EPH

Sustainability Report 2016

EPH

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Index

1 Foreword

Dear Stakeholders,

It is my great pleasure to introduce to you the second Sustainability Report of Energetický a průmyslový holding, a.s., which covers the calendar year 2016. In the Report, which continues to be prepared in accordance with the Global Reporting Initiative's Sustainability Guidelines, we provide an overview of our Group's performance, taking into account the economic, environmental, social and operational aspects of our activities.

During 2016, EPH expanded both organically and through acquisitions and whilst continuing to execute its long-term strategy. The Company has undergone a number of significant changes to both of its key pillars, EP Infrastructure, a.s. and EP Power Europe, a.s. For EPIF, an operator of energy infrastructure assets, 2016 and the beginning of 2017 were earmarked by a change in its shareholder structure with a consortium led by a reputable global infrastructure fund acquiring a minority share in EPIF. EPPE, active in power and heat generation and mining, has continued to expand its footprint through a number of new projects and acquisitions in several European markets. EPH has in parallel undergone a change in its own shareholder structure, making the Company even more focused and agile.

Fig. 1 Daniel Křetínský
Chairman of the Board of EPH

Fig. 2 Daniel Křetínský
Chairman of the Board of EPH

At the beginning of 2016, EPH consolidated all of its energy infrastructure assets under the umbrella of EPIF, a newly formed holding company. EPIF has become a key EPH subsidiary, focusing on the transmission, distribution and storage of natural gas, power distribution and district heating. The infrastructure operated by EPIF is diversified in terms of markets and benefits from a long-term contracted and/or regulated revenue base. In the second half of the year we decided to offer EPIF's minority shareholding to infrastructure investors. After careful consideration, EPH's management decided to sell a 31% stake in EPIF to a strategic partner, a consortium of global institutional investors led by Macquarie Infrastructure and Real Assets. The remaining 69% stake in EPIF along with management control remains with EPH.

Alongside the sale of the minority stake in EPIF, the structure of the shareholders of EPH has also changed. EPH owners closed a series of transactions that resulted in the successful exit of Patrik Tkáč and the private equity structures of J&T. As a result, the shareholder structure of EPH is as follows: Daniel Křetínský owns 94% of the Company, and the remaining 6% stake is owned by individual managers at EPH.

For EPPE, 2016 has been a year of strategic acquisitions, the largest being the acquisition of a modern and flexible fleet of lignite power plants including associated mining operations from Vattenfall in Germany in a 50/50 Consortium with our financial partner PPF Investments. With a production of approximately 60 TWh and an installed capacity of 8 GW, the former Vattenfall assets now operate under the new LEAG brand. LEAG is the third largest power producer in the country and its assets are fundamental to maintaining supply to and stability of the power grids in Germany.

EPPE has also significantly strengthened its position in the UK market: we acquired the British Lynemouth Power Plant, which we are converting from a closed coal plant into a carbon neutral biomass unit, with commissioning expected in Q4 2017 or early 2018 and backed by the full support of the UK government. Subsequently in 2017, we also acquired two modern CCGT plants from Centrica with an installed capacity of ca 2.3 GW.

Finally, EPH concluded the first phase of its entry into Slovenské elektrárne in 2016 by purchasing an indirect 33% stake. Slovenské elektrárne produces approximately 70% of the total electricity in Slovakia. Up to 90% of the electricity delivered is produced without greenhouse gas emissions – from nuclear, hydro and photovoltaic power plants as well as biomass co-incineration.

> “At EPH we believe that sustainability can best be achieved through a realistic and well thought energy policy that provides operators with the economic conditions that allow progress towards ambitious targets.

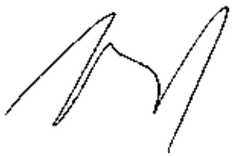
The acquisitions mentioned on the previous page demonstrate our clear ambition to grow our presence in the field of electricity generation, a market which is a fundamental pillar of economic development and stability, while at the same time, becoming increasingly uncertain relative to the available long-term stability of supply. Nevertheless, primarily as a result the instability of the legislative and regulatory frameworks across Europe, the vast majority of power capacities are operating with economic losses, particularly when taking into account the historical capital cost of the assets. These losses are unsustainable in the mid to long-term run. Together with an ageing generation fleet, these will inevitably lead to future shutdowns and the reduction of available power, increasing the risks of future failures with unforeseen economic and environmental consequences. Therefore, part of our strategy counts on efficient conventional capacities meeting strict environmental targets. In addition we continue with our strategy of conversion of our conventional asset portfolio and industrial sites into renewable or lower carbon generation capacity. An example of such conversion is Lynemouth in the UK where we

are well advanced in conversion of a coal plant to biomass and Eggborough where we continue to seek the right capacity market incentive to replace the coal plant by with a newhighly effective CCGT.

The majority of our recent acquisitions support the goals relating to the reduction of greenhouse gas emissions. As a result of our acquisition of Slovenské elektrárne and Lynemouth, EPPE is becoming one of the top Central European operators in terms of carbon-free installed capacity.

Within the EPH group companies, we have almost 25,000 employees. In the German Federal states of Saxony, Saxony-Anhalt, Brandenburg and Thuringia we employ 11,000 people and are among the largest employers in one of the most economically vulnerable parts of the country. We understand the importance of our role in sustaining the wellbeing of a much larger group of people including family members and others in the communities that rely on the income source of our employees.

At EPH we believe that sustainability can best be achieved through a realistic and well thought through energy policy that provides operators with the economic conditions that allow progress towards ambitious targets – targets to improve energy efficiency and reduce GHG emissions, targets to achieve better energy solutions for customers or targets related to overall prosperity in regions where we operate. In conjunction with the need to meet the ambitious sustainability targets we are looking to balance the responsibility that we as an industry have to maintain the stability of the electricity grid while providing a future to our almost 25,000 employees and the many more people in the communities that rely on their income.



Daniel Křetínský

Chairman of the Board of EPH

Eustream’s operating personnel in place where transmission pipeline is located below ground

“ 90% of electricity produced by Slovenské elektrárne comes from stable and emission free hydro and nuclear sources.

Upper reservoir of the Čierny Váh pumped storage hydro power plant

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

Employee in the Lynemouth power station

“ Newly created forests, farmlands and lakes on former LEAG's mining sites demonstrate our strong commitment towards recultivations.

Recultivated area on LEAG's former mining site

2 About this report

This publication is the second Sustainability Report of Energetický a průmyslový holding, a.s. (“EPH” or the “Company”). We focused on most relevant updates compared to our 2015 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. While EPH is not a publically listed entity and we face no formal requirements on sustainability reporting, due to the size we have reached over the past few years and our commitment to responsibility we feel that providing relevant information to our stakeholders is a natural next step in the development of our relatively young Company.

As you read through the Report, please bear in mind that 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 for data comparability.

In terms of reporting period, the information presented in this Report relate to our operations during the 2016 calendar year with 2015 comparative data reported where available. For the sake of comparability, we also report full year data for subsidiaries that we acquired during the calendar year. In this regard, this Report might deviate from the principles of our financial reporting.

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

We plan to issue our next Sustainability Report for 2017 in 2018.

The principles of our Report

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

More information about GRI G4 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 G4 Indicators with the exception of the G4 Economic Indicator data, which has been reported using financial control in order to align the data with the financial data reported in the EPH Annual Report under IFRS. As a result, EPH has consolidated data from all its entities locally and internationally where it holds a controlling shareholding and that were deemed material for the purposes of this Report. This list of entities covered by the Report is shown in the section 11.4 Organisational boundaries on page 210.

The aspects that EPH has reported on in this Report were determined through detailed assessment of the priorities for EPH, subsidiary companies and our main stakeholder groups. The assessment included analysis of issues and feedback from our stakeholder groups during the reporting period as well as further analysis undertaken as part of the preparation of this report. Further detail on our stakeholder analysis and engagement is provided in the section 5 Stakeholders and further detail on our approach to Materiality is given in section 6 Priorities, both included in this Report. As a result of our materiality and stakeholder analyses, this Report has focused on those areas that were deemed most material to our business and our stakeholder groups. These areas, or aspects, are explained in the different sections of this Report with further detailed data shown in the section 11.1 GRI Index included on page 165 of this Report.

It is important to note that our two largest acquisitions in the power generation segment, notably the acquisition of a 50% stake in Vattenfall's German lignite & mining assets and the acquisition of a 33% stake in Slovenské elektrárne, are not included in consolidated 2015/2016 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 Lusitz Energie Verwaltungs).

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 160 of this Report.

EPH and its business

Slovakia
Total Revenues

€ 2 bn

EPH Companies:
Eustream
SPP - distribúcia
Stredoslovenská Enegetika
Nafta
Pozagas
Slovenské elektrárne[1]

Czech Republic
Total Revenues

€ 0.9 bn

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

Italy
Total Revenues

€ 0.9 bn

EPH Companies:
EP Produzione

Germany
Total Revenues

€ 0.5 bn

EPH Companies:
Mibrag
Saale Energie
LEAG[1, 2]

United Kingdom
Total Revenues

€ 0.3 bn

EPH Companies:
Lynemouth Power
Eggborough Power

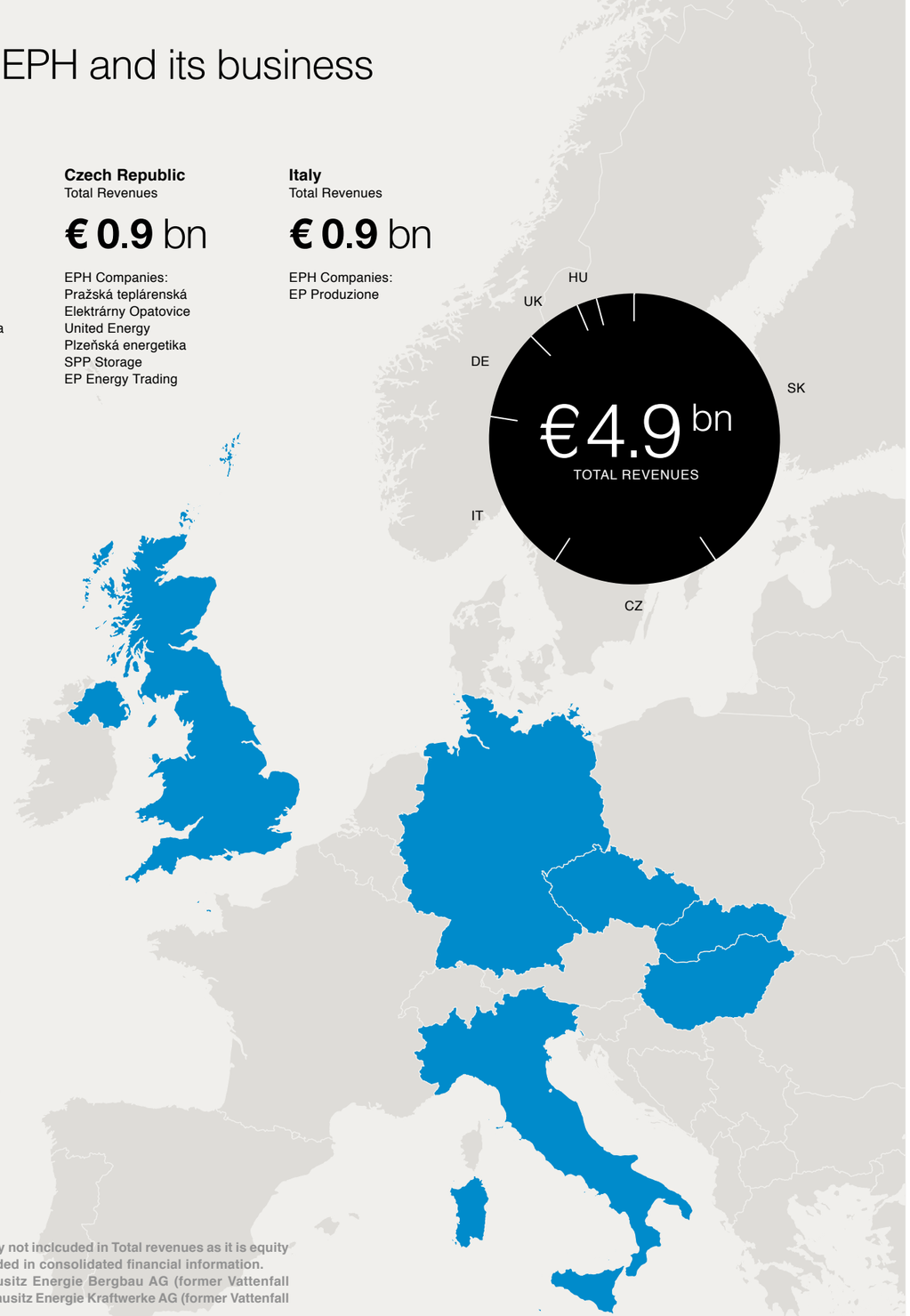
Hungary
Total Revenues

€ 0.1 bn

EPH Companies:
BERT

Total other revenues
Total Revenues

€ 0.2 bn



1 Revenues for the entity not inclcuded in Total revenues as it is equity accounted and not included in consolidated financial information.
2 LEAG represents Lausitz Energie Bergbau AG (former Vattenfall Europe Mining AG) and Lausitz Energie Kraftwerke AG (former Vattenfall Europe Generation AG)

Fig. 7 Key operating entities of EPH

Geographic presence of EPH

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

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

Following 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:

№ 1
LARGEST GAS TRANSMISSION ROUTE IN EUROPE

№ 1
GAS DISTRIBUTOR IN SLOVAKIA

№ 1
GAS STORAGE PLAYER IN REGION OF SLOVAKIA, THE CZECH REPUBLIC AND AUSTRIA

№ 1
CZECH DISTRICT HEATING INFRASTRUCTURE

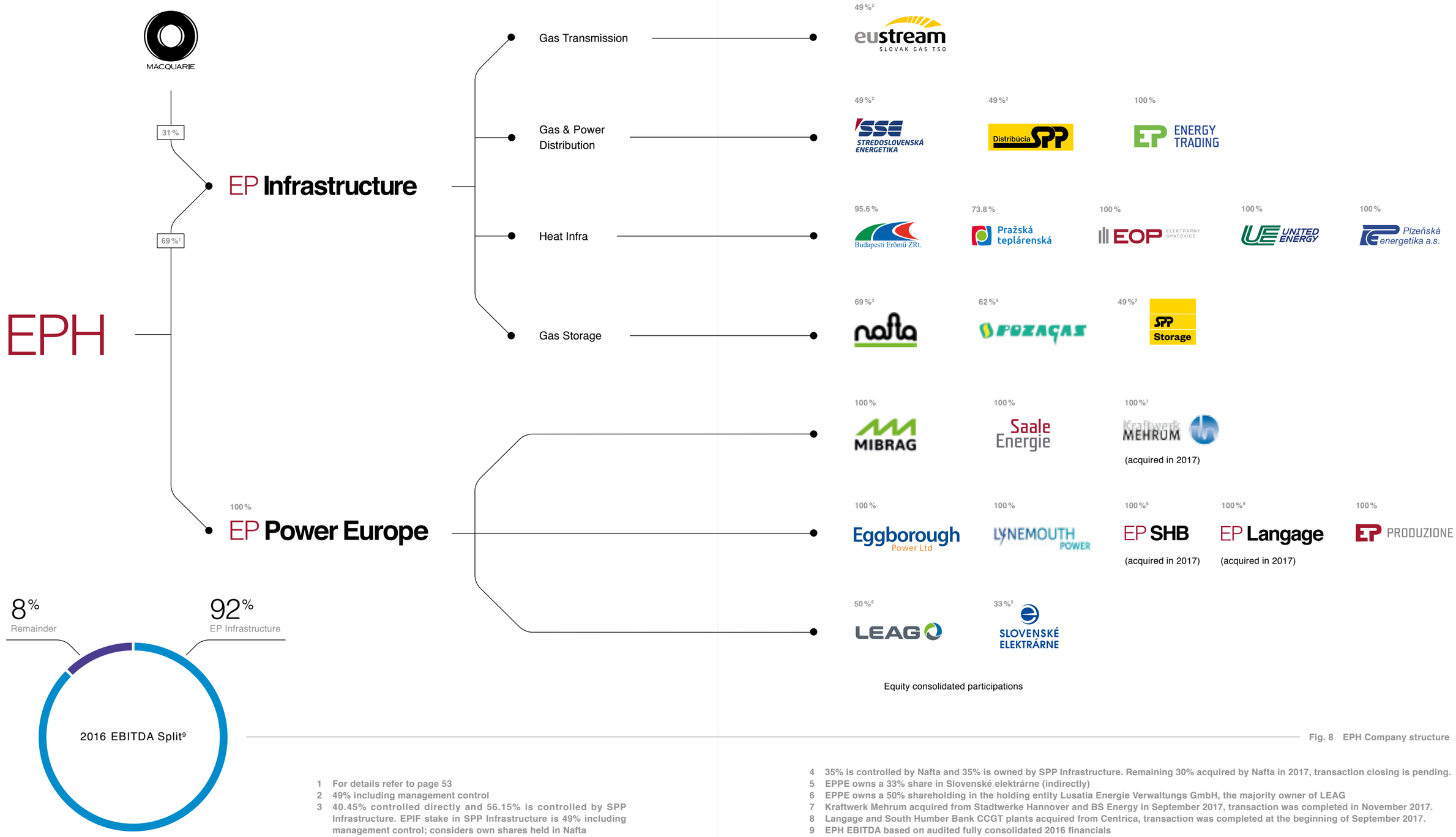


Fig. 8 EPH Company structure

1 For details refer to page 53
2 49% including management control
3 40.45% controlled directly and 56.15% is controlled by SPP Infrastructure. EPIF stake in SPP Infrastructure is 49% including management control; considers own shares held in Nafta
4 35% is controlled by Nafta and 35% is owned by SPP Infrastructure. Remaining 30% acquired by Nafta in 2017, transaction closing is pending.
5 EPPE owns a 33% share in Slovenské elektrárne (indirectly)
6 EPPE owns a 50% shareholding in the holding entity Lusatia Energie Verwaltungs GmbH, the majority owner of LEAG
7 Kraftwerk Mehrum acquired from Stadtwerke Hannover and BS Energy in September 2017, transaction was completed in November 2017.
8 Langage and South Humber Bank CCGT plants acquired from Centrica, transaction was completed at the beginning of September 2017.
9 EPH EBITDA based on audited fully consolidated 2016 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	€ 676 million	eustream SLOVAK GAS TSO	Regulated/Contracted	№ 1 Largest gas transmission route in Europe[2]
Gas & Power Distribution	€ 424 million	Distribúcia SPP; ENERGY TRADING; STREDOSLOVENSKÁ ENERGETIKA	Predominantly regulated	№ 1 Gas distributor in Slovakia[3] № 2 Electricity distributor in Slovakia[3]
Heat Infrastructure	€ 126 million	Plzeňská energetika a.s.; UNITED ENERGY; Pražská teplárenská; Budapesti Erőmű ZRt.; EOP ELEKTRÁRNY OPATOVICE	Predominantly regulated	№ 1 Czech district heating infrastructure[4]
Gas Storage	€ 143 million	SPP Storage; nafta; POZAGAS	Predominantly contracted	№ 1 Storage capacity in the region of Slovakia, Czech Republic & Austria[5]

Fig. 9 EP Infrastructure (EPIF) Source: Company information, internal research and analysis, Gas Storage Europe

1 EBITDA is based on 2016 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 PJ distributed to final consumers
5 Based on storage capacity

EP Power Europe (EPPE)

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

Country	Installed capacity/fuel	Companies	Business profile	Asset highlight
Germany	17–19 million tons annual lignite production 0.4 GW in lignite[1] 0.8 GW in hard coal	MIBRAG, HELMSTEDTER REVIER, Saale Energie, Kraftwerk Mehrum[2]	Contracted Security reserve	Two lignite mines and two CHP plants Lignite mine and Buschhaus power plant that entered strategic reserve in 2016 Share in Schkopau power plant with contract until 2021 Highly efficient hard coal power plant
United Kingdom	420 MW biomass conversion project 2.0 GW in hard coal 2.2 GW in gas	LYNEMOUTH POWER, EP Langage, Eggborough Power Ltd, EP SHB	Contract for difference Security reserve	Ongoing biomass conversion project with the UK government backed contract for difference until 2027 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	EP PRODUZIONE	Merchant Must-run Ancillary services	Fleet of 5 modern gas-fired power plants in mainland Italy and Sicily and 1 coal-fired power plant in Sardinia
Equity consolidated participations				
Slovakia	1.9 GW in nuclear 1.7 GW in hydro 0.2 GW in coal 0.3 GW in lignite	SLOVENSKÉ ELEKTRÁRNE	Merchant Ancillary services	Largest power generation company in Slovakia with 3.6 GW of carbon free capacity
Germany	8.0 GW in lignite 60 million tons annual lignite mining	LEAG	Merchant Ancillary services Heat co-generation	Former Vattenfall fleet of 4 critical and dependable baseload power plants and associated lignite mines

Fig. 10 EP Power Europe (EPPE) Source: EPH data for 2016

1 Including power plan Buschhaus, that has been in the security standby reserve since 1 October 2016.
2 Kraftwerk Mehrum acquired from Stadtwerke Hannover and BS Energy in September 2017, transaction was completed in November 2017.

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 2016), with strong cash conversion (67% in 2016[1]). 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 avenues 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

EP Power Europe

HIGHLIGHTS

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

Following the formal incorporation of EPPE, the Company will own operations across well developed markets including Italy, the UK, Germany and Slovakia. Through a portfolio of controllable power plants, EPPE provides for security of supply given that renewables with their limited load factor are and will only be able to partially cover for power demand.

