredoslovenská distribučná, a.s.
TSO	Transmission System Operator
UCF	Unit capability factor. Top UCF quartile for pressurised water reactor is 90.00% (WANO rating 2013–2015)
UK	United Kingdom
UM	Unit of measure
WWER	Water-water energetic reactor

Units

#	number	mg/l	miligram per liter
%	percentage	mg/m³	miligram per cubic meter
CO ₂ -eq	carbon dioxide equivalent	mil. ton CO ₂ -eq	million ton of carbon dioxide
CO ₂ -eq/GWh GJ	carbon dioxide equivalent per gigawatt-hour gigajoule		equivalent
GJ	gigajoule	MW	megawatt
GW	gigawatt	MWe	megawatt electrical
GWh	gigawatt-hour	MWh	megawatt hour
k	thousand	MWt	megawatt thermal
km	kilometer	Nm³	Nomal cubic meter
kV	kilovolt	PJ	petajoule
l/100 km	liters per 100 kilometers	ton/GWh	ton per gigawatt-hour
m	million	tkm	ton-kilometer
m³	cubic meter	TWh	terawatt hour

11.4 **List of Case studies**

Lynemouth biomass power station	1.0 / p. 10
Biomasse Italia and Biomasse Crotone are among the largest Italian companies producing energy from solid biomass	1.0 / p. 16
Sustainability of co-incineration in 2017	3.2 / p. 52
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Maps

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