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 Pending finalisation of Lynemouth biomass conversion project

3 Balanced fuel mix

EPPE's power generation portfolio provides a balanced mix of thermal, nuclear, hydro and biomass[1] power plants (e.g. 80+% of carbon-free capacity in Slovakia, modern low-carbon gas fired portfolio in Italy, biomass conversion project in the UK). Coal and integrated mining operations only in markets that are unable to physically secure a stable power supply from alternative sources (e.g. Sardinia, Germany, 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 (“SE”)

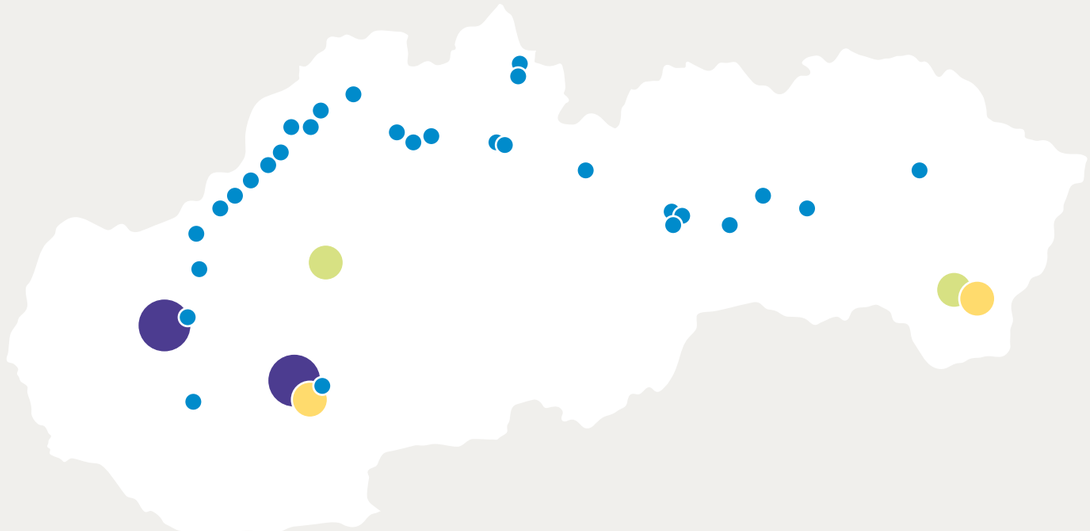
SE portfolio

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

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

In 2016, Slovenské elektrárne owned and operated a power plant portfolio with 4.2 GW of installed capacity, out of which 1.9 GW were nuclear power plants, 1.7 GW were hydro power plants and 0.5 GW were thermal power plants. In 2016, these power plants account for almost 70% of the electricity generation in Slovakia.

SLOVENSKÉ ELEKTRÁRNE



31×	Hydroelectric power plants	1,653	MW
2×	Nuclear power plants	1,940	MW
2×	Thermal power plants	486	MW
2×	Solar power plants	1.9	MW

Fig. 11 Slovenské elektrárne at a glance

89.1 %

UNIT CAPABILITY FACTOR

Fig. 12 Slovenské elektrárne are among the most reliable nuclear source operators globally

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

Fig. 13 View on the High Tatra Mountains from the upper reservoir of the Čierny Váh pumped storage hydro power plant.

Role of the assets in the Slovak energy market

This acquisition a share in SE fully corresponds to the strategy of EPH and our subsidiary EPPE as the acquired portfolio represents critical and indispensable energy infrastructure in Slovakia accounting for a majority of the installed capacity and generated power. The importance of SE extends beyond the borders of Slovakia as the assets operate in the CENTREL region, formed by Poland, Hungary and the Czech Republic and they represent approximately 8% of installed capacity and 7% of generated electricity within this region. As such, via this acquisition EPPE has not only built a strong position in power generation and supply in Slovakia, but also strengthened its position on the regional market, where we are already active in other associated areas including power generation and supply in the Czech Republic and power and gas distribution and supply in Slovakia. The position of SE on both the national and the regional level will further strengthen upon the successful completion of two nuclear units in Mochovce, which will add a further 942 MW of efficient, carbon-free installed capacity, ultimately producing approximately 7–8 TWh of electricity annualy. Production from Mochovce 3&4, the largest private investment in Slovakia's history, will secure the self-sufficiency of the Slovak power system and will make Slovakia a net power exporter. The commissioning of the two units, both using a proven and safe nuclear technology, is planned for Decemeber 2018 and Decemeber 2019, respectively. At the end of 2016, the overall physical progress reached 94% at Unit 3 and almost 81% at Unit 4.

Particularly for Slovakia, SE assets are a critical source of stable electricity supply as the nuclear portfolio operates in a baseload mode and is well complemented by the unique group of run-of-river and pump storage hydro power plants, where the latter serve through ancillary services as a stabilising factor for the grid due to their flexibility. Finally, the attractiveness and importance of the assets is emphasised by their carbon neutrality where as much as 90% of the electricity supply in 2016 was completely carbon free, thus saving millions of tons of GHG emissions. Contrary to the lignite and hard coal power plants, whose role we foresee as a bridging technology for the future years, EPH believes that the nuclear and hydro portfolio will continue to provide stable, safe and environmentally friendly energy for decades to come.

3.6 GW of completely carbon-free generation, whereby both hydro and nuclear energy have an irreplaceable role in terms of 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 WWER[1] units worldwide based on INPO index (Q3 2015) and have an operational license with strict and comprehensive safety reviews every 10 years performed by the regulator based on European standards. The construction project of 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 CO_2-eq emissions reduction once in operation.

1 The Water-Water Energetic Reactor

RELIABILITY AND SAFETY AT NUCLEAR POWER PLANTS

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

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

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

At Bohunice NPP, by the end of 2016, 12 out of 18 projects were implemented and the remaining 6 projects are in an advanced stage of procurement or project documentation preparation.

At Mochovce nuclear power plant, by the end of 2016, 11 out of 22 projects were implemented, 3 projects were ready for complete implementation during the general overhaul in 2017 and the remaining 8 projects were in an advanced stage of procurement or project documentation preparation.

ENVIRONMENT AT POWER PLANTS

For 2016 SE set 52 environmental objectives totaling EUR 12,527 thousand with the aim of continuously improving SE's environmental impact. 18 objectives amounting to EUR 5,335 thousand were successfully completed, 15 objectives amounting to EUR 7,035 thousand are still in process, 1 objective is delayed, without the activities of 12 objectives were postponed and 6 objectives were cancelled.

Among the key achievements is a significant minimisation of the liquid and solid radioactive waste in the Bohunice nuclear power plant and the completion of a new building for waste management.

Savings of 6,173 tonnes of CO_2-eq emissions per year were achieved by replacing fossil fuels with wood chips – biomass in fluidised-bed boilers in Vojany power plant. Another saving of approximately 2,000 tonnes of CO_2-eq emissions per year compared to a similar volume of electricity generated in coal power plants was achieved by full utilization of the installed capacity in Mochovce and Vojany photovoltaic power plants.

Fig. 14 View on the operations control centre in Mochovce nuclear power plant.

Main SE figures 2016 and 2015

all data are presented on 100% ownership basis

Fig. 15 Main SE figures 2016 and 2015.

GRI/EUSS	KPI	Unit	2016	2015	2015–2016	%
Operations and sales						
EU1	Net installed capacity – Electricity	MW	3,820	4,012	(192)	(3%)
	Hard coal	MW	198	198	–	(1%)
	Lignite[1]	MW	216	408	(192)	(50%)
	Nuclear	MW	1,814	1,814	–	–
	Hydro	MW	1,590	1,590	–	3%
	Photovoltaic	MW	2	2	–	(1%)
EU1	Net installed capacity – Heat	MW	579	579	–	3%
EU2	Net power production	TWh	17.2	17.9	(0.6)	(1%)
EU2	Net heat production	TWh	0.9	0.8	–	(5%)
G4-9	Amount of electric energy sold	TWh	24.0	25.1	(1.1)	(1%)
G4-9	Heat supplied to district heating network	PJ	2.4	2.4	–	(5%)
	UCF coefficient (Unit capability factor)	%	89.1%	91.8%	(3%)	–

“As much as 90% of the electricity supply in 2016 was completely carbon free.

1 Excluding ancillary back up unit NSJ in Nováky power plant.

For more information, please visit www.seas.sk

Main SE figures 2016 and 2015 (continue)

all data are presented on 100% ownership basis

GRI/EUSS	KPI	Unit	2016	2015	2015–2016	%
Environment						
G4-EN15	Direct GHG emissions (Scope 1)	million tons CO_2-eq	2.3	2.5	(0.2)	(1%)
G4-EN18	Emissions intensity – including heat component	ton Co_2-eq/GWh	127	135	(8)	1%
G4-EN3	Energy consumption	PJ	186.9	192.7	(5.8)	(1%)
	Hard coal	PJ	5.2	4.5	0.7	(1%)
	Lignite	PJ	18.3	20.9	(2.6)	3%
	Nuclear	PJ	163.1	166.5	(3.4)	(9%)
	Other	PJ	0.3	0.8	(0.5)	3%
G4-EN21	Total SO_2 emissions	thousand tons	6.4	47.3	(40.9)	(9%)
G4-EN21	Total NO_x emissions	thousand tons	1.9	3.9	(2.0)	3%
G4-EN21	Total dust emissions	thousand tons	0.2	0.5	(0.4)	(2%)
G4-EN8	Quantity of water withdrawn	million m^3	50.9	53.5	(2.6)	5%
G4-EN22	Quantity of water discharged	million m^3	15.3	14.6	0.7	29%
G4-EN23	Byproducts – Total production	million tons	0.9	0.7	0.2	15%
	Ash	million tons	0.3	0.5	(0.1)	36%
	Slag	million tons	0.1	0.1	–	1%
	Gypsum	million tons	0.2	0.1	0.2	1%
	Additional material	million tons	0.2	0.1	–	40%
	Other	million tons	0.1	–	0.1	3%
G4-EN23	Waste other than byproducts – Total production	thousand tons	13.4	12.0	1.4	40%
	Non-hazardous waste	thousand tons	10.9	9.9	1.0	3%
	Hazardous waste	thousand tons	2.5	2.0	0.4	132%

GRI/EUSS	KPI	Unit	2016	2015	2015–2016	%
Social						
G4-LA6	Injury Frequency Rate – Employees	index	0.5	0.1	0.3	(15%)
G4-LA6	Registered injuries – Employees	#	3	1	2	(17%)
G4-9	Headcount	#	4,380	4,289	91	(1%)
	Male	#	3,689	3,626	64	(2%)
	Female	#	690	663	27	1%
	Executives	#	26	25	1	5%
G4-LA1	New hires rate	%	11%	9%	2%	–
	Employee turnover rate	%	9%	11%	(2%)	–
G4-LA9	Total training hours – per employee	hours per capita	50.0	60.7	(10.8)	–

Fig. 16 Vineyard Wolkenberg, recently grown on LEAG's recultivated areas with Welzow-Süd open-cast mine and Schwarze Pumpe power plant in the background.

3.2 Lausitz Energie Verwaltungs (LEAG)

Description of assets

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 owns a 50% stake in the holding entity Lausitz Energie Verwaltungs GmbH, which is the majority owner of the two key operating subsidiaries – Lausitz Energie Bergbau AG (former Vattenfall Europe Mining AG) and Lausitz Energie Kraftwerke AG (former Vattenfall Europe Generation 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 ca. 8.0 GW and a total of around 8,000 employees. Through this acquisition, the Consortium has strengthened its position in Germany, built on the existing local activities of EPH, represented mainly by MIBRAG, and became one of the four largest power producers and the second largest lignite miner in Germany as well as one of the largest employers in the region.

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 to ensure 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 over several decades and these assets will play an important role as an interim bridging technology providing a secure and non-intermittent energy supply.

Role of the assets in the German energy market

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, they cover approximately two thirds of Germany's electricity consumption. The renewable energies primarily include wind power, photovoltaic (“PV”), biomass and hydro power. While renewables, as well as lignite, are domestic energy resources, the remaining fossil energy resources (hard coal, oil and gas) and uranium for the nuclear power plants are mainly imported from abroad.

In the absence of available electricity storage capacities that are yet to be developed on a larger 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, needs power plants that can balance out the fluctuations during the course of a day, which from today's point of view is not a role suitable for renewable sources. In Germany and under the current setup, this role can be assumed primarily by coal- or gas-fired power plants and pump storage plants.

Given the dynamic growth of renewable energies and their granted priority dispatch, the balancing tasks of conventional power plants are expanding. While in the past, conventional power plants primarily provided a stable baseload generation, today their flexibility is increasingly required. Electricity generation from PV and wind cannot meet up consumer's demand, due to the variation in wind intensity and solar radiation. Since capacities for electricity storage are still limited, effective production from wind and PV plants 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. Moreover, due to the relatively significant geographic distances between the production areas of renewables (e.g. off-shore wind) and the consumption sites, grid development and congestions play a major role. Until these challenges can be solved, controllable conventional power production in both directions (up-regulating as well as down-regulating) is still required.

> “ These assets represent a significant part of the flexible and dependable power capacity in Germany.

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

Fig. 17 Operating personnel in the Schwarze Pumpe power plant.

In September 2010, the German government adopted a long-term “Energy strategy for an environmentally sound, reliable and affordable energy supply”. The set targets are to halve the country's 2008 primary energy consumption figures by 2050 and to reduce electricity consumption by a quarter. The percentage share of renewable energy sources in gross electricity consumption will be increased from 17% to 50% by 2030 and to 80% by 2050. If economic and social standards and development in Germany not to be harmed, these targets, ambitious from today's perspective, are in our view only achievable in combination with a flexible bridging technology that will act as a backstop guaranteeing the stability of supplies. Considering the situation on the German and global energy markets, lignite is a 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, considering the planned phase out of nuclear energy, lignite will become an increasingly important pillar in Germany's electricity supply. Already one in every four kilowatt-hours of electricity consumed in Germany is generated from this domestic energy source.

Finally, socially and economically, lignite assets are of vital importance for the Lusatia region. Around 8,000 people work in the Lusatian opencast mines, power stations, administrative offices and service sectors alone. A large number of jobs are created indirectly. It is estimated that about 33,500 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.

APPROXIMATELY

30 km

AVERAGE LIGNITE TRANSPORT
DISTANCE TO POWER PLANTS

Fig. 18 Lignite is a local energy source closely related to power plants, whereas hard coal needs to be imported from all over the world.

Sustainability initiatives

Within mining, considerable attention is dedicated to recultivation activities for former mining areas. Lusatia's landscape is characterized by forests, lakes and fields. The recultivation process 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 agriculture. 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 1,874 hectares of agricultural land have been created on former mining dumps so far. The post-mining landscape of the opencast mines Welzow-Süd and Jänschwalde offers particularly favourable conditions for agricultural areas. The declarations of intent, which already regulate the transfer of almost 2,000 hectares of post-mining land, are evidence of how regional agricultural cooperatives desire these areas.

Water also plays a prominent role in the recultivated areas. Water and coal are an ambivalent combination: water signifies danger in the pit and at the same time it is indispensable for designing the post-mining landscape. For safety reasons, the lignite reserves must be free of ground water. Consequently the excavation area is dewatered. About 6 to 7 m^3 of water have to be pumped out in order to obtain one ton of lignite. About 300 million m^3 of this water, respectively 70%, is fed back into the regional rivers Spree, Schwarze Elster and Neiße. For processing the pit water LEAG operates seven water treatment plants nearby the mines.

By the time mining ceases, the proportion of aquatic usages in the post-mining landscape will rise to 25%, mostly as a result of new lakes created by flooding former opencast pits. The landscape of the opencast mine Cottbus-Nord is a good example (see section 8.3 Environment/Water).

Responsibility and future actions

Through other activities in Germany 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. With the acquisition, the Consortium takes over all regulatory obligations related to the operations, including provisions for recultivation. The Consortium and EPH respect the long-term targets of the “Energiewende” set by the government and are committed to operate their portfolio to contribute to these targets, gradually reduce the climate footprint and respect the interests of all stakeholders. As an initial step, we are prepared to honour the decision of the German government and place two blocks of Jänschwalde power plant into capacity reserve, the first in October 2018 and the second in October 2019. This alone will contribute about 7 million tons per annum in CO_2-eq reduction.

In March 2017, LEAG introduced its strategy for the Lusatian mining district for the next 25 to 30 years. According to the strategy, the approved reserves of Jänschwalde opencast mine will be fully extracted until 2023. There will be no further mining on the Jänschwalde-Nord field. Nochten opencast mine, currently operating the mining field 1, will be expanded into Sonderfeld Mühlrose which is part of the originally intended mining field 2. Through this, the number of necessary resettlements will be reduced from 2,600 to a little more than 200 people. The partial section II of Welzow-Süd opencast mine will be decided upon by 2020. With this new planning as a basis, lignite will be better positioned to take over its role of partner to the renewables with the aim of securing electricity supply around the clock. The new strategy also means better conditions for the Lusatia region, its communities and companies and creates a better path for Lusatia's further development as an energy region.

Fig. 19 Vegetation is being brought back to its natural sandy terrain during recultivations of the former mine areas. LEAG planted around 30 million trees since 1994.

The Lusatia lignite mining region

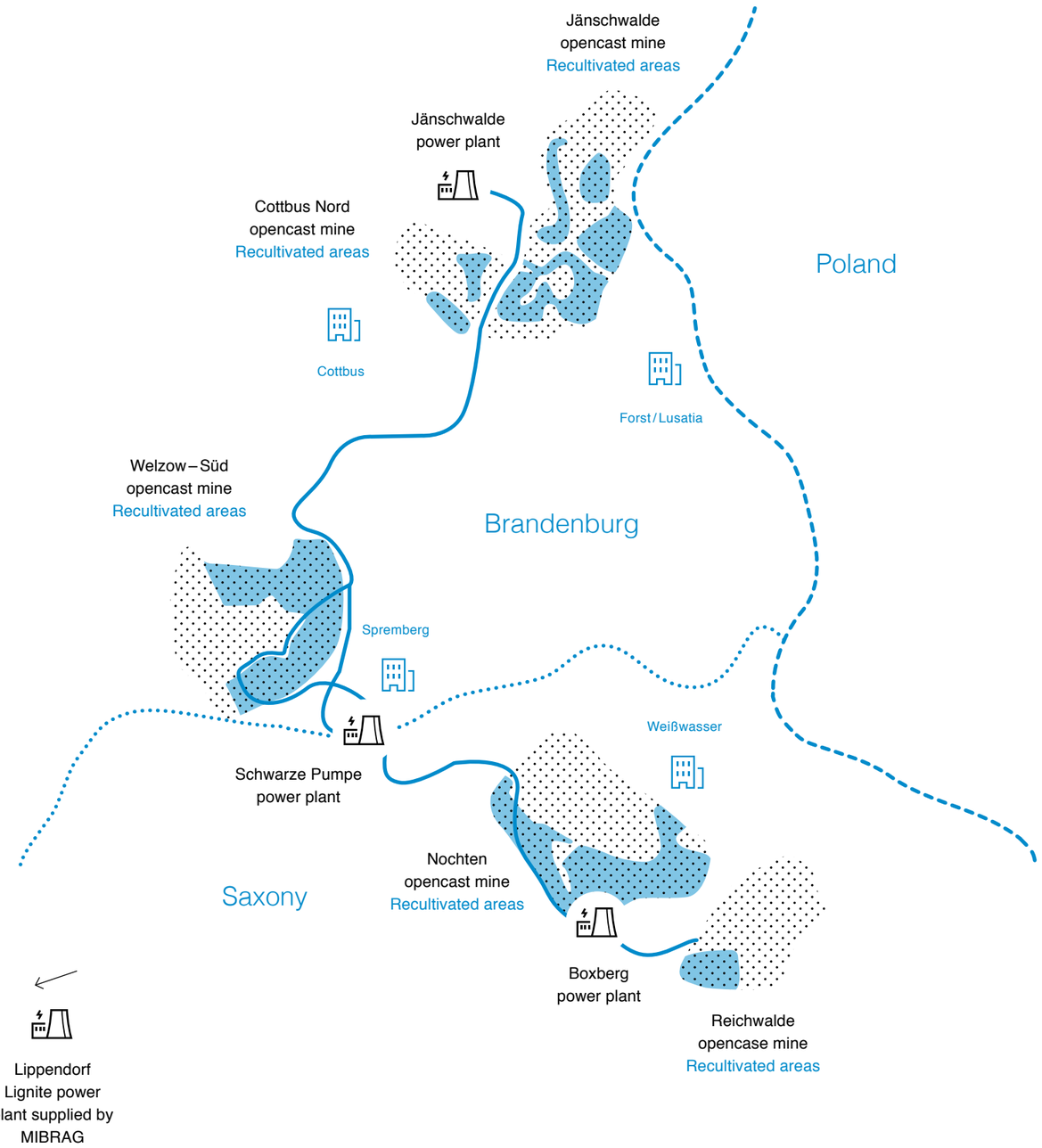


Fig. 20 Lusatia lignite mining region overview.

Main LEAG figures 2016 and 2015

all data are presented on 100% ownership basis

Fig. 21 Main LEAG figures 2016 and 2015.

GRI/EUSS	KPI	Unit	2016	2015	2015 - 2016	%
Operations and sales						
	Coal extraction	million ton	62.3	62.8	(0.5)	(1%)
EU1	Net installed capacity – Electricity	MW	7,828	8,091	(263)	(3%)
	Lignite	MW	7,602	7,645	(43)	(1%)
	OCGT and other NG	MW	223	446	(223)	(50%)
	Biomass	MW	3	–	3	–
EU1	Net installed capacity – Heat	MW	1,851	1,802	49	3%
EU2	Net power production	TWh	55.1	55.9	(0.8)	(1%)
EU2	Net heat production	TWh	3.5	3.7	(0.2)	(5%)
G4-9	Amount of electric energy sold	TWh	54.9	55.6	(0.8)	(1%)
G4-9	Heat supplied to district heating network	PJ	11.3	11.9	(0.6)	(5%)

For more information, please visit www.leag.de

Main LEAG figures 2016 and 2015 (continue)

all data are presented on 100% ownership basis

Environment

GRI/EUSS	KPI	Unit	2016	2015	2015 - 2016	%
G4-EN15	Direct GHG emissions (Scope 1)	million tons CO_2-eq	59.9	60.4	(0.4)	(1%)
G4-EN18	Emissions intensity – including heat component	ton CO_2-eq / GWh	1,022	1,013	9	1%
G4-EN3	Energy consumption	PJ	541.4	546.8	(5.5)	(1%)
	Lignite	PJ	531.5	537.3	(5.8)	(1%)
	Other	PJ	9.9	9.6	0.3	3%
G4-EN21	Total SO_2 emissions	thousand tons	41.7	45.7	(3.9)	(9%)
G4-EN21	Total NO_x emissions	thousand tons	43.4	42.1	1.4	3%
G4-EN21	Total dust emissions	thousand tons	1.2	1.3	–	(2%)
G4-EN8	Quantity of water withdrawn	million m^3	636.3	605.2	31.1	5%
G4-EN22	Quantity of water discharged	million m^3	9.4	7.3	2.1	29%
G4-EN23	Byproducts – Total production	million tons	8.7	7.6	1.2	15%
	Ash	million tons	4.3	3.2	1.1	36%
	Slag	million tons	1.3	1.3	–	1%
	Gypsum	million tons	3.2	3.1	–	1%
G4-EN23	Waste other than byproducts – Total production	thousand tons	38.1	27.3	10.8	40%
	Non-hazardous waste	thousand tons	20.2	19.6	0.7	3%
	Hazardous waste	thousand tons	17.8	7.7	10.2	132%
	Land creation and regeneration	hectares	517	319	198	62%
	Agricultural	hectares	269	114	155	136%
	Forest	hectares	177	157	20	13%
	Other uses for nature protection	hectares	71	48	23	48%

Social

GRI/EUSS	KPI	Unit	2016	2015	2015 - 2016	%
G4-LA6	Injury Frequency Rate – Employees	index	1.2	1.4	(0.2)	(15%)
G4-LA6	Registered injuries – Employees	#	15	18	(3)	(17%)
G4-9	Headcount	#	8,329	8,432	(103)	(1%)
	Male	#	6,811	6,935	(124)	(2%)
	Female	#	1,518	1,497	21	1%
	Executives	#	97	92	5	5%
G4-LA1	New hires rate	%	8%	6%	2%	–
	Employee turnover rate	%	8%	6%	2%	–
G4-LA9	Total training hours – per employee	hours per capita	28.4	25.9	2.5	–

3.3 Other share participations

EPH owns a 50% stake in the Italian company Ergosud S.p.A. and its operating power plant Scandale with a power capacity of 830MW. Direct GHG emissions of the plant in 2016 and 2015 were 790,269 and 486,240 tons of CO_2-eq. (data presented on 100% ownership basis) EPH also owns the 41.9% stake in POZAGAS a.s. that operates the natural gas storage facility situated in the eastern part of the Vienna basin close to the town of Malacky.

3.4 Subsequent events

Sale of stake in EPIF

In October 2016, EPH entered into an agreement with a consortium of global institutional investors led by Macquarie Infrastructure and Real Assets ("MIRA") on the sale of a 31% stake in EPIF. Following to certain closing conditions including approval by antitrust offices, particularly in Germany and Austria, the transaction was closed on February 24, 2017. The remaining 69% of EPIF remained with EPH, which also retained management control over EPIF. The MIRA-managed consortium is led by Macquarie European Infrastructure Fund 5 and includes global institutional investors.

New acquisitions

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 ("CCGT") power stations, with a combined capacity of 2.3 GW, to EP UK Investments Ltd ("EP UK"), a 100% subsidiary of EPPE, for GBP 318 million (approximately EUR 350 million) in cash, subject to customary working capital and other completion adjustments. The transaction was subject to EU merger clearance and was completed at the beginning of September 2017.

INCREASE IN SHARE OWNERSHIP IN POZAGAS A.S.

On 28 April 2017, NAFTA a.s. signed a share purchase agreement with GDF International S.A. on the purchase of a 30% share in POZAGAS a.s., thus, after the completion, increasing the EPH Group's effective combined direct and indirect share to almost 43% (while SPP-I Group's effective combined direct and indirect share shall be approximately 72%). The completion of the transaction shall take place upon receipt of all necessary regulatory approvals and is expected in the second half of 2017.

ACQUISITION OF MEHRUM POWER PLANT

On 16 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 0.8 GW. The power station has about 120 employees. The transaction was completed in November 2017.

4 Governance and 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.

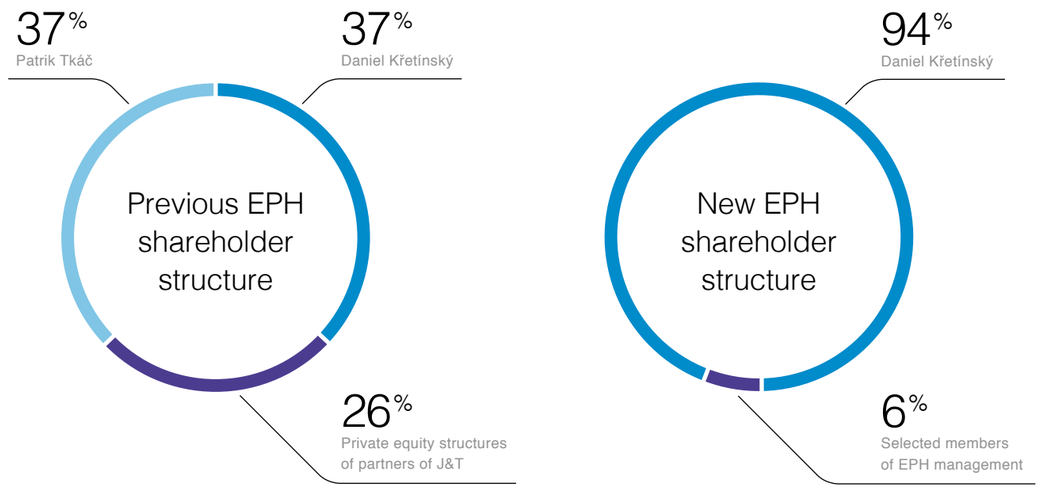


Fig. 22 Previous and new EPH shareholder structure.

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. Moreover, the Supervisory Board's approval is required for a predefined catalogue of matters including, but not limited to, approval of the Company Budget, decisions on changes to registered capital, major capital expenditure or M&A activities etc.

The following individuals served as members of the Company's Supervisory Board as of the end of August 2017[1]:

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. Creation of the EPPE subholding is still ongoing. The power generation assets in Italy, the UK and LEAG are, as of date of the Report, placed under the EPPE sub-holding structure. Assets of JTSD Group and newly acquired Slovenské elektrárne remain, for now, legally out of the EPPE scope. Nevertheless, from the management prospective and also in this Report, are these assets 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[1]

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 Stříteský	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 Power Europe management[2]

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 Jakabovič	Chairman of the Supervisory Board
Martin Fedor	Member of the Supervisory Board
Miloš Badida	Member of the Supervisory Board

1 Table shows the status as of the end of August 2017.
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 Mišrácký and Milan Jalový ceased to be the Members of the Supervisory Board. Effective as of 24 February 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.
2 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, CN 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 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

Practical management of our subsidiaries in the UK and Italy Case Study

UK

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

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

Italy

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

4.2 Compliance

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

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

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

These policies are based on the following principles and guidelines:

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

> “ EPH takes steps to ensure compliance with new data protection regulation (GDPR) as well as 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.

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

Whistleblower hotline in Eustream

Case Study

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

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

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

The whistleblower hotline operates under the following basic principles:

- Maintain and protect confidentiality and anonymity
  Employees can Report potential wrongdoings anonymously. The reports, whether made anonymously or not, are treated equally with the same severity level. The confidentiality of the employee is guaranteed in all cases and their identity is disclosed only after his or her consent;

- No retaliation
  We emphasise that employees reporting potential wrongdoings will not be subject to any discrimination, such as retaliation or retribution in the workplace, when communicating whistleblower hotline procedures;

- Clear rules of operation
  All reports are addressed in an appropriate and timely manner and are immediately communicated to the company top management. The top management oversees the steps taken during the investigation process and is informed, after proper analysis, of the conclusions. All of the investigations are conducted by the Internal audit team and a complete audit trail is archived for each investigation performed.

Fig. 23 Business meeting in Eustream company premises.

5 Stakeholders

Investors & lenders

Investor relations
Presentations
Annual report

Employees

Internal communication
Trainings
Bottom up

Customers

Customer service
Satisfaction surveys
Internet

Government & regulators

Letters to institutions
Direct meetings
Annual report

Suppliers & contractors

Technical briefings
Internet
Informative training

Competitors

Conferences
Best practice sharing

Labour & trade unions

Dedicated meetings

NGOs

Brochures
Bulletins
Conferences

Local communities & municipalities

Focus groups
Opinion makers consultation

Media

Press releases
Press conferences
Internet

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

Labour and trade unions

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

NGOs

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

Media

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

Based on this analysis, summarised in the Figure 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	● ▼	● ▼	●
Customers	▼	●	▼
Employees	● ▼	▼	▼
Government and regulators	● ▼	● ▼	▼
Suppliers and contractors	● ▼	●	● ▼
Competitors	●	●	▼
Local communities and municipalities	▼	▼	▼
Labour and trade unions	▼	▼	● ▼
NGOs	● ▼	● ▼	●
Media	● ▼	● ▼	●

Legend	At global level	At local level
High interest	●	▼
Medium interest	●	▼
Low interest	●	▼

Fig. 25 **Primary stakeholder groups and priority areas.**

Engagement with stakeholders in 2016

SSE-D – criticism over electricity prices increase for households

Towards the end of 2016, the regional energy distribution company Stredoslovenská Energetika - Distrbúcia (SSE-D) 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.

SSE-D 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.

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.

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

Principles for Report Content

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

Principles for Report Quality

Principle	EPH approach
Balance	Assessment of strengths and weaknesses in relation to 2016 results and future goals
Comparability	Presentation of 2015–2016 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 2016
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

Materiality matrix

The finalised list of material items provided the framework for compiling the sustainability content of this report. The areas that were deemed to be the most material are shown in the materiality matrix in Figure 27 with further detail provided in Figure 28, which shows how these areas were mapped to corresponding G4 indicators.

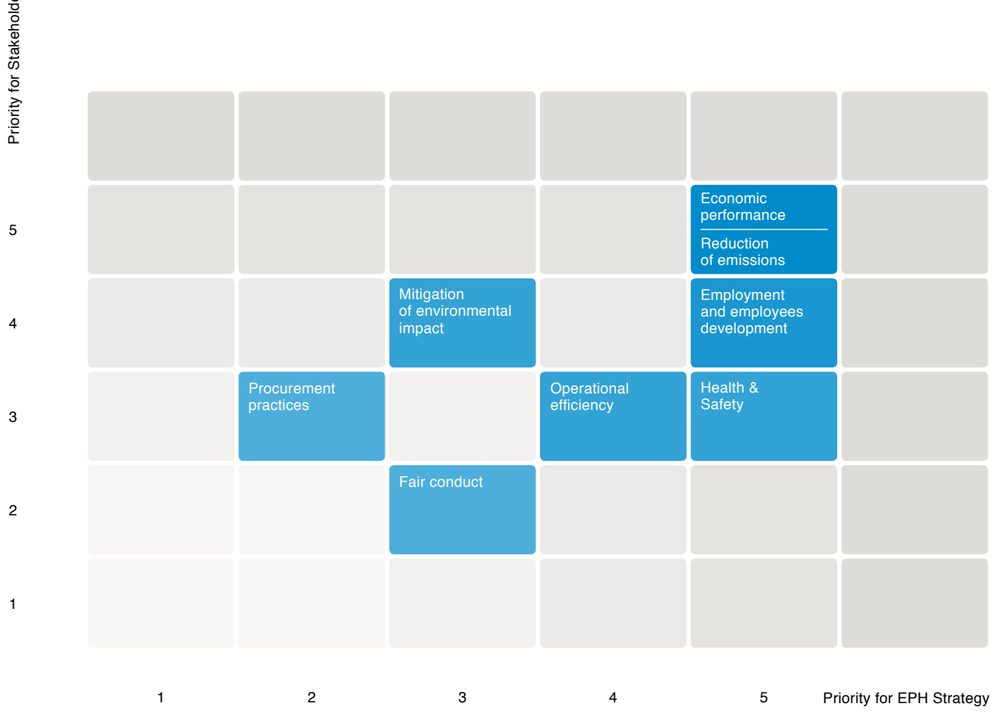


Fig. 27 Materiality matrix.

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 G4 that have formed the basis, both quantitatively and qualitatively, for this Report.

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

ABSOLUTE PRIORITY

- Economic performance
- Reduction of Emissions.

HIGH PRIORITY

- Employment and employee development
- Health and Safety

PARTICULAR ATTENTION

- Operational efficiency
- Fair conduct
- Mitigation of environmental impacts

OTHER FOCUS AREAS

- Procurement practices

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

Fig. 28 Mapping of material areas to GRI indicators.

7 Economic performance and business

7.1 Economic performance

2016 EPH financial performance

EPH is one of the ten largest industrial groups based in the Czech Republic in terms of sales, and among the five largest industrial groups in terms of EBITDA. For the year ended December 2016, EPH recorded total consolidated sales and EBITDA of EUR 4,931 million* and EUR 1,520 million*, respectively.

EUR 2,020 million, or 41% of EPH's sales in 2016, were generated in the Slovak Republic through (i) gas transmission conducted by Eustream, which is the owner and operator of one of the major European gas pipelines and is the only gas transmission system operator in the Slovak Republic, (ii) gas distribution undertaken by SPP-D, providing access to natural gas to 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 over 738,000 connection points in its network. Further operations in the Slovak Republic include mainly the storage of natural gas, provision of storage related services and supply of power and natural gas to end-customers. EPH has further strengthened its position on the Slovak market through acquisition of a 33% stake in Slovenské elektrárne, which took place in 2016.

* This data has been compared with EPH's 2016 Annual Report by the independent auditing firm EY.

EPH consolidated sales per country

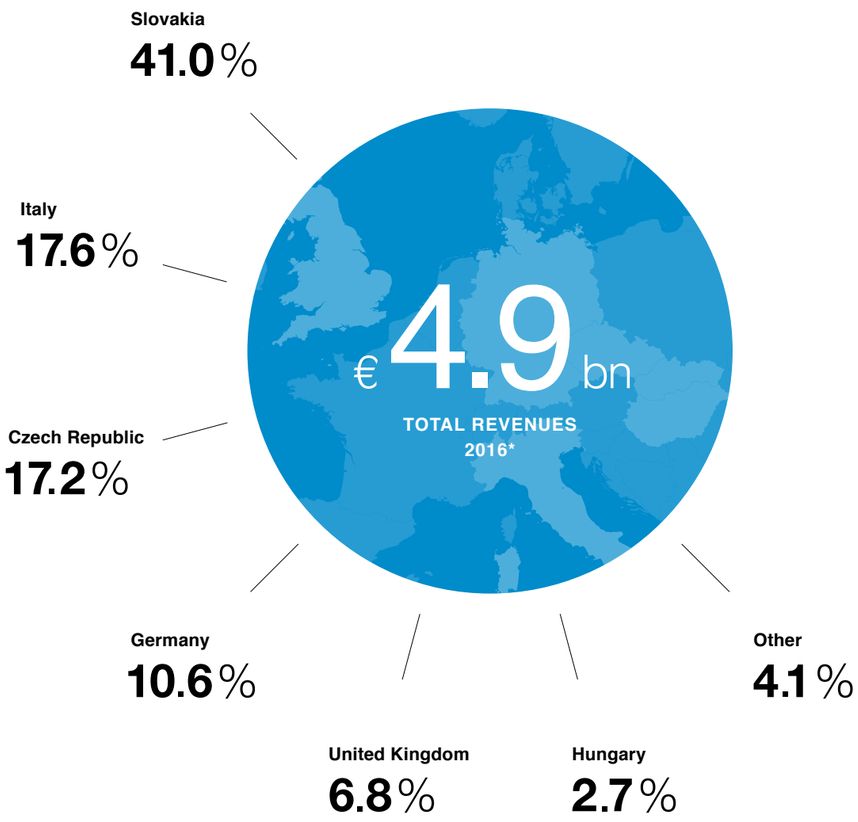


Fig. 29 EPH consolidated sales per country.
Source: EPH audited consolidated financial statements

In 2016, 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 and also owns and operates the most extensive district heating system in the Czech Republic, which supplies heat to the City of Prague. EPH realised sales of EUR 850 million through its Czech based subsidiaries in 2016.

Italy is the second largest revenue contributor for EPH, with total revenues in 2016 amounting to EUR 866 million. This increase is primary due to our Italian assets being consolidated for the full year 2016 as opposed to only a fraction of 2015 and due to improved operations as well as price conditions on the Italian power market.

Sales totalling EUR 524 million were recorded in Germany in 2016 and are mostly connected with the lignite mining operations of MIBRAG and also with the power generation activities undertaken mainly by the Buschhaus power plant.

Despite the fact that the operations of Slovak companies account for 41% of EPH's total sales, Slovak operations have a 72% 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 which were both entered via acquisitions during the course of 2015.

* This data, after giving effect to rounding, has been compared with EPH's 2016 Annual Report by the independent auditing firm EY.

EPH consolidated sales and EBITDA

EPH reported significant EBITDA and sales growth

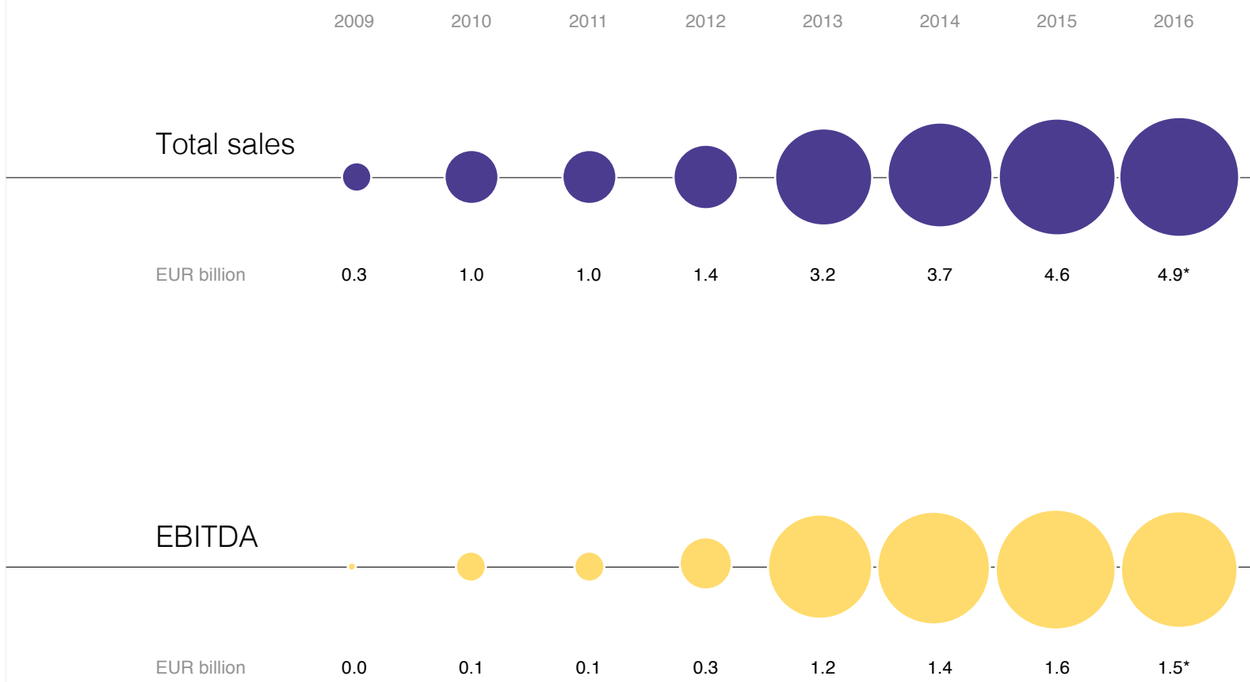


Fig. 30 EPH consolidated sales and EBITDA.
Source: EPH audited consolidated financial statements

Growth of EPH

The acquisition growth of EPH can be illustrated by its sales CAGR of 51% and EBITDA CAGR of 67% between 2009 and 2016. 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 2016 Annual Report by the independent auditing firm EY.

EPH total assets & equity

EPH performance is backed by heavy and well invested asset base

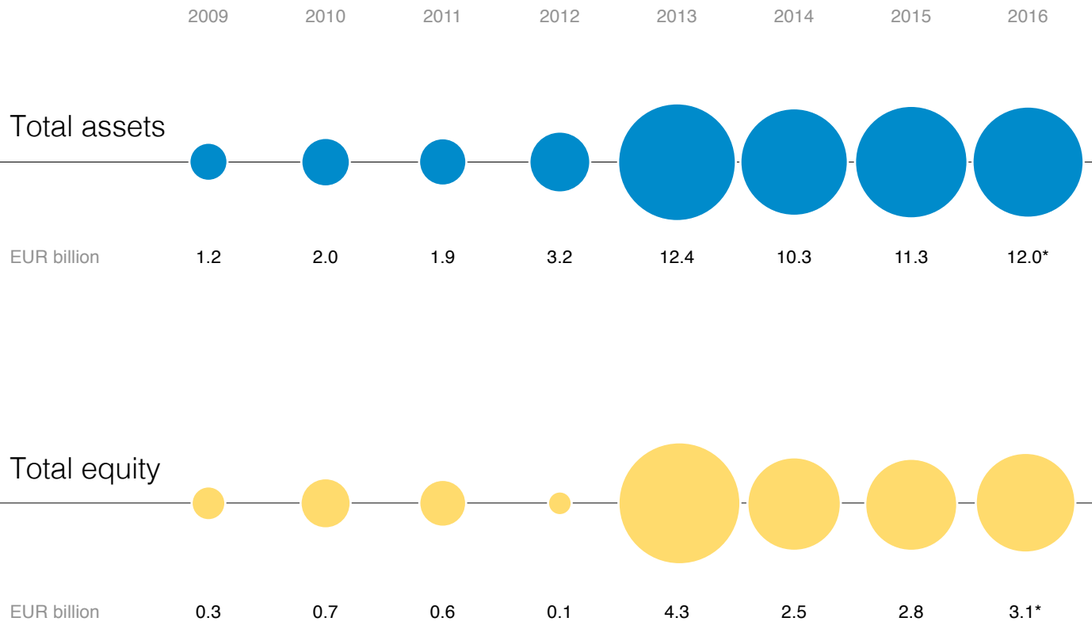


Fig. 31 EPH total assets and equity.
Source: EPH audited consolidated financial statements

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 approximately EUR 800 million cumulatively in the last three years alone, particularly driven by the acquisitions of SPP-I and SSE.

* This data, after giving effect to rounding, has been compared with EPH's 2016 Annual Report by the independent auditing firm EY.

EPH income tax paid

EPH is a responsbile tax payer

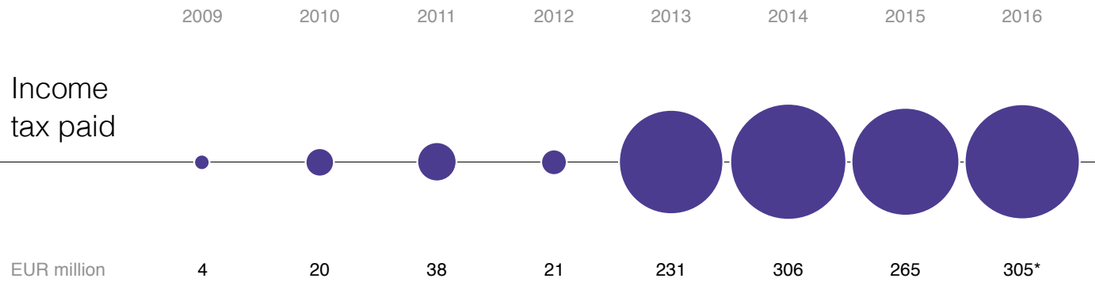


Fig. 32 EPH income tax paid.
Source: EPH audited consolidated financial statements

Although the majority of EPH total sales is realised in the Slovak Republic (41.0% of 2016 total sales), in Italy (17.6% of 2016 total sales) and in the Czech Republic (17.2% of 2016 total sales), EPH is subject to the tax laws of several other jurisdictions. EPH, as a Czech based Company with multiple operating subsidiaries across the different countries, is a responsible tax payer according to the tax rules of the respective jurisdictions and most taxes are paid locally, in the countries where we operate. Specifically, in the Slovak Republic, our four major subsidiaries (Eustream, SPP-D, SSE and Nafta) represented approximately 3% of Slovak Republic's budget income for 2016 with Eustream being the largest corporate income tax payer with a bill of some EUR 161 million in 2016.

Furthermore, EPH operates in an energy sector that is subject to certain special levies which further increase our contribution to public finances. In Slovakia, a special levy on businesses in regulated industries was introduced in 2013 and is payable by any regulated entity (i.e. a licensed entity) with revenues from regulated business activities exceeding 50% of the Company's total revenues. In 2016, Eustream, SPP-D, Nafta and SSE group incurred costs of some EUR 23.5 million, EUR 7.2 million, EUR 3.6 million and EUR 2.4 million, respectively for this special levy. In Hungary, a similar situation is occurring where a special levy imposed on companies operating in the energy sector is impacting our subsidiary BERT.

EPH foundation

However, EPH is not only a regular and responsible tax payer but together with our subsidiaries we strive to take an active part in voluntary charitable projects and initiatives that go beyond the financial obligations that we have towards the state or our other stakeholders. Our efforts led to the recent creation of the EPH Foundation, which has so far participated 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, 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.

For further information on the EPH Foundation please refer to the separate case study on page 83.

* This data, after giving effect to rounding, has been compared with EPH's 2016 Annual Report by the independent auditing firm EY.

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. 33 EPH growth.

2001

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

2009

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

1 Pražská teplárenská — Minority stake

2 EOP ELEKTRÁRNY OPATOVICE — 100%

3 MIBRAG — 50%

2010

1 Pražská teplárenská — Investment increased to 73%

2011

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

2012

4 Saale Energie — 400 MW stake in Schkopau power plant

3 MIBRAG — 50%

2013

5 eustream SLOVAK GAS TSO

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

5 SPP Storage

5 SSE STREDOSLOVENSKÁ ENERGETIKA — 49% + management control

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

2015

6 Eggborough Power Ltd — 100%

7 EP PRODUZIONE — 100%

8 Budapesti Erőmű ZRt. — 95.6%

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

2016

Consolidation of the Company expansion to Western European markets

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

9 LYNEMOUTH POWER — 100%

10 SLOVENSKÉ ELEKTRÁRNE — 33%

11 LEAG — 50%

2017

12 EP SHB — 100%[1]

12 EP Langage — 100%[1]

13 Kraftwerk MEHRUM — 100%[2]

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.

Nadácia EPH

EPH Foundation Case Study

Our community efforts and social aspirations led to the recent 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. We chose three examples of these projects for this Report:

Fig. 34 As part of the Health & Sport programme, EPH Foundation supports girls football tournament.

INTERNATIONAL CONTEST IN HYDROGEN-POWERED RC CAR RACE

An international contest in hydrogen-powered RC car race for secondary schools organized by the Science and Education Agency (SEA) in cooperation with Horizon Educational. The main idea behind the contest is spreading information about renewable sources of energy and supporting teamwork and excitement for technology. The first contest took place in Prague in April 2016 and was attended by 5 Slovak and 15 Czech secondary schools. The winner from each country qualified to attend the global round held in France. This year was the second for the contest and took place in Bratislava and was attended by 18 secondary school teams. In the future, the number of contesting teams and schools should increase in order to increase awareness of renewable energy and the variety of uses and benefits it can bring to our daily lives.

The objectives of the project are popularization of modern technologies in the educational process, achieving knowledge and raising awareness of renewable energy sources, raising awareness of global climate change, understanding hydrogen as a source of energy, support critical thinking, creative design, group problem solving, getting hands-on experience as well as entertaining in the future profession. At the end of the project students have become acquainted with the issue of renewable energy, have learned to work in a team using critical and creative thinking, and they used the theory in practice which resulted in the Slovenian team winning on the international round.

“ The main idea behind the contest is spreading information about renewable sources of energy and supporting teamwork and excitement for technology.

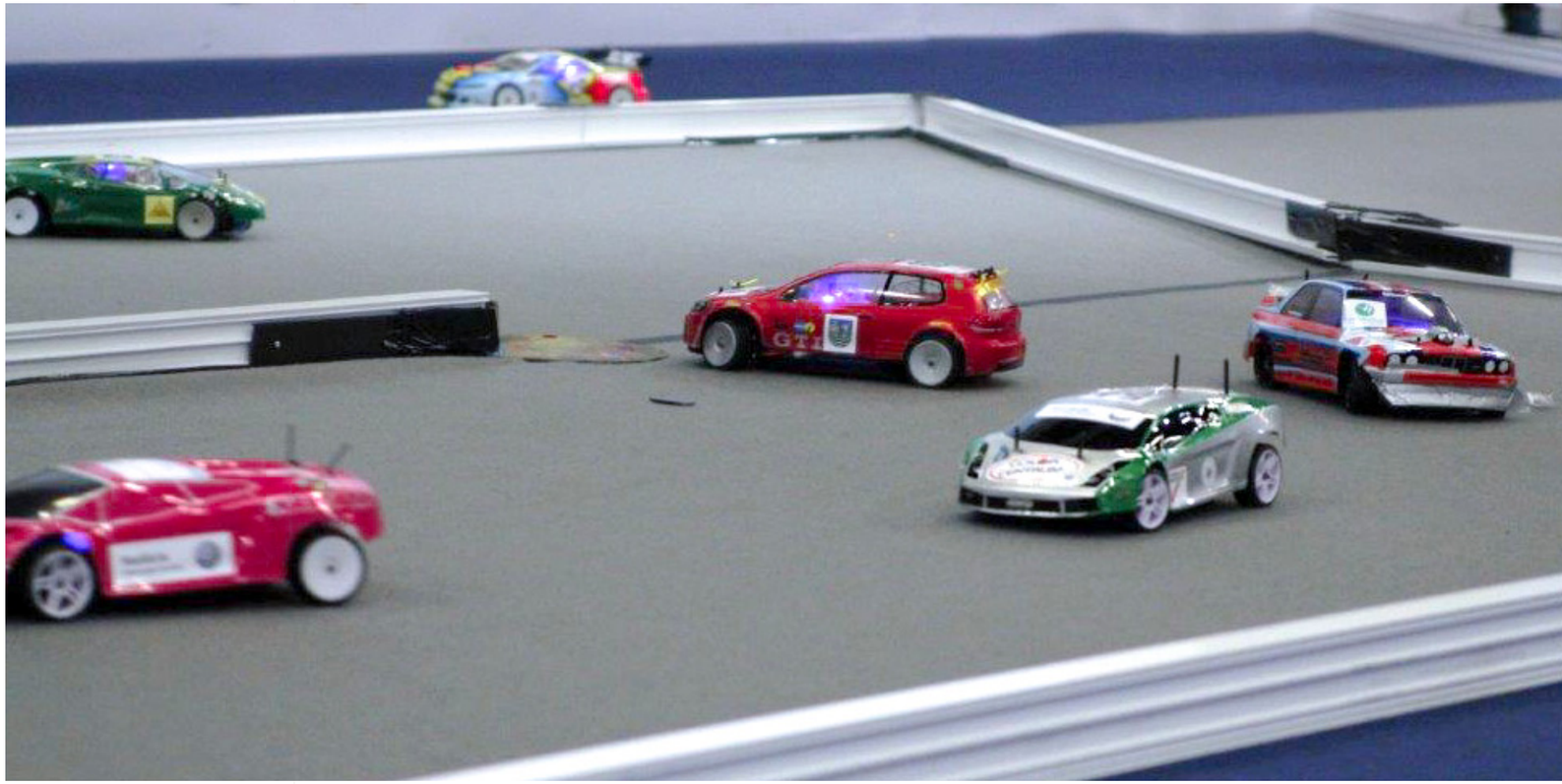


Fig. 35 Slovak and Czech secondary school teams gathered together for contest in hydrogen-powered remote control car race.

RESTORATION OF THE CULTURAL MONUMENT HRUŠOV CASTLE

Restoration of the Hrušov Castle cultural monument organized by Leustach, an association for the rescue of medieval architecture heritage of the Nitra region, was carried out from July to November 2016. The Association has already carried out protection and preservation works for 12 years, particularly through volunteers who have been educated in as to rehabilitation and restoration works. The project aims at restoring and promoting the Hrušov Castle and making it accessible to the public. Each intervention is subject to preceding historical & architectural and archeological survey.

The target group was children and young people from the age of 10 and young people from all over Slovakia, mostly students from different schools, as well as working young people who came to participate in the preservation of cultural monuments. The goal is not only to continue the rehabilitation and rescue of Hrušov Castle, but to bring as many people as possible to volunteer activities of this type, giving them the opportunity to participate fully. In the end, the activities and the example are constantly reaching out to hundreds of young people and through them the whole generation. Young people like to return and spread a positive relationship to the monuments and rescue even when they return home.

Fig. 36, 37 Leaders from the Leustach and Save Castles associations carry out restoration works on the Hrušov Castle with support of EPH Foundation.

CRITICAL THINKING TRAINING FOR STUDENTS AND TEACHERS

Project Critical Thinking Training for Students and Teachers at Slovak secondary schools focuses on a year-long intensive program of critical thinking and personality development for high school and secondary school teachers. The aim is to bring critical thinking to secondary schools as a basic requirement for acquiring new knowledge, problem solving or communication, and thus contributing to an effective civil society. The target group is 750 talented students and secondary schools and teachers.

Fig. 38 Students participating in Critical thinking training for students and teachers at Slovak secondary schools.

7.2

System efficiency

If the European climate protection that came into force in targets or the goals as adopted at the Paris climate conference 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 make no business sense.

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

Cogeneration

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

Typical brown coal fired power plant
(32% net fuel efficiency)

vs.

Typical cogeneration power plant
(70% overall fuel efficiency)

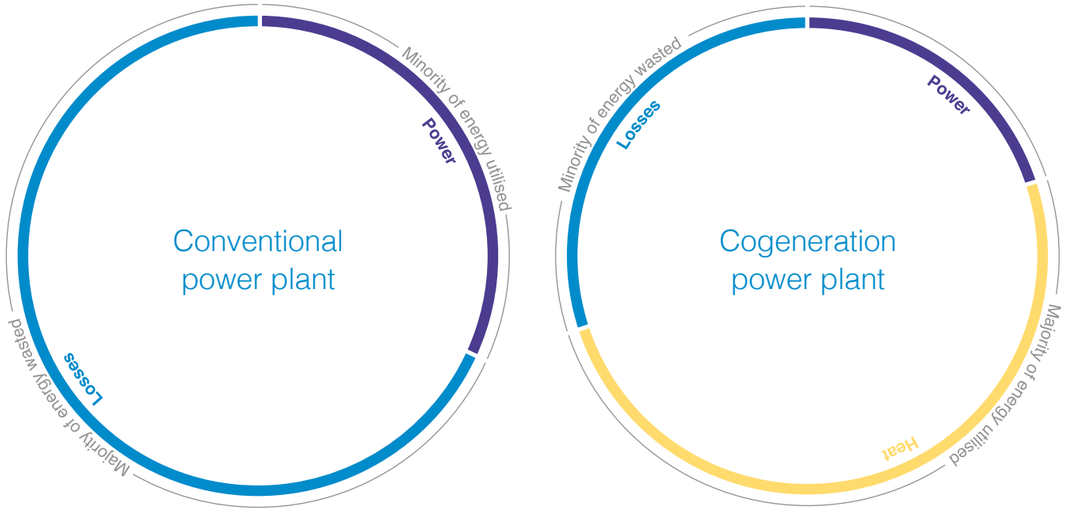


Fig. 39 Conventional vs. cogeneration power plant.

Maximal achievable efficiencies by technology type

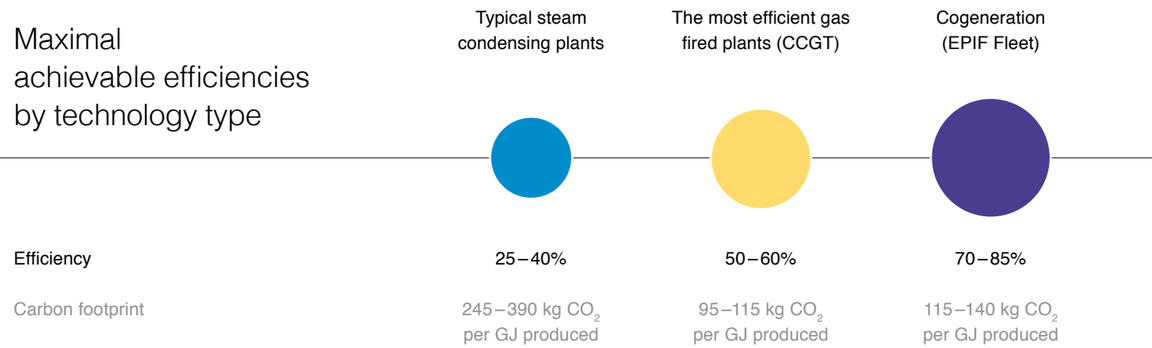


Fig. 40 Maximal achievable efficiencies by technology type.

Flexible generation from lignite in LEAG

Case Study

Our modern lignite-based power generation in Germany

In our modern society we take electrical energy for granted. We are usually not fully conscious of the fact that electricity is one of the key foundations for our high standard of living. A secure, reliable and competitive energy supply is a precondition for economic wellbeing and social progress. The supply of electricity must continue to be reliable day and night – and at a price which will keep domestic jobs internationally competitive and affordable to all households. This is where Germany's lignite comes into play. Its competitiveness is demonstrated daily in comparison with natural gas, nuclear power and hard coal at the European Energy Exchange. As it is safe, reliable and flexible it helps to integrate renewable energies. Lignite and renewable energies can maximize their respective strengths and compensate for their weaknesses using modern technology, farsighted strategies and consistent regulation.

ENERGIEWENDE AND GRID-TYPE NETWORK

With the background of climate protection, and following the Fukushima reactor accident in Japan, Germany decided to carry out a fundamental reorganization of its energy system – the “Energiewende”. The aim of the Energiewende is to restructure the German energy system and thereby completely transform Germany's entire economy and society. It has diverse and wide ranging effects on the people of Germany. Each and every household will feel the impacts and this is particularly true regarding electricity.

The steps towards the ultimate target include the definitive phasing out of nuclear power by 2022, a massive increase in energy efficiency and an even further accelerated expansion of renewable energies. The driving force behind this expansion is the Renewable Energies Act. This systematically promotes and subsidizes renewable electricity generation, intending to gradually prepare those technologies for the market. The central principles of the Renewable Energies Act are the priority feed-in of electricity from renewable sources into the electricity grid and a general guaranteed feed-in tariff for plant operators over a predefined period of time (e.g. 20 years).

Fig. 41 Turbine hall in the Schwarze Pumpe power plant.

> “ Lignite and renewables can maximize their own strengths and compensate their weaknesses by using new technologies, market-driven innovation and consistent regulation.

Our lignite-fired power plants provide a stable and reliable supply of electricity and heat at four sites in eastern Germany, and ensure the stability of the electricity grid. In addition, they already provide balancing power at a range of around 6,000 MW in order to be able to reliably integrate the volatile feed-in from wind and solar power plants into the electricity grid. The policy of decided further expansion of renewables requires new technical solutions to further increase asset flexibility, on which our committed employees are successfully working.

INTO THE FUTURE WITH ENERGY

In order to continue to guarantee the high level of service reliability we are used to in partnership with a growing proportion of renewable generation, lignite-fired power plants will need to react even quicker and more flexibly than they are capable of at the moment. While the power plants were previously used to operate on a “baseload” schedule, today the power plant operators have to deal with the fact that the individual units will have to switch between the minimum capacity and maximum capacity modes up to 100 times per year – so roughly every third day.

It becomes particularly challenging if the output has to be reduced below 40% of the installed capacity. Until recently, some units had to be shut down when this was the case, which had direct consequences for power plants and grid operators as each restart takes time and increases the maintenance work, equaling extra cost.

Our lignite-fired power plants have already been optimized to a large extent and we are committed to continuing driving future upgrades. Ingenious new concepts are being tested, for example: when the output of the power plants is reduced, how can we keep different plant parts warm and store amounts of heat within the boiler? The target is to accelerate ramp-up time when the output of the power plants needs to be increased again.

Our ultimate aim is to make lignite-fired power plants as flexible as gas-fired power plants. In modern combined power plants (gas and steam turbine operation), the technical minimum load ranges between 20% and 40% of the installed capacity. Our lignite-fired power plants are well on their way to achieving a minimum load between less than 30% and 40%.

This ability for adjustment, and also the reliability and efficiency of our modern lignite-fired power plants, will also be required in the future to secure the electricity supply in Germany as a partner for renewables energies.

Fig. 42 Operations control centre in LEAG power plant.

BOXBERG POWER PLANT

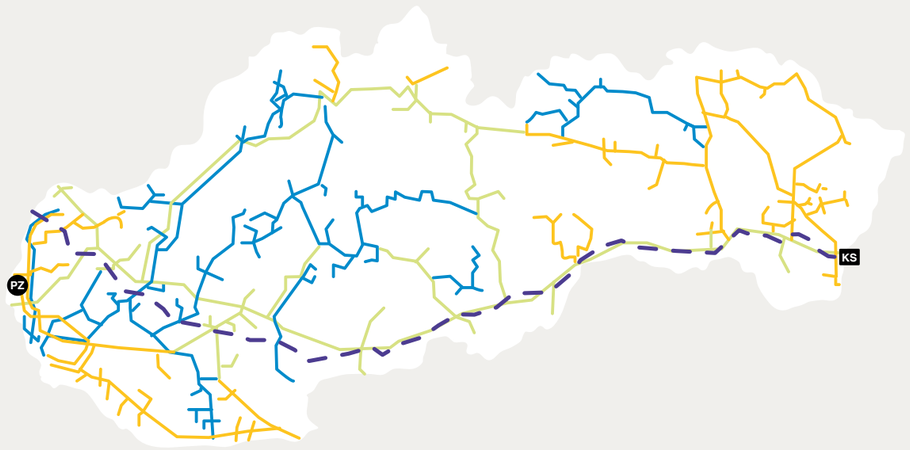
Since 1990 considerable financial resources have been invested into the existing power plant units which have been retro-fitted and equipped with modern combustion and environmental protection technology. Older units, which were not able to meet environmental standards, were shut down. New assets have also been built, for example our high efficient block-unit R in Boxberg, inaugurated in October 2012. Block R has a net efficiency of almost 44%, well above the industry standard levels (usually ranging from 32% to 42%) and thus boosts a lower GHG footprint than most other lignite and even many hard coal power plants. Overall, Boxberg emits around 20% less GHG than older power plant generations. Increasing the flexibility of the unit to enable quick reactions to the volatile feed-in of renewable energies was another area of investment and in this regard, LEAG's lignite-fired power plants meet highest requirements as their output can be varied between 100% and 50% within 25 minutes.

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.

Fig. 43 Maintenance works carried on the SSE-D distribution network in the Central Slovakia region.



KS Intrastate off-take stations

PZ Underground storages operated by Nafta / Pozagas

PN 63
distribution network with certain pressure level

PN 40
distribution network with certain pressure level

PN 25
distribution network with certain pressure level

Transit gas pipelines operated by Eustream

Fig. 44 Slovak distribution network.

Distribution

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

EPIF owns 49% and has management control in SPP-distribúcia which is Slovakia's key strategic gas infrastructure asset constituting a natural monopoly of gas distribution with approximately 98% market share of gas distributed in Slovakia. It has a modern network with a total length of over 33 thousand km spanning the whole country and includes high-pressure long-distance gas pipelines as well as local gas distribution networks. SPP-D has a leading position in Europe in infrastructure penetration and has approximately 1.5 million connection points in the country with over 94% of the population of Slovakia connected to piped natural gas. In 2016 and 2015, SPP-D distributed 4.7 billion m^3 and 4.6 billion m^3 of gas, respectively.

EPIF owns 49% and has management control in Stredoslovenská energetika ("SSE") which is predominantly active in electricity distribution and is the second largest out of three electricity distributor networks in Slovakia with approximately 5.9 TWh of power distributed in 2016.

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:

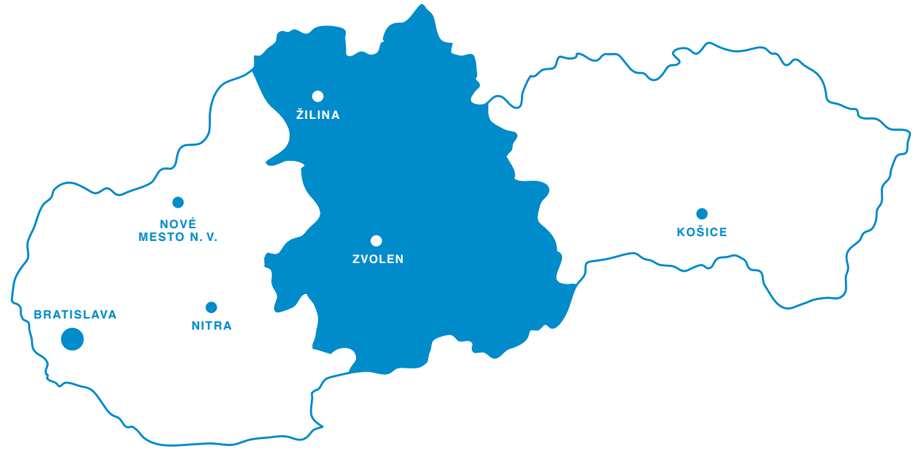


Fig. 45 Region covered by the SSE-D electricity distribution network.

700 THOUSAND CUSTOMERS

Stredoslovenská energetika CENTRAL SLOVAKIA REGION

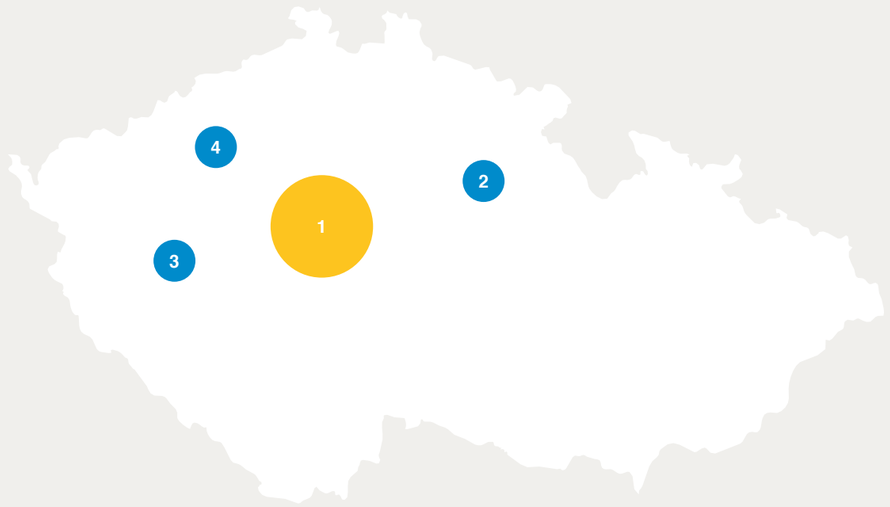
Key distribution network data in 2016 and 2015

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

Fig. 46 Key distribution network data in 2016 and 2015.

		2016	2016
SAIFI	Index	2.2	1.9
SAIDI	Index	86.0	81.6

Fig. 47 SAIFI, SAIDI.



1

1.26 MILLION INHABITANTS

Pražská teplárenská

PRAHA
HEATING NETWORK AND PEAK SOURCE

2

204 THOUSAND INHABITANTS

Elektrárny Opatovice

PARDUBICE, HRADEC KRÁLOVÉ AND CHRUDIM
HEATING NETWORK AND SOURCE

3

163 THOUSAND INHABITANTS

Plzenská energetika

PLZEŇ
HEATING NETWORK AND SOURCE

4

65 THOUSAND INHABITANTS

United Energy

MOST AND LITVÍNOV
HEATING NETWORK AND SOURCE

Fig. 48 Czech network.

EPIF operates heat generation plants & distribution networks in the Czech Republic with 1,100 km of district heating networks, distributing 14.9 PJ of heat to approximately 370 thousand customers.

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

Fig. 49 EPH Czech district heating companies.

Project Holešovice Case Study

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

The centralised district heating network setup provides for sustainable and environmentally friendly heat supplies for citizens thanks to local emissions, in what are the most densely populated city centre areas, being practically eliminated.

The most important and financially ambitious project, with a planned investment of about EUR 41 million, is a development and restoration of the heat distribution system in the Prague district of Holešovice, which has a population of some 40 thousand. Upon completion in 2018 it will transform the heat supply from centrally produced steam to more efficient hot water.

335 NEW SUPPLY POINTS CONNECTED TO AN EFFICIENT CENTRALLY SOURCED NETWORK

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

In 2016 a feeder backbone and the heating network of 3.4 km were constructed with an investment of EUR 5.4 million in the upper Holešovice area. This connects 40 supply points, from Korunovační street, M. Horákové street including Sparta stadium as far as Výstaviště Holešovice with a heat capacity of 10 MWt.

Within the next two years a significant planned investment of the heat distribution system in the upper Holešovice area will take place. Heating networks with a length of 10 km will be restored with a total investment of about EUR 8.9 million. This will connect another 168 supply points with an overall heat capacity of up to 30 MWt.

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

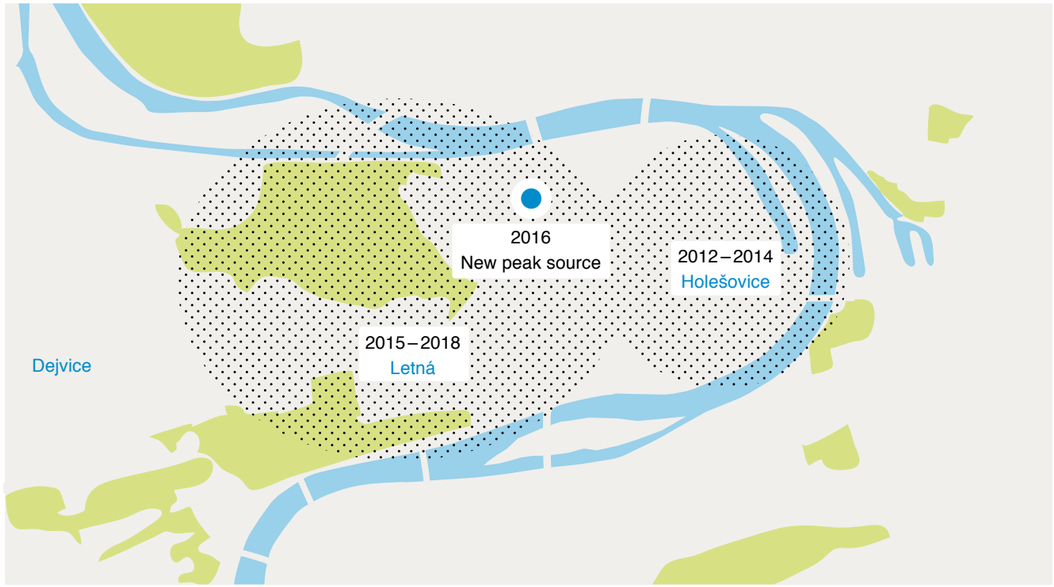


Fig. 50 Project Holešovice map.

REPLACEMENT OF THE LOCAL STEAM SOURCE

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

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

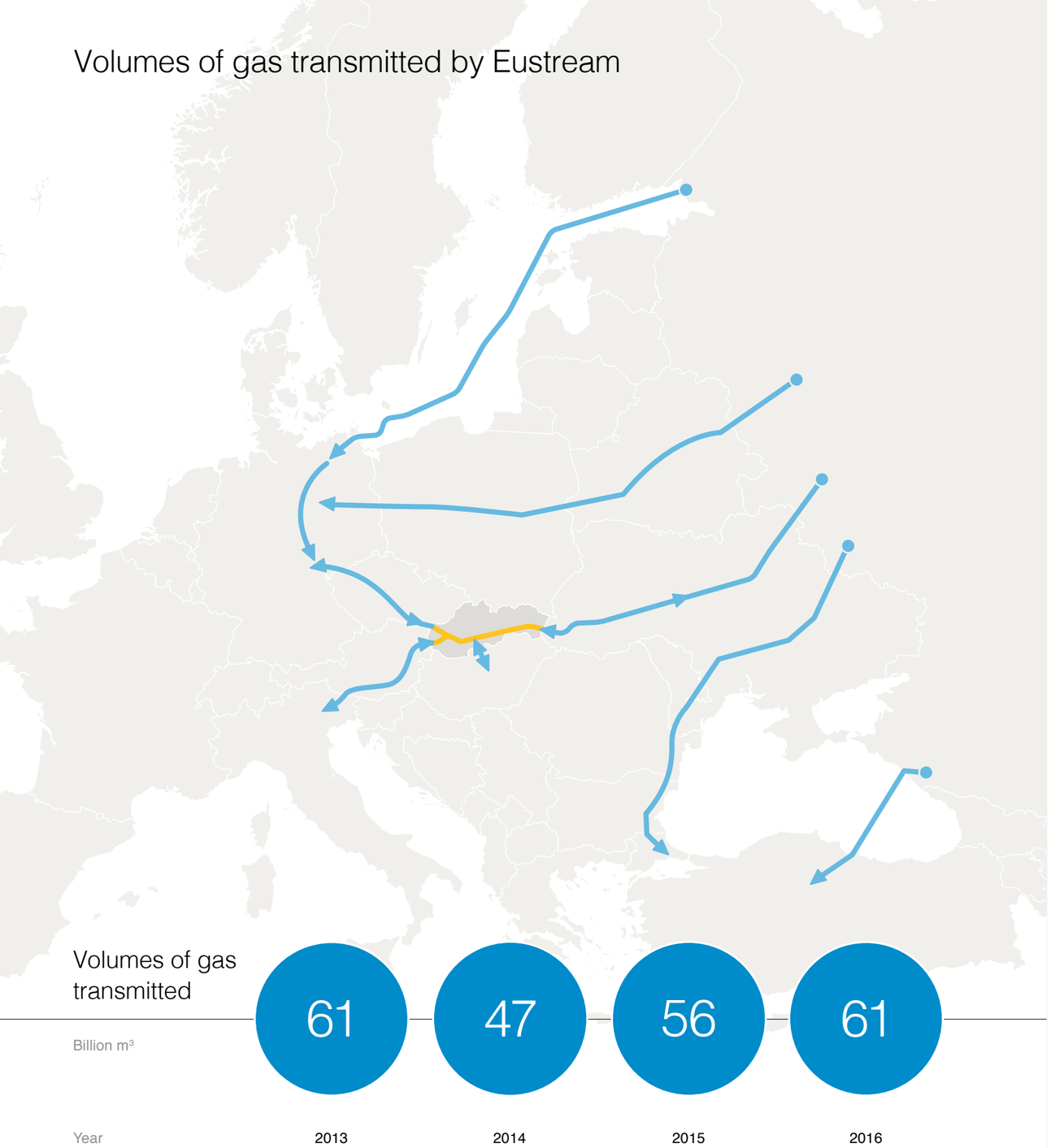


Fig. 51 Eustream pipeline within European network.

Transmission

Through EPIF, EPH has 49% shareholding and management control in Eustream, a strategic gas transmission network asset in Central Europe. Eustream is the largest transporter of Russian gas into Western Europe which represents almost half of the total Russia-to-Western Europe gas transporting capacity. It has experienced high utilisation over the past years with 61 billion m^3 of gas transported in 2016. 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 (see Section 7.2 System efficiency section for a case study on Optimisation of the gas transmission system in Slovakia).

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

Fig. 52 Eustream

7.4 Procurement practices

EPH has a centralized procurement function managed by EPH Group Procurement. (“EPH Group Procurement”). The key role of EPH 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 Procurement activities are transparent, fair and correct and we are viewed as a stable and reliable partner for our suppliers.

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

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

Total spend covered by EPH Procurement is a function of the budgeting process within the 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 2016, EPH Group Procurement was involved in tenders with a total value of over EUR 150 million and in 2017, we expect this value to exceed EUR 700 million, especially due to the recent acquisition of LEAG.

Joint cooperation among EPH Group Procurement and EPH companies' procurement has brought significant monetary savings (in the range of 15–20% of the overall tendered amount), however there are multiple other additional aspects through which we believe EPH as well as its stakeholders are benefitting:

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

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

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.

In 2017 the focus is on introducing the eRFP process of tendering, where all documents sent out or received will be published vie eTool, thus reducing the consumption of paper and improving process efficiency.

8 Environment

Our environmental performance and impacts

In this section of the report, EPH reports information relating to its environmental performance and impacts and general approach during the reporting period. The topics reported in this section have been driven by our materiality analysis as described in 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 organisation.

8.1 Climate change and energy

EPH operates in industries that are essential to the development of the communities and areas where we are present or which are impacted by our products and services. These industries are, however, also associated with high energy intensity. Consequently, we place great importance on managing our environmental risks as we fully appreciate we will only be able to operate our installations in the future if we handle these resources carefully and efficiently now. Governments, society and our stakeholder groups have increasingly high expectations that we must meet in order to secure our continued licences to operate, avoid financial penalties or other burdens that may be placed on us. We are proud to Report that during 2016, 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 (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3).

Examples of key measures and initiatives in sustainability

Reducing GHG emissions

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

Conversion into biomass

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

Saving CO_2 emissions

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

Agreement in Germany

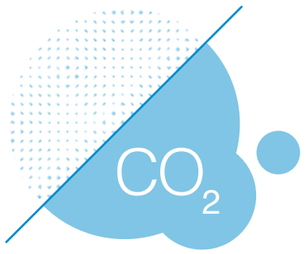
Agreement to place Buschhaus power plant in Germany into a capacity reserve scheme from October 2016, 14 years prior to the end of its technical lifetime, which is expected to reduce CO_2-eq emissions by some 30–35 million tons compared to original plans.

Capacity reserve scheme

Commitment to respect the decision of the German government to place two units of Jänschwalde power plant into a capacity reserve scheme by 2018 and 2019, respectively saving a further 7 million tons CO_2-eq annually and preparedness to contribute to a safe and affordable transition of the German energy system (Energiewende).

Focus on co-generation

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



20 million tons of CO_2-eq saved annually

Modernisation of CHP fleet

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

Fig. 53 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 340 thousand tons CO_2-eq per annum. GHG emissions produced by Eustream via its natural gas fuelled compressor operations amounted to only 299 thousand tons CO_2-eq in 2016, which is a substantial reduction as compared to previous levels due to the refurbishment of the facilities. For example, the corresponding GHG emissions were 439 thousand tons CO_2-eq in 2012.

A smaller part of EPIF's business (approximately 10% of 2016 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 over 1,100 km of central district heating networks that supply around 21 PJ of heat (through hot water within the pipelines) to over 370 thousand end customers in the Czech Republic and Hungary. Such centralised systems provide a meaningful environmental advantage, given that the co-generation heating unit is usually located outside of the main city perimeter leading to a reduction of GHG emissions within the most crowded areas.

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

EP Power Europe

EP Power Europe

EPPE comprises the following operations; i) Italian operations represented by EP Produzione (acquired in 2015), ii) UK operations represented by Eggborough power plant (acquired in 2015) and Lynemouth Power (acquired in 2016)[2] and iii) German operations represented by MIBRAG (initial acquisition in 2009 with an additional share increase in 2012) and Saale Energie[1] (acquired in 2012). 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:

- 85% of the installed capacity of the 4.2 GW acquired in Slovakia is carbon free technology;
- 76% of the acquired installed capacity in Italy is based on modern gas-fired CCGT low carbon technology;
- the acquisition of Lynemouth in the UK will lead to conversion of an already shut-down coal plant into a very low carbon emission free biomass unit.

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

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

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

2 Gas generation assets acquired from Centrica in 2017 will be placed also under EPPE

United Kingdom

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

Under the scheme, the overall GHG emissions were around 2 million tons CO_2-eq in 2016 compared to approximately 8 million tons CO_2-eq emissions p.a. in 2014 and approximately 4.7 million tons CO_2-eq emissions p.a. in 2015.

At the beginning of 2017, Eggborough entered a capacity agreement with National Grid, and it will be ready to provide power if necessary namely in the winter of 2017–2018.

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

- The power plant stopped burning hard coal in December 2015, which alone resulted in 1.3 million tons reduction in CO_2-eq, in 2016 compared to 2015;
- Lynemouth is currently being converted in to 100% biomass fuel, with very low carbon intensity, with commissioning expected in Q4 2017 and backed by the full support of the UK government;
- The plan is to operate the power plant as a base-load unit generation with about 2.3 TWh (equivalent to the annual consumption of approximately 0.7m homes) of low carbon emission electricity production under the contract with the UK Government until 2027 for 100% of station output.

As such, within its UK activities, EPH reduced GHG emissions by at least 4 million tons CO_2-eq compared to 2015 levels.

Italy

We own and operate a fleet of 4 modern, efficient and active CCGT power plants (total installed capacity of 3.5 GW) in Italy as well as 1 OCGT power plant in Sicily (0,2 GW) and 1 hard coal power plant in Sardinia (0.6 GW).

EPH is decommissioning 2 older gas plants and is focusing its strategy on the more efficient gas generation units. This strategy, together with other measures, was reflected in a lower GHG emissions intensity for the Italian assets in 2016 of 551 kg of GHG per MWh of net electricity produced, being an improvement of 14% compared to 2014.

The situation in Sardinia, where the Fiume Santo power plant is the key generation source on the island, is different and EPH considers that local production of hard coal power is irreplaceable to ensure a stable and non-intermittent energy supply. However, the Fiume Santo power plant has also already decommissioned older units in line with valid legislation and environmental requirements. Fiume Santo is expected to remain as the backbone of power supply in Sardinia for the foreseeable future.

Germany

In 2013, EPH decommissioned the Mumsdorf power plant, which caused GHG emissions within MIBRAG to decrease by over 40% or approximately 800 thousand tons CO_2-eq p.a.In 2015, we agreed to voluntarily participate in the capacity reserve that was being set up by the German Government in relation to our Buschhaus power plant. This effectively shortened the power plants' lifetime by 14 years. The plant entered into the capacity reserve in Q4 2016 and hence reduced GHG emissions by over 2 million tons CO_2-eq p.a. and approximately 30–35 million tons CO_2-eq for its remaining technical life time[1].

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

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

Renewables

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

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

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

CLIMATE PROTECTION TARGETS

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

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

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

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

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

EU ETS

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

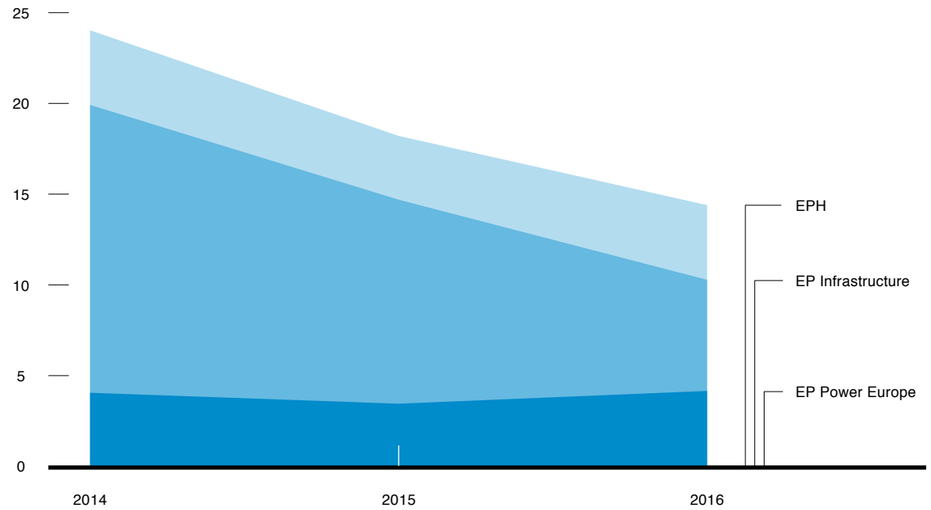


Fig. 54 Direct GHG Emissions (Scope 1).

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.

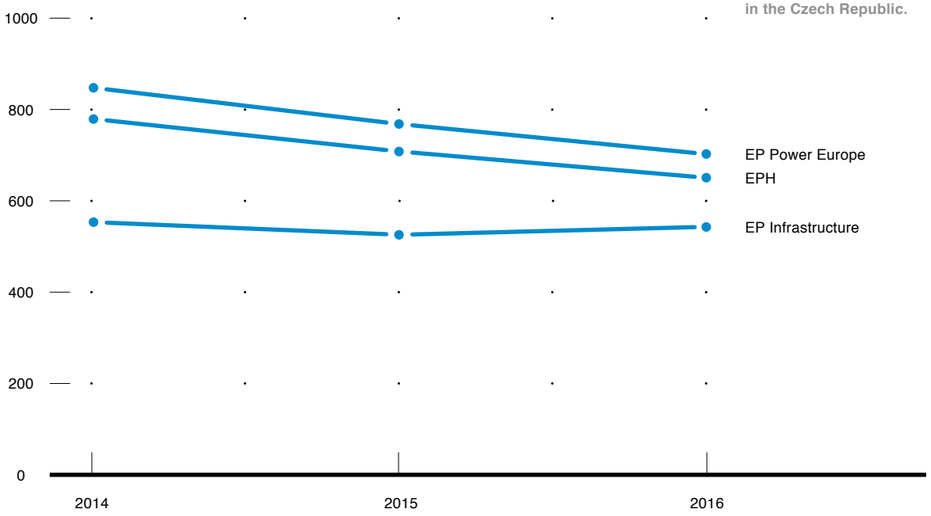


Fig. 55 Emissions intensity – Including heat component.

The GHG intensity of our operations decreased by approximately 8% for EPH overall in 2016. 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 2016 and will decrease significantly in the upcoming periods due to some assets being placed into the capacity reserve scheme. For example, the agreement to place the Buschhaus power plant into a capacity reserve scheme from October 2016 is expected to reduce GHG emissions by some 30–35 million tons CO_2-eq in total compared to the original plans. The situation is similar for our operations in the UK where the GHG intensity of our plants was 937 tons CO_2-eq/GWh in 2016 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 CO_2-eq compared to 2015 and 6 million tons CO_2-eq compared to 2014. In addition, the full conversion of the Lynemouth hard coal power plant into biomass avoided up to 1.3 million tons CO_2-eq. per annum. GHG intensity for our operations in Hungary was 244 tons CO_2-eq/GWh in 2016, reflecting the fact that the CHP operations are efficient and powered mainly by natural gas. The GHG intensity of our operations in Italy was higher at 551 tons CO_2-eq/GWh in 2016, reflecting the combination of efficient CCGTs and the more conventional facility at Fiume Santo. Finally, our operations in Slovakia have the lowest GHG intensity (2016: 12 tons CO_2-eq/GWh) due to their wide-scale use of renewables, biogas generation and some photovoltaic.

Note: Calculation of Emissions intensity indicators excludes emissions from non-energy producing operations, namely Eustream, SPP-distribúcia, Nafta and Pozagas in Slovakia and SPP Storage in the Czech Republic and in respective summary indicators, with an insignificant quanity for both years.

Total direct GHG emissions for our EPH portfolio of companies was 14.4 million tons CO_2-eq in 2016, representing a reduction of 3.8 million tons CO_2-eq, or 21%, from the previous year (2015: 18.2 million tons CO_2-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 18% or 0.6 million tons CO_2-eq from the prior year, mainly due to increased production in the Czech Republic. Since materially, all GHG emissions from EPIF sub-holding arise from combustion, the trend in GHG emissions is also closely aligned with the trend in energy consumption data between the 2 years. Total energy consumption for EPIF was 44.7 PJ in 2016, increase of 11% from 40.3 PJ in 2015. Hence, energy and GHG emissions both increased in 2016 mainly due to increased production.

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

Most of the GHG emissions in both years came from our businesses within the EPPE sub-holding. Total direct GHG emissions in EPPE reduced by 4.4 million tons CO_2-eq, or 30%, from the prior year to 10.3 million tons CO_2-eq (2015: 14.7 million tons CO_2-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 shuting down of the 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 reduced 27% to 128.1 PJ in 2016 from 176.5 PJ the prior year. As with EPIF, the main fuels used in operations were hard coal, lignite and natural gas. More detailed quantitative information on our GHG emissions and energy performance is included in the appendix.

Lynemouth power station

Case Study

> “ The Lynemouth project will significantly reduce sulphur oxides and nitrogen oxides emissions and save approximately 2.7 million tons CO_2-eq emissions compared to coal. Lynemouth will burn sustainably sourced wood which will meet rigid assurance criteria.

Lynemouth power station is located on the north east coast of England. Originally a coal-fired plant, it was commissioned in 1972 and was owned and operated by Alcan (later Rio Tinto Alcan) as part of an integrated primary aluminium smelter and power generation facility. For 40 years the plant operated to the highest standards of health and safety.

In December 2012 the power station was sold to RWE, with the creation of Lynemouth Power Limited as a wholly owned subsidiary. Lynemouth Power Limited subsequently progressed with plans to convert the station to biomass in order to comply with the EU Industrial Emissions Directive. In May 2014, the UK government selected the Lynemouth biomass conversion project as one of several to receive support under its Final Investment Decision Enabling for Renewables (“FIDeR”) scheme. The mechanism was introduced by the government in order to provide a level of assurance for renewable developers and investors.

In January 2016, EPH confirmed its acquisition of the plant from RWE and progressed immediately with plans to complete the conversion project, setting Lynemouth power station on course to play a key part in securing the UK's energy supplies, contributing positively to climate change obligations and providing long-term, well paid, direct jobs.

The new biomass power station will not only generate enough green energy to power more than 450,000 homes, it will also be responsible for securing the permanent jobs of more than 130 employees, supporting several hundreds more in the supply chain.

Fig. 56 Ongoing biomass conversion project in the Lynemouth power station.

The conversion is one of the largest civil engineering projects undertaken in the UK in 2016/2017. Circa GBP 350 million (approximately EUR 400 million) investment is being made at the power station and at the neighboring Port of Tyne, where biomass pellets will be imported and stored before being transported to the power station via train. The conversion project is in the final third and progressing with generation is expected to begin during Q4 2017.On completion in late 2017, the plant will generate 420MW of renewable energy, annually saving 2.7 million tonnes of carbon dioxide emissions when compared to coal.

In addition to the permanent workforce, more than 5,000 contractors and visitors have been inducted onto the power station and port sites during the construction process.

Lynemouth Power's focus is on behavioural safety and the importance of all employees and visitors looking after each other through a culture of interdependence. The company has committed to delivering this project with world-class standards of safety ensuring a zero harm culture as it continues the transition from construction to commissioning to full generation.

In 2017, the British Standards Institution assessed Lynemouth Power Station's management systems against the internationally recognised ISO 14001 (environment) and ISO 50001 (energy) standards. The plant passed this stringent examination with no 'non-conformities' identified and the auditor gave positive feedback on management systems, waste and contractor management.

Thanks to significant investments and a commitment to continuous improvement, Lynemouth Power Station was the envy of the coal-fired power sector, eventually becoming the most thermally efficient station of its kind in Europe. Year after year, the station's exemplary safety performance was recognised by independent, statutory bodies such as the Royal Society for the Prevention of Accidents.

As legislation on carbon emissions tightened across Europe, the plant came under severe pressure. Various options for future-proofing the plant were considered over the years as the owner faced a stark choice between committing to a new, sustainable technology or close.

The European Commission subsequently investigated the UK government's decision and ruled the FIDeR support to be compliant under State Aid, confirming: 'the project will further EU environmental and energy goals without unduly distorting competition.'

With a government signed contract for difference (CfD) to generate power through to 2027, the future is bright for Lynemouth Power Station.

Fig. 57 Lynemouth biomass power plant will produce 3.2 TWh of emission free renewable energy in the UK annually.

8.2 Air emissions

> “ Within EOP we have invested over EUR 100 million towards reduction of SO_x and NO_x emissions in the last 3 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 (SO_2), nitrogen oxides (NO_x), and particulate matter that can be generated in the following ways.

Sulphur dioxide emissions

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

Nitrogen oxide emissions

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

Total emissions

Total SO_2, NO_x and dust emissions all reduced from 2015 and mainly reflected the decrease in production within EPPE, as explained in Section 8.1 on Climate change and energy. Overall, SO_2 emissions reduced by 55%, NO_x emissions by 42% and dust by 64%. More detailed quantitative information on our air emissions performance is included in Section 11.1 GRI Index.

Fig. 58 Livorno Ferraris CCGT power plant commissioned in 2008.

Retrofits in Elektrárny Opatovice

Case Study

2016 stands out as a strategic milestone for the ecological targets of EOP (Elektrárny Opatovice) with a successful three-year program. These projects, including boiler retrofits and desulfurization systems, bring a significant achievement in emission reductions of 3,300 tons of SO_2, 600 tons of NO_x and 100 tons of PM annually in the Pardubice and Hradec Králové regions. EOP is committed to achieving high standards of environmental performance in the energy sector and to reduce emissions to a practicable minimum by continually improving the systems, process and environmental performance.

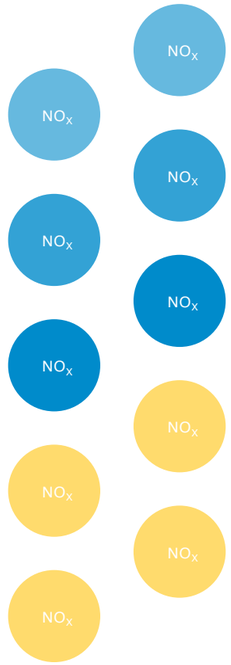
The modernization and development of cogeneration lignite-fired power plants consisted of four precisely planned strategic investment projects to ensure the production plants are aligned with a new emission standard. The total investment of EUR 119.5 million was co-funded with EUR 20.1 million grant by the Cohesion Fund of the European Union via the Operational Program for the Environment.

60% ← Boiler retrofits and installation of new flue fabric filters

NO_X EMISSIONS REDUCTION

The investment program consisted of a full refit of four out of the six boilers in the operation. The priority of the upgrade was to reduce NO_x emissions by 300 mg/m³. This was achieved through primary measures of boiler combustion with enhanced flue gas re-circulation and secondary measures by means of SNCR (selective non-catalytic reduction) technology.

Simultaneously, the replacement of four electrostatical precipitators with high efficiency fabric filters increase flue gas cleaning will result in a further reduction of PM10 and PM2.5 emissions by 82 mg/m³.



> “ The most comprehensive ecological investment in the heating industry in the Czech Republic.

Fig. 59 New desulphurization units in EOP cogeneration plant achieve up to 98.5% efficiency in the desulphurization process. Picture shows view on the absorber of the flue-gas desulfurization plant in EOP.

DESULFURIZATION SYSTEM AND CHIMNEY RECONSTRUCTION

Between July 2014 and April 2016 two new desulphurization units were constructed. This has led to an efficiency increase of up to 98.5% in the desulphurisation process with SO_2 emissions falling to below 200 mg/m³. Each desulphurisation line has been designed to process 1,071,000 m³/h of raw gas and to meet EU legislation regulating emission limits after 2016.

The new wet limestone desulphurisation process negates the need for heating of the flue gas. As a result of the lower flue gas temperature (60 °C) the existing exhaust stack was reconstructed and anticorrosive protection has been improved.

PROJECT AWARD

In 2016, the modernisation project was honored with the “Kryštálový komín” (Crystal chimney) award for reduction of emissions into the atmosphere by the Association for the District Heating of the Czech Republic.

This project is a demonstration of EOP's continuous commitment to make a positive impact on the environment together with improvements in efficiency.

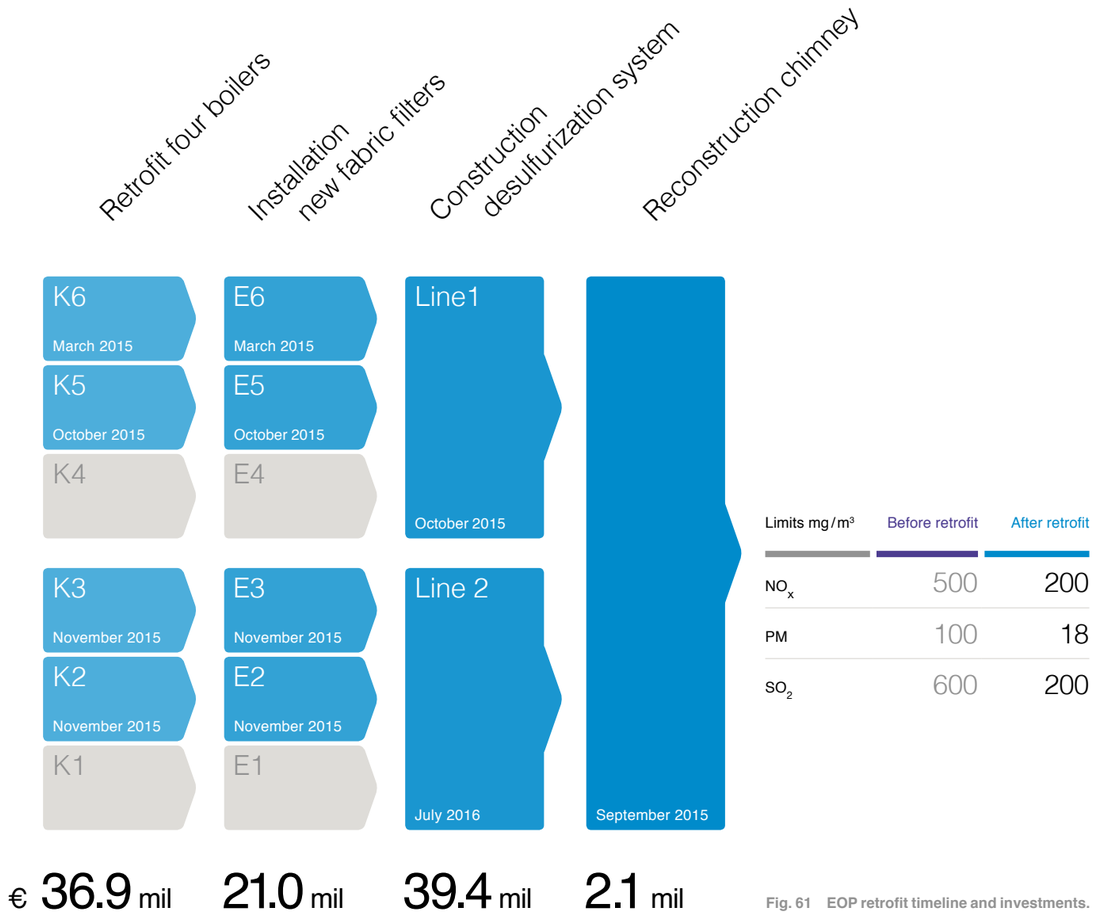


Fig. 61 EOP retrofit timeline and investments.

Emissions

	2013			2014			2015			2016		
	NO_x	PM	SO_2	NO_x	PM	SO_2	NO_x	PM	SO_2	NO_x	PM	SO_2
Total emissions (tons/year)	2,426	195	6,217	2,571	100	6,307	1,688	123	6,142	1,820	84	2,766
Emission intensity (tons/GWh)	0.87	0.07	2.22	0.98	0.04	2.41	0.82	0.06	3.00	0.76	0.03	1.15
Net electricity production (MWh)	1,733,167	1,733,167	1,733,167	1,552,462	1,552,462	1,552,462	960,370	960,370	960,370	1,236,935	1,236,935	1,236,935
Net heat production (GJ)	4,662,401	4,662,401	4,662,401	3,837,769	3,837,769	3,837,769	3,911,531	3,911,531	3,911,531	4,193,968	4,193,968	4,193,968

Fig. 60 Production and emissions data for EOP 2013–2016”.

EUR
100 million
RETROFITS INVESTMENTS

Fig. 62 Thanks to substantial investments over the last 3 years, our EOP plant achieved significant So_2, NO_x and dust emission reductions. Picture shows general view of desulphurization plant.

Emission revamping of $DeSO_x$ at unit 4 of Fiume Santo coal power plant

Case Study

> With net installed power of around 600 MW, Fiume Santo fully owned by EP Produzione, is one of the most important power plants in Sardinia.The plant operates two coal-fired units, each with a nominal power of 320 MW.

Protecting the environment, health and safety

The power plant is equipped with highly advanced environmental systems that can reduce the polluting elements present in the fumes. Units 3 and 4 have systems to reduce sulphur ($DeSO_x$) and nitric oxides ($DeNO_x$), and systems to reduce particulates (PE). Thanks to these systems, atmospheric emissions comply with the limits set by legal provisions. There is also a network to monitor the air quality in order to check for the ground-level effects of the main pollutants (sulphur oxides, nitric oxides and particulates). The plant is equipped with an Environmental Management System and since 2005 has been registered on the EMAS European Register under number I-000403.

In June 2016, EP Fiume Santo coal power plant completed the revamping of the desulfurization equipment at unit 4, following a similar operation performed in 2015 at unit 3. The project was conceived with a broader intention than the need to adapt to regulations. The previously existing desulfurization equipment was in fact already capable to of complying with the new emission limits established by the AIA (Autorizzazione Integrata Ambientale – Environmental Integrated Authorization) which came into effect at the beginning of 2016.

The revamping aimed at improving the efficiency of the plant – avoiding the increase of load losses and the high frequency of maintenance stops that the new regime would have led to – and the environmental performances of the plant – critically reducing sulfur oxide emissions. After the revamping, the concentrations of SO_2 in the gas emissions under ordinary operating conditions are well below 200 mg/Nm^3.

In addition, all the components were replaced and the damaged carpentry repaired or replaced. Lastly, thanks to the revamping, one cleaning operation of each single line is carried out every 8 months, instead of every 2–3 months like before. The overall investment for unit 3 and 4 revamp was equal to EUR 17 million.

Fig. 63 Aerial view on the Fiume Santo coal-fired power plant.

8.3 Water

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

We strive to reduce our water footprint through methods including 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 reduced by 9% to 1,377.3 million m^3 in 2016 (2015: 1,516 million m^3). Since water is overwhelmingly used for cooling in closed flow-based cooling in our plants, the trend in water discharge from our operations followed the same trend as withdrawal, reducing 10% to 1,256.7 million m^3 in 2016. The decrease in both water withdrawal and water discharge from 2015 is broadly aligned with the trend in energy and emissions data and reflects the reduction in production from the prior year as explained in the previous sub-section 8.1 on Climate change and energy.

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

Fig. 64 River Čierny Váh nearby the 735 MW pumped storage hydro power plant. Lower reservoir of the plant is located directly on the river and is equipped with fish ladders that facilitate fishes' natural migration.

Construction of a new water treatment facility at the Profen mine Case Study

Fig. 65 Water treatment facility at Profen mine.

Over the last few years, the amount of water pumped for raw coal mining purposes has been steadily increasing from levels below 90 m^3 per minute to levels of over 120 m^3 per minute. Given the geological conditions, water pumping from Profen mine is expected to continue at similarly high levels in the coming years (see figure 66).

Fig. 66 Projected pumping water volumes until 2030 – Profen mine.

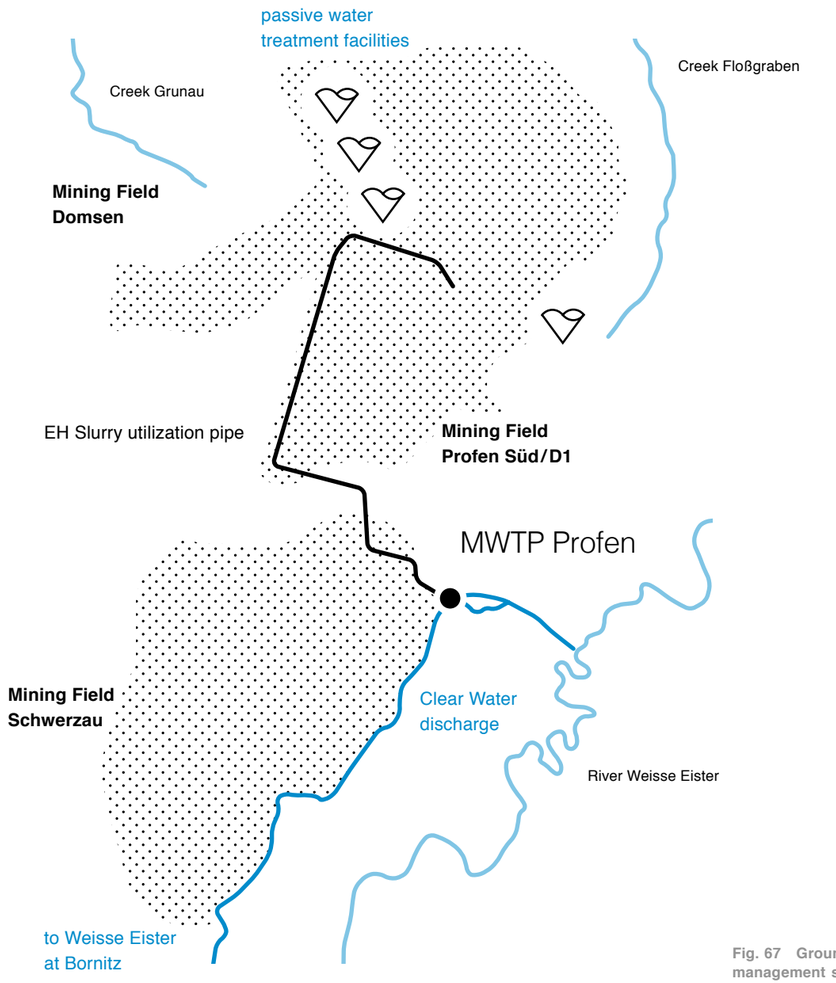


Fig. 67 Ground map with overview of water management system and Profen mine water treatment facility.

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

After construction had started in December 2015 for expansion of the Predel main water handling station by with a mine water treatment plant, activities focused on the further implementation of the construction project in 2016 under a very tight time frame.

Fig. 68 Topping-out ceremony held upon successful completion of the shell at the new water treatment facility.

After only nine months of construction time, the topping-out ceremony was held on 9 August 2016 upon successful completion of the shell. This represented an important stage in the construction of the complex environmental project for Profen mine. Costs of the overall project will total about EUR 27 million. The plant shall pump clear water into the Weiße Elster river starting from July 2017.

The mine water treatment plant can handle up to 120 cubic meters of water per minute. Through this type of water treatment, the iron content of the pumped water shall be reduced to the stringent maximum limit set by the authorities at 1.5 mg per liter (total iron). On this basis, MIBRAG will comply with the more stringent water permit requirements applicable as of 1 July 2017.

Complex functional tests started at the end of Q1/2017. Trial operations have been running since 30 May 2017. Continuous compliance with statutory water quality parameters will be guaranteed as of the beginning of Q3/2017.

The Profen mine water treatment plant is one of the most important environmental protection projects of MIBRAG.

Discovering the restored post-mining landscape around the Cottbuser Ostsee Lake of Cottbus-Nord Case Study

The Cottbuser-Nord opencast mine restoration works are under way in order to convert the former mine into the Cottbuser Ostsee Lake that will expand recreational opportunities in the Cottbus region and create new nature conservation areas.

FROM A MINE TO COTTBUSER OSTSEE LAKE

Mining activities in Cottbus-Nord opencast mine ended according to plan in December 2015. Cottbus-Nord was the first opencast mine in the Lusatian mining district to close since 1990. With the decommissioning of mining and conveyor complexes the site entered a new phase of post-mining landscape restoration. The envisioned Cottbuser Ostsee Lake will become reality: Only a few kilometres from the centre of Cottbus the 1,900 hectare lake is being created over the next few years and will be completed by the mid-2020s. It will be the largest lake in the Federal State of Brandenburg and Germany's largest pit lake. In addition to tourism, the Cottbuser Ostsee Lake will be of use for the fisheries sector. The eastern banks will be reserved for nature conservation. Until 2018 the lake bed is being created from the dumps of the former opencast mine. In June 2017 the ground-breaking ceremony took place for building the flooding facility.

LANDSCAPE AFTER MINING

The lake bed is formed by the Cottbus-Nord opencast mine. The future water level will be between 61.8 and 63.5 m NHN. Therefore and soil is being redistributed to achieve a minimum water depth of two metres. The banks and islands are currently being stabilized. The flooding will be started after the earthworks have ensured a safe lake basin. The plan is to divert water from the Spree River into the lake basin. Water will only be withdrawn when the Spree water level is high enough. The flooding will take five to six years depending on the natural water availability of the river and the approved amount of water extraction. The lake should have a final volume of about 126 million cubic meters. About 12% of this should come from rising groundwater.

Fig. 69 Creation of Cottbuser Ostsee, the future largest lake in Brandenburg and Germany's largest mine pit lake, is a demonstration of our strong commitment towards recultivations. At the end of recultivation, whole visible area shown in the picture above will be flooded and become a part of the lake.

FLOODING AND HYDRAULIC ENGINEERING

Flooding with Spree River water will take place quickly as possible. It is planned to start in the winter of 2018/2019. The water volume approved for this will be taken from the Hammergraben at Lakoma and fed via an underground pipeline to the flooding facility and then into the lake basin. Taking the natural slope into account, a regulating outlet structure will be built to connect the Cottbuser Ostsee Lake to the regional waterways via the Schwarzen Graben.

GOOD QUALITY LAKE WATER

Due to the rapid flooding and the high proportion of Spree River water it has been calculated that sufficient lake water quality will be reached, needing no additional improvement measures. The pH value is estimated to be 7.5 to 8.

COMMUNAL PROJECTS

The number of ideas developed to expand the touristic infrastructure of the lake, are evidence of the great interest the people from the surrounding areas are showing. Whether to build harbors or water skiing facilities, extending the cycle routes and the infrastructure or guidelines for the navigability – the implementation of these plans lies with the subsequent municipal users.

OASIS FOR NATURE PROTECTION

The future east banks of the Cottbuser Ostsee Lake will be characterized by diverse structures, islands and shallow waters. There is considerable potential for developing a wide variety of habitats and making it a suitable nature conservation area.

Fig. 70, 71 Visualisations of the future Cottbuser Ostsee.

START OF FLOODING

2018

UP TO 6 YEARS WILL TAKE
TO FLOOD THE LAKE

Fig. 72 LEAG is preparing lake bed and slopes for Cottbuser Ostsee, so that gradual flooding from the Spree River can start by end of 2018.

8.4 Waste

Waste management

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

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

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

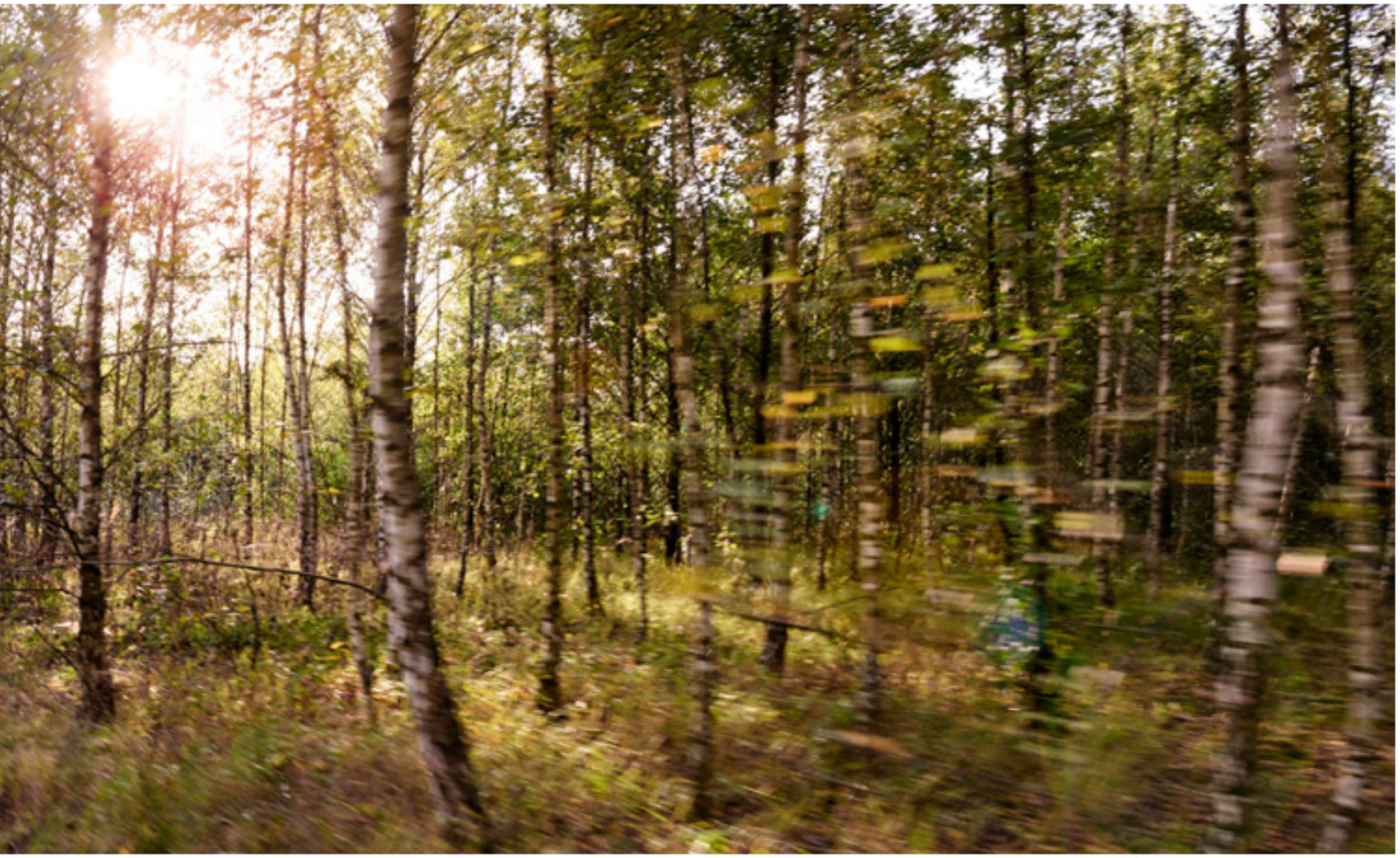
Total waste other than byproducts was 132.9 thousand tons in 2016, reduced by 61% or 206.4 thousand tons from the previous year. Almost 90% of waste in both years was generated by EPPE and the large decrease in 2016 was due mainly to decreases in Germany and Italy. Higher waste quantity in Germany in 2015 was due to the clearance of a site formerly used for industrial purposes in the fore field of Profen mine and in Italy mainly due to soil remediation in Fiume Santo from which about 39,000 tons of soil was disposed of and replaced with virgin soil.

Our attempts to reduce waste have been accomplished due to periodic events such as site clearances or decommissioning of assets that can greatly distort the underlying trend in waste related to normal operational activities.

Waste from EPIF decreased slightly (by 11%) to 16.8 thousand tons but represented only around 13% of total waste from within EPH.

In addition to waste, we also generated 2,083.4 thousands tons of byproducts in 2016, similar to the prior year. Since we are frequently able to sell the byproducts for further commercial use when they are collected from our facilities we report waste and byproducts separately. However, in order to be transparent, we have reported our byproducts and waste data together as a summary in this section with more detailed quantitative information on our waste performance in the section 11.2 Appendix – Performance indicators.

8.5 Biodiversity



Protecting biodiversity

EPH is well aware of the importance of biodiversity and the value of ecosystems and of the environmental benefits they provide and places great importance on 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, as can be demonstrated through several ongoing initiatives including the case study example that follows. We consistently strive to reduce waste and are committed to protecting and reinstating ecosystems.

Fig. 73 Recultivated natural areas with trees and wild animals are surrounding the LEAG open-cast mines.

Biodiversity at post-mining landscapes

Case Study

Lignite mining claims land and simultaneously creates new landscapes. While the mine moves forward with itswith its excavators and conveyor systems, recultivation has already started at the dump sites. Areas for forestry or agricultural use, nature conservation and recreation are being developed.

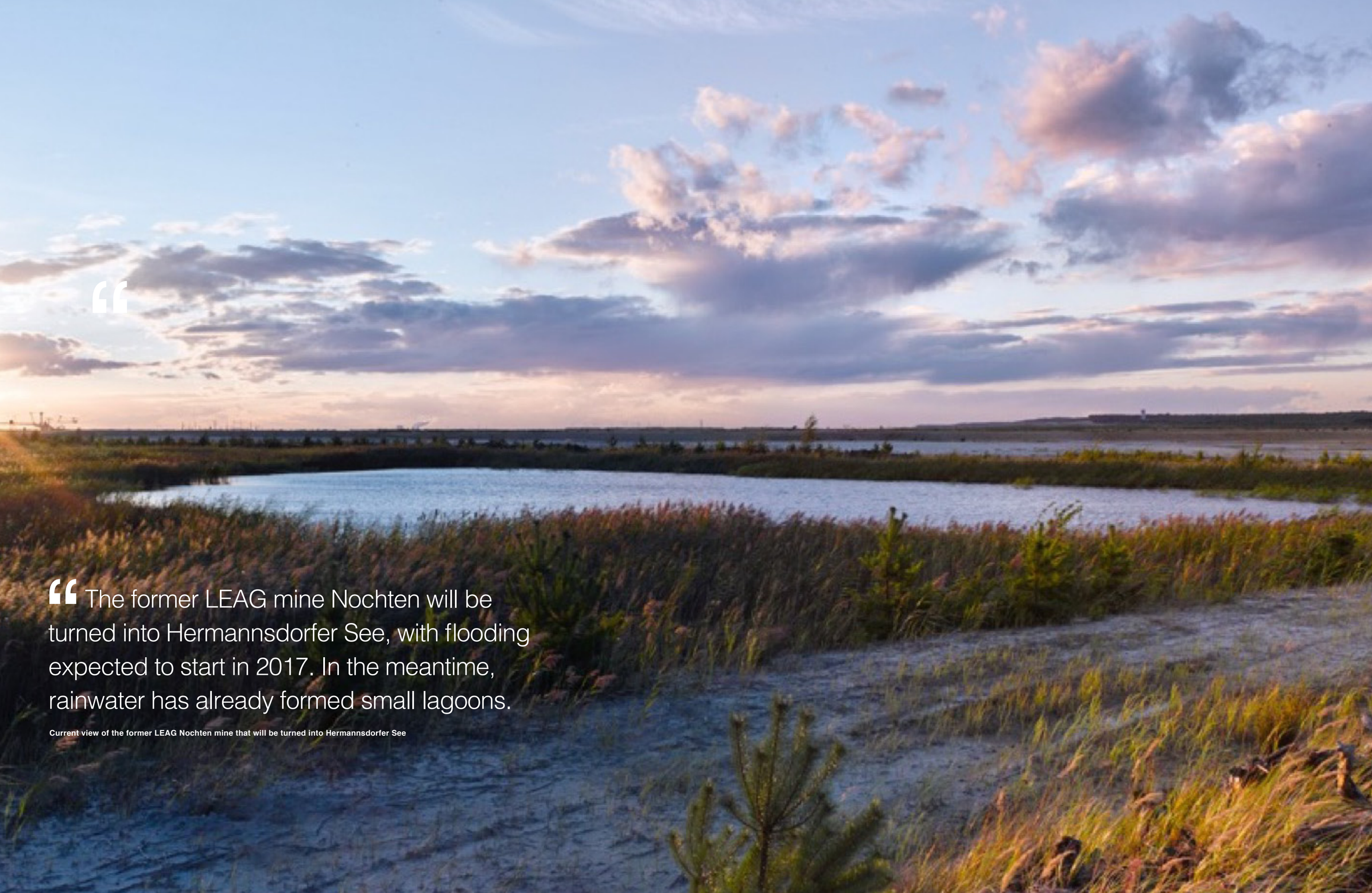
> “ Post-mining restored landscapes in Nochten opencast mine in Saxony (Germany) for example create new areas that foster biodiversity and contribute to the conservation of rare plants and species.

In an approximately 1,600 hectare region of precedence for the conservation of biotopes and species there are woodlands and open-landscape areas with woody plants emerging, providing places of refuge and valuable habitats. Landscape structures are being established to create suitable habitats for the black grouse in particular. The landscape will be enlivened with heather and dune areas as well as biotopes that are periodically damp. Varied forest patterns consisting of indigenous varieties typical of the region, sand lizard habitats and meadowed orchards foster the diversity, too. Access to the areas will be by means of a network of pathways based on a historical design.

An element of the precedence region, that will be established, is the Hermannsdorfer See, a roughly 250 hectare nature conservation lake. With the planning approval resolution awarded in November 2016, the legal basis has already been set. After the lake has been formed according to mining law, the required infrastructure will be created so that the lake with a volume of 25 million cubic metres can be filled with the water from the company's inhouse water treatment plant within the next 4 to 5 years. The shoreline, particularly on the southern side, with island and peninsular structures is intended to initialize habitat and breeding grounds.

The Neuen Jeseritzen, a peatland-initiate, has already been established here. It is modelled according to the Großen Jeseritzen peatland, that had lain in the fore-field of the opencast mine. Peat was removed from here and kept in an interim location. About 5,000 cubic metres of this peat from Großen Jeseritzen's two-year-old interim storage was laid out covering an extensive low-lying area. Peat-initiates with plants saved in the pre-mining stage were relocated to these peat-islands in 2012. Now Erica Tetralix, Rhynchospora (beak rush), Drosera (Sundew) and Lycopodiella (club moss) growi here.

Fig. 74, 75 Animals and plants spotted on the recultivated areas of the LEAG former open-cast mines.



“ The former LEAG mine Nochten will be turned into Hermannsdorfer See, with flooding expected to start in 2017. In the meantime, rainwater has already formed small lagoons.

Current view of the former LEAG Nochten mine that will be turned into Hermannsdorfer See

9 Social

9.1 Occupational health and safety

> “ 63% of EPH's employees work in companies that are certificated with OHSAS 18001.

During 2015–2016 EPH and its subsidiaries had no fatal accidents involving its own employees. In 2015 we reported a contractor fatality at SSE, one of our operations in Slovakia. Following this accident, we launched a thorough investigation so as to understand what happened and implemented additional protective measures to prevent any further accidents.

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

Overall, the injury frequency rate[1] was approximately 3 in both years, being lower in EPIF and higher in EPPE. The higher injury frequency rate and number of injuries in EPPE was mainly due to the higher injury rate in Germany, though this improved from 6.5 in 2015 to 4.5 in 2016. Overall, total injuries reduced from 48 to 43 in EPH, which was comprised of a decrease in EPPE and an increase at EPIF, though the total number of injuries was still lower in EPIF in both years.

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

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

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-LA6	**Registered injuries – Employees**					
	EP Infrastructure					
	Czech Republic	#	12.0(*)	9.0	3	33%
	Slovakia	#	9	11	(2)	(18%)
	Hungary	#	1	1	–	–
	Total – EP Infrastructure	#	22	21	1	5%
	EP Power Europe					
	Germany	#	17	26	(9)	(35%)
	UK	#	1	1	–	–
	Italy	#	3	–	3	–
	Total – EP Power Europe	#	21	27	(6)	(22%)
	Total – EPH	#	43	48	(5)	(10%)

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

Fig. 77 Number of injuries for EPH split by sub-holding and by country of operation for 2015 and 2016.

Initiatives to reduce injuries in Germany Case Study

The higher injury frequency rate at our operations is monitored and analysed continually. Our operations in Germany are active in 34 different fields, including open cast mining, construction, mobile coal recovery, haulage and loading. Until 2012, the focus for achieving a reduction of accident numbers was primarily on technical measures. Since then, more emphasis has been placed on organisational and personal measures, including safety instructions and inspections as well as OHS seminars and classes for leaders. The improvement efforts in OHS area led to substantial decrease in number of injuries in our German entites (Mitteldeutsche Braunkohlen Gesellschaft mbH, Helmstedter Revier GmbH) from 35 in 2014, 26 in 2015 to 17 in 2016.

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

Fig. 78 Mind safety campaign poster by MIBRAG.

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

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

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

In 2016, NAFTA recorded 10 incidents and 163 near-misses. The increase compared to previous year (91 in 2015) in the 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 “Let's talk Safety”, “Report danger” and “Stop and Think” are promoted involving all plant personnel. Special attention is given to the circulation of Lessons learned and monitoring of near-misses and other events. In 2016, 36 near-misses, 3 first aid events and 434 unsafe acts were recorded and managed in terms of improvement activities.

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 2016 6 on-site inspections were completed.

5. FOCUS ON BEHAVIOUR

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

In 2014 NAFTA started the implementation of BBS with UGS division technician and HSE employees being trained to realise observations. During 2016, the trained employees performed a total of 220 (182 in 2015) observations and 49 (35 in 2015) corrective measures were implemented as post observation follow up.

Lynemouth started with BBS in 2010. From the beginning of the project until 2016, up to 135 employees were trained. The number of observations increased significantly from 95 in 2010 to 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 2016 about 500 contractors and employees were retrained.

BERT also organises trainings on safety rules for contractors and employees. In 2016 up to 254 colleagues were trained. Each training ends with an examination. In 2016, almost 120 BERT employees participated in first-aid courses. Particular attention is also dedicated to E-learning on Integrated management system (“IMS”) with 254 employees involved in 2016 and another 255 in 2015. Raising awareness regarding the safest approach to work among BERT employees is done through the discussion of current H&S risks on daily and weekly O&M meetings, as well as through the use of visual tools like pictures and diagrams on H&S.

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

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

> “Injury reduction initiatives in Germany led to a decrease in the number of employee related injuries from 26 in 2015 to 17 in 2016 and decrease in injury frequency rate from 6.5 in 2015 to 4.5 in 2016.

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 248 in 2015 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 2016, 10 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 (257 employees in 2015 and 365 in 2016).

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

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.

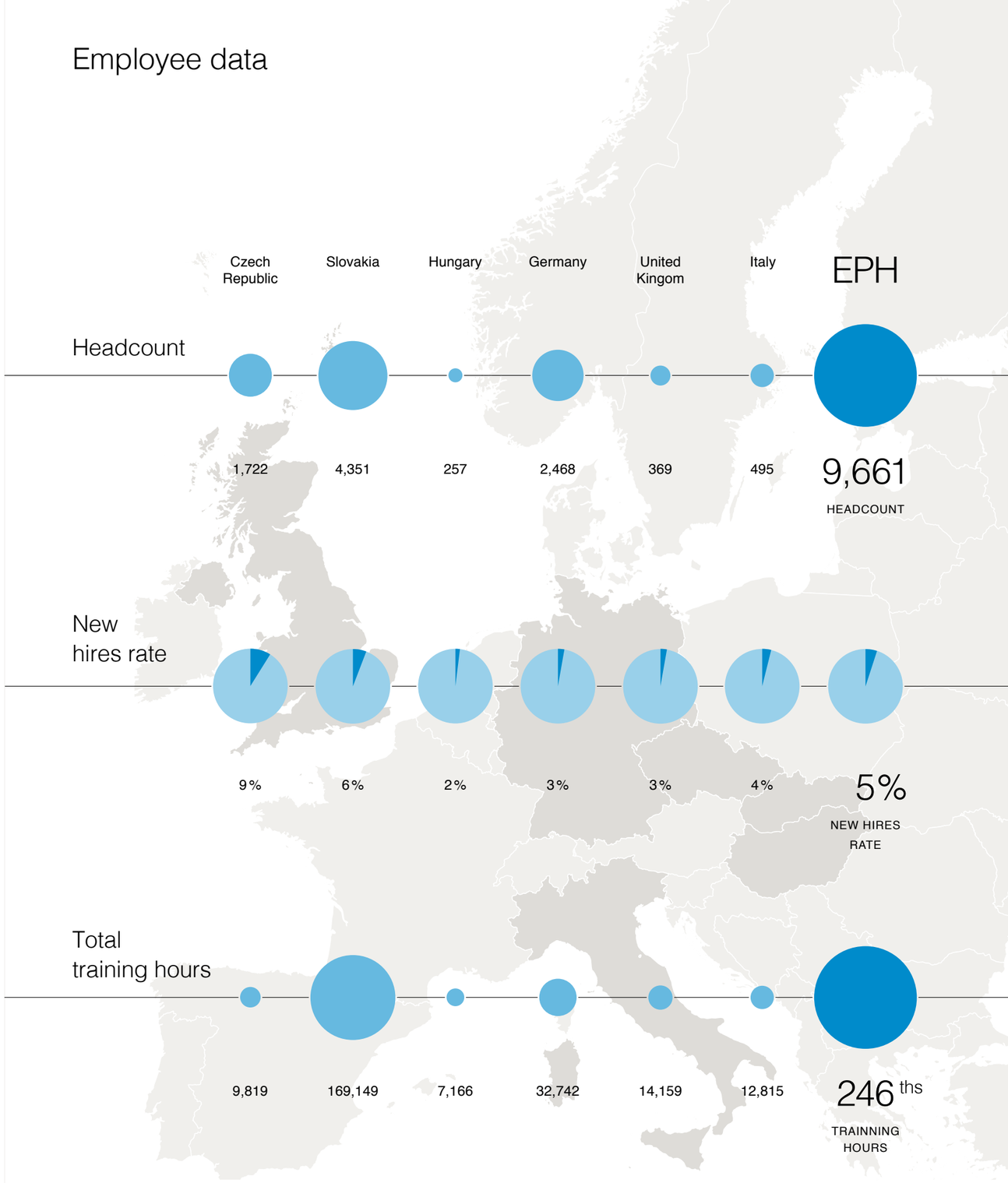
Within the holding structure of EPH, the HR function is decentralised and the responsibility for this lies within each subsidiary company. This allows for much greater flexibility to respond to our employee needs and is effectively a necessity in order to account for the inherent differences between 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 2016, across our operations and geographies, EPH employed 9,661 professionals, out of which 8,002 were male employees and 1,660 were female[1]. 96% of EPH employees are covered by various collective employment agreement schemes.

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

Fig. 79 Key employment statistics.

Employee data



9.3 Training and development

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

> “ In 2016, almost 246,000 hours were dedicated and committed to trainings & development of the employees within EPH.

MIBRAG people development Case Study

> “ In 2016 MIBRAG spent EUR 873 thousand on professional trainings and received the certificate “Top training company” from the Halle-Dessau Chamber of Commerce and Industry.

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

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

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

MIBRAG has developed a program to develop talent within the organisation. In 2015, 98 candidates participated in the selection process for the third round of the talent management process; 27 individuals subsequently started their development programs in June 2016 and 14 were subsequently offered permanent positions at the company. In 2016, 34 individuals successfully completed their development program and 15 of these were subsequently promoted to new leadership positions MIBRAG's talent management process forms an important part of strategic staff planning and development, which is based on transparent and objective criteria. Training results from 2016 included 1411 employees who were trained for a total of 15,868 hours.

CERTIFICATE: TOP-AUSBILDUNGSBETRIEB 2016 (TOP TRAINING COMPANY)

On 13 December 2016, MIBRAG received the certificate “Top-Ausbildungsbetrieb“ from the Halle-Dessau Chamber of Commerce and Industry together with 25 other companies from southern Saxony-Anhalt.

This certificate is the third “Top-Ausbildungsbetrieb“ award for MIBRAG. The award is presented to honor high standards of vocational training, commitment and further qualification of instructors, contacts to vocational schools, occupational orientation and the work with disadvantaged youngsters. MIBRAG currently has a total of 155 trainees who are trained e.g. as industrial mechanics, power electronic technicians, machine and plant operators. Furthermore, a total number of 13 third-party trainees from AGCO Hohenmölsen GmbH, Südzucker AG Zeitz and – for the first time – also from Joseph Raab GmbH & Cie. KG., Zeitz / Luckenau, undergo vocational training at MIBRAG.

The company will continue its vocational training programs in the future and remain a reliable partner to companies in the region. A total of 42 new trainees will start their training program at MIBRAG in 2017.

Building a better working world

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 2016 ("the Report") prepared by the Company for the year ended 31 December 2016.

Subject Matter Information and Applicable Criteria

The assurance engagement relates to the information marked with ("*") as set out in the Report on pages 151, 186, 193 and 200 comprising the relevant on-site operations in the Czech Republic (together "the Selected Information") which has been prepared based on the Global Reporting Initiative G4 Sustainability Reporting Guidelines ("GRI") for 2016 and that consists of: Total Energy consumption within the organisation in GJs (G4-EN3), Total Water Withdrawal by Source in millions of m^3 (G4-EN8), Quantity of Discharged Water in millions of m^3 (G4-EN22) and Total Number of Work-related Injuries (G4-LA6).

Specific Purpose

This report is intended solely for the purposes specified in the first paragraph above and for your information and must not be used for other needs or distributed to other recipients except for being disclosed in Company's Sustainability Report for the year ended 31 December 2016. The report refers exclusively to the Selected Information and must not be associated with any Company's financial statements or the Report as a whole.

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

Responsible Party's Responsibilities

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

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

Practitioner's Responsibilities

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

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

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

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 2016 and for the year then ended, marked with (“*”) and included in the Report on pages 75, 76, 77, 78 and 79 with those included in the Company's consolidated financial statements as of 31 December 2016 that form part of the Company's 2016 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.

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

Josef Pivoňka, Auditor
License No. 1963

31 October 2017
Prague, Czech Republic

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

11

Appendix

11.1 GRI Content Index

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

General standard disclosures

Strategy and analysis

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

Organisational profile

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-3	Name of the organisation	1 Foreword 3 EPH and its business	4 18
G4-4	Primary brands, products and services	3 EPH and its business	18
G4-5	Location of the organisation's headquarters	3 EPH and its business	18
G4-6	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations	3 EPH and its business	18
G4-7	Nature of ownership and legal form	3 EPH and its business 11.4 Organisational boundaries	18 210
G4-8	Markets served	3 EPH and its business	18
G4-9	Scale of the organisation	11.2 Performance indicators	172
G4-10	Breakdown of workforce	9.2 Employment 11.2 Performance indicators	156 172
G4-11	Percentage of total employees covered by collective bargaining agreements	9.2 Employment 11.2 Performance indicators	156 172

Organisational profile (continue)

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-12	Describe the organisation's supply chain	7.4 Procurement practices	104
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	3 EPH and its business	18
G4-14	Addressing the precautionary approach or principle	–	Consistent with the precautionary principle, EPH implements a risk-based approach to its operations through extensive management systems.
G4-15	External charters, principles or initiatives endorsed	–	EPH has not currently endorsed any external charters, principles or initiatives
G4-16	Membership of associations and advocacy organisations	–	EPH is a member of the Confederation of Industry of the Czech Republic (http://www.spcr.cz/en)
EU1	Net installed capacity	11.2 Performance indicators	172
EU2	Net power production	11.2 Performance indicators	172
G4-17	Report coverage of entities included in the consolidated financial statements	11.4 Organisational boundaries	210
G4-18	Process for defining the report content and the aspect boundaries	2 About this Report, 5 Stakeholders, 6 Priorities	16 64 70
G4-19	Material aspects identified	6 Priorities	70
G4-20	For each material Aspect, report the Aspect Boundary within the organisation	–	All material aspects were considered material either at the global EPH level and/or the local company level as explained in Section 5 Stakeholders
G4-21	For each material Aspect, report the Aspect Boundary outside the organisation	–	
G4-22	The effect of any restatements of information provided in previous reports	11.2 Performance indicators 11.4 Organisational boundaries	172 210
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	11.4 Organisational boundaries	210

Stakeholder engagement

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-24	List of stakeholder groups engaged by the organisation	5 Stakeholders	64
G4-25	Basis for identification and selection of stakeholders	5 Stakeholders	64
G4-26	Approaches to stakeholder engagement	5 Stakeholders	64
G4-27	Response to key topics and concerns raised	5 Stakeholders	64

Report profile

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-28	Reporting period	2 About this Report	16
G4-29	Date of most recent previous report	–	Previous report was issued for 2015
G4-30	Reporting cycle	–	Company aims to report annually.
G4-31	Contact point for questions	–	Phone: +420 232 005 200 Email: sustainability@epholding.cz Web: www.epholding.cz
G4-32	“In accordance” option, GRI content index and external assurance.	2 About the Report	16
G4-33	Policy and current practice regarding external assurance	2 About the Report	16

Governance

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-34	Governance and Ethics structure of the organisation	4 Governance and ethics	52

Ethics and integrity

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-56	Values, principles, standards and norms of behavior, such as codes of conduct and codes of ethics	4 Governance and ethics	52

Economic

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-DMA Aspect: Economic Performance			
G4-EC1	Direct economic value generated and distributed	–	2016 Annual report, Consolidated statement of comprehensive income, Consolidated statement of financial position, pages 46–49
G4-EC3	Coverage of the organisation's defined benefit plan obligations	–	2016 Annual report, page 149
G4-DMA Aspect: Procurement Practices			
G4-12	Organisation's supply chain	7.4 Procurement practices	104
G4-DMA Aspect: System Efficiency			
EU11	Average generation efficiency	7.2 System efficiency	88
EU12	Transmission and distribution losses as a percentage of total energy	7.3 Access – Holesovice case study	100

Environmental

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-DMA Aspect: Energy			
G4-EN3	Energy consumption within the organisation	8.1 Climate change and energy 11.2 Performance indicators	107 172
G4-DMA Aspect: Water			
G4-EN8	Total water withdrawal by source	11.2 Performance indicators	172
G4-DMA Aspect: Biodiversity			
G4-EN13	Habitats protected or restored	8.5 Biodiversity	145
G4-DMA Aspect: Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	8.1 Climate change and energy 11.2 Performance indicators	107 172
G4-EN18	Greenhouse gas (GHG) emissions intensity	8.1 Climate change and energy 11.2 Performance indicators	107 172
G4-EN19	Reduction of GHG emissions	8.1 Climate change and energy 11.2 Performance indicators	107 172
G4-EN21	NO_x, SO_x, and other significant air emissions	8.2 Air Emissions 11.2 Performance indicators	120 172
G4-DMA Aspect: Effluents and Waste			
G4-EN22	Total water discharge by quality and destination	11.2 Performance indicators	172
G4-EN23	Total weight of waste by type and disposal method	11.2 Performance indicators	172
G4-DMA Aspect: Compliance			
G4-EN29	Fines and sanctions for non-compliance with environmental regulations.	8.1 Climate change and energy	107

Social: labor practices and decent work

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-DMA Aspect: Employment			
G4-LA1	New employee hires and employee turnover by age group, gender and region.	11.2 Performance indicators for new employees hires and employee turnover 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.
G4-DMA Aspect: Occupational Health and Safety			
G4-LA6	Injuries, lost days, absenteeism and fatalities	9.1 Contractor fatality	151
G4-DMA Aspect: Training and Education			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	11.2 Performance indicators	172
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	9.3 Training and development	158

Social: society

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-DMA Aspect: Anti-Corruption			
G4-SO4	Anti-corruption training	4.2 Compliance	61
G4-DMA Aspect: Compliance			
G4-SO8	Fines and sanctions for non-compliance	–	There have not been any significant fines or incidents of non-compliance during the reporting period.

Social: product responsibility

Profile Disclosure	Description	Reported in Section	Reference page/Explanations
G4-DMA Aspect: Access			
EU28	Power outage frequency	7.3 Access	95
EU29	Average power outage duration	7.3 Access	95

11.2 Performance indicators

Data reported for the whole year irrespective of acquisition date of particular plant excluding share participations. For more information please refer to the section 11.4 Organisational boundaries.

EPH and its business

Country

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
EU1	**Net installed capacity – Electricity – Total**					
	EP Infrastructure					
	Czech Republic	MW	870	870	–	–
	Slovakia	MW	67	67(*)	–	–
	Hungary	MW	396	396	–	–
	Total – EP Infrastructure	**MW**	**1,333**	**1,333**	**–**	**–**
	EP Power Europe					
	Germany	MW	467	467	–	–
	UK	MW	2,380	2,380	–	–
	Italy	MW	4,324	4,472	(148)	(3%)
	Total – EP Power Europe	**MW**	**7,171**	**7,319**	**(148)**	**(2%)**
	Total – EPH	**MW**	**8,504**	**8,652**	**(148)**	**(2%)**

(*) We previously reported 541 MW for Eustream in indicator Net installed capacity – Electricity – Conventional sources in Slovakia for year 2015 We excluded this figure, as the installed capacity is utilized for delivering power for mechanical drive rather than electricity production.

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
EU1	**Net installed capacity – Electricity – Conventional sources**					
	EP Infrastructure					
	Czech Republic	MW	859	859	–	–
	Slovakia	MW	50	50	–	–
	Hungary	MW	396	396	–	–
	Total – EP Infrastructure	**MW**	**1,305**	**1,305**	**–**	**–**
	EP Power Europe					
	Germany	MW	460	460	–	–
	UK	MW	1,960	2,380	(420)	(18%)
	Italy	MW	4,321	4,470	(148)	(3%)
	Total – EP Power Europe	**MW**	**6,741**	**7,310**	**(568)**	**(8%)**
	Total – EPH	**MW**	**8,046**	**8,614**	**(568)**	**(7%)**

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
EU1	**Net installed capacity – Electricity – Renewable sources**					
	EP Infrastructure					
	Czech Republic	MW	11	11	–	–
	Slovakia	MW	17	17	–	–
	Hungary	MW	–	–	–	–
	Total – EP Infrastructure	**MW**	**29**	**29**	**–**	**–**
	EP Power Europe					
	Germany	MW	7	7	–	–
	UK	MW	420	–	420	–
	Italy	MW	3	3	–	–
	Total – EP Power Europe	**MW**	**430**	**10**	**420**	***43.4x***
	Total – EPH	**MW**	**458**	**38**	**420**	***11.0x***

Note: Lynemouth biomass conversion project in progress in 2016.

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
EU1	**Net installed capacity – Heat**					
	EP Infrastructure					
	Czech Republic	MW	2,615	2,670	(55)	(2%)
	Slovakia	MW	–	–	–	–
	Hungary	MW	1,401	1,401	–	–
	Total – EP Infrastructure	**MW**	**4,016**	**4,071**	**(55)**	**(1%)**
	EP Power Europe					
	Germany	MW	156	156	–	–
	UK	MW	–	–	–	–
	Italy	MW	–	–	–	–
	Total – EP Power Europe	**MW**	**156**	**156**	**–**	**–**
	Total – EPH	**MW**	**4,172**	**4,227**	**(55)**	**(1%)**

Fuel

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
EU1	**Net installed capacity – Electricity – Total**					
	EP Infrastructure					
	Conventional sources	MW	1,305	1,305	–	–
	Renewable sources	MW	29	29	–	–
	Total – EP Infrastructure	**MW**	**1,333**	**1,333**	**–**	**–**
	EP Power Europe					
	Conventional sources	MW	6,741	7,310	(568)	(8%)
	Renewable sources	MW	430	10	420	4339%
	Total – EP Power Europe	**MW**	**7,171**	**7,319**	**(148)**	**(2%)**
	Total – EPH	**MW**	**8,504**	**8,652**	**(148)**	**(2%)**

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
EU1	**Net installed capacity – Electricity – Conventional sources**					
	EP Infrastructure					
	Hard coal	MW	110	110	–	–
	Lignite	MW	707	707	–	–
	CCGT	MW	396	396	–	–
	OCGT and other NG	MW	71	71(*)	–	–
	Oil	MW	21	21	–	–
	Other	MW	–	(*)	–	–
	Total – EP Infrastructure	**MW**	**1,305**	**1,305**	**–**	**–**
	EP Power Europe					
	Hard coal	MW	2,600	3,020	(420)	(14%)
	Lignite	MW	460	460	–	–
	CCGT	MW	3,130	3,279	(149)	(5%)
	OCGT and other NG	MW	216	216	–	–
	Oil	MW	320	320	–	–
	Other	MW	15	15	–	–
	Total – EP Power Europe	**MW**	**6,741**	**7,310**	**(568)**	**(8%)**
	Total – EPH	**MW**	**8,046**	**8,614**	**(568)**	**(7%)**

(*) We previously reported 541 MW for Eustream in indicator Net installed capacity – Electricity – Conventional sources in OCGT and other NG and Other in 2015. We excluded this figures, as the installed capacity is utilized for delivering power for mechanical drive rather than electricity production.

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
EU1	**Net installed capacity – Electricity – Renewable sources**					
	EP Infrastructure					
	Wind	MW	6	6	–	–
	Photovoltaic	MW	17	17	–	–
	Hydro	MW	3	3	–	–
	Other	MW	3	3	–	–
	Total – EP Infrastructure	**MW**	**29**	**29**	**–**	**–**
	EP Power Europe					
	Wind	MW	7	7	–	–
	Photovoltaic	MW	1	1	–	–
	Hydro	MW	2	2	–	–
	Other	MW	–	–	–	–
	Total – EP Power Europe	**MW**	**430**	**10**	**420**	**43,4x**
	Total – EPH	**MW**	**458**	**38**	**420**	**11,0x**

Note: Lynemouth biomass conversion project in progress in 2016.

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
EU1	**Net installed capacity – Heat**					
	EP Infrastructure					
	Hard coal	MW	242	242	–	–
	Lignite	MW	1,382	1,382	–	–
	CCGT	MW	1,401	1,401	–	–
	OCGT and other NG	MW	757	812	(55)	(7%)
	Oil	MW	234	234	–	–
	Total – EP Infrastructure	**MW**	**4,016**	**4,071**	**(55)**	**(1%)**
	EP Power Europe					
	Hard coal	MW	–	–	–	–
	Lignite	MW	156	156	–	–
	CCGT	MW	–	–	–	–
	OCGT and other NG	MW	–	–	–	–
	Oil	MW	–	–	–	–
	Total – EP Power Europe	**MW**	**156**	**156**	**–**	**–**
	Total – EPH	**MW**	**4,172**	**4,227**	**(55)**	**(1%)**

Country

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
EU2	**Net power production – Total**					
	EP Infrastructure					
	Czech Republic	TWh	2.0	1.6	0.4	23%
	Slovakia	TWh	–	–	–	–
	Hungary	TWh	1.1	1.0	0.1	13%
	Total – EP Infrastructure	**TWh**	**3.2**	**2.7**	**0.5**	**18%**
	EP Power Europe					
	Germany	TWh	2.4	2.9	(0.5)	(18%)
	UK	TWh	2.2	6.5	(4.2)	(65%)
	Italy	TWh	9.7	9.5	0.2	2%
	Total – EP Power Europe	**TWh**	**14.3**	**18.8**	**(4.6)**	**(24%)**
	Total – EPH	**TWh**	**17.4**	**21.5**	**(4.1)**	**(19%)**

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
EU2	**Net power production – Conventional sources**					
	EP Infrastructure					
	Czech Republic	TWh	2.0	1.6	0.4	23%
	Slovakia	TWh	–	–	–	–
	Hungary	TWh	1.1	1.0	0.1	13%
	Total – EP Infrastructure	TWh	**3.1**	**2.6**	**0.5**	**19%**
	EP Power Europe					
	Germany	TWh	2.3	2.9	(0.5)	(18%)
	UK	TWh	2.2	6.5	(4.2)	(65%)
	Italy	TWh	9.7	9.5	0.2	2%
	Total – EP Power Europe	TWh	**14.3**	**18.8**	**(4.6)**	**(24%)**
	Total – EPH	TWh	**17.4**	**21.4**	**(4.1)**	**(19%)**

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
EU2	**Net power production – Renewable sources**					
	EP Infrastructure					
	Czech Republic	GWh	13.5	14.7	(1.2)	(8%)
	Slovakia	GWh	30.7	37.4	(6.7)	(18%)
	Hungary	GWh	–	–	–	–
	Total – EP Infrastructure	**GWh**	**44.1**	**52.1**	**(7.9)**	**(15%)**
	EP Power Europe					
	Germany	GWh	12.2	14.6	(2.4)	(16%)
	UK	GWh	–	–	–	–
	Italy	GWh	3.9	4.4	(0.5)	(11%)
	Total – EP Power Europe	**GWh**	**16.1**	**19.0**	**(2.9)**	**(15%)**
	Total – EPH	**GWh**	**60.2**	**71.0**	**(10.8)**	**(15%)**

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
EU2	**Net heat production**					
	EP Infrastructure					
	Czech Republic	TWh	2.0	1.9	0.1	7%
	Slovakia	TWh	–	–	–	–
	Hungary	TWh	1.9	1.8	0.1	6%
	Total – EP Infrastructure	**TWh**	**3.8**	**3.6**	**0.2**	**7%**
	EP Power Europe					
	Germany	TWh	0.3	0.3	–	–
	UK	TWh	–	–	–	–
	Italy	TWh	–	–	–	–
	Total – EP Power Europe	**TWh**	**0.3**	**0.3**	**–**	**–**
	Total – EPH	**TWh**	**4.2**	**3.9**	**0.2**	**6%**

Fuel

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
EU2	**Net power production – Total**					
	EP Infrastructure					
	Conventional sources	TWh	3.1	2.6	0.5	19%
	Renewable sources	TWh	–	0.1	–	(15%)
	Total – EP Infrastructure	**TWh**	**3.2**	**2.7**	**0.5**	**18%**
	EP Power Europe					
	Conventional sources	TWh	14.3	18.8	(4.6)	(24%)
	Renewable sources	TWh	–	–	–	–
	Total – EP Power Europe	**TWh**	**14.3**	**18.8**	**(4.6)**	**(24%)**
	Total – EPH	**TWh**	**17.4**	**21.5**	**(4.1)**	**(19%)**

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
EU2	**Net power production – Conventional sources**					
	EP Infrastructure					
	Hard coal	TWh	–	–	–	–
	Lignite	TWh	2.0	1.6	0.4	23%
	CCGT	TWh	1.1	1.0	0.1	13%
	OCGT and other NG	TWh	–	–	–	–
	Oil	TWh	–	–	–	–
	Other	TWh	–	–	–	–
	Total – EP Infrastructure	**TWh**	**3.1**	**2.6**	**0.5**	**19%**
	EP Power Europe					
	Hard coal	TWh	4.7	8.8	(4.1)	(47%)
	Lignite	TWh	2.3	2.9	(0.5)	(18%)
	CCGT	TWh	7.1	7.1	–	–
	OCGT and other NG	TWh	0.1	0.1	–	–
	Oil	TWh	–	–	–	–
	Other	TWh	–	–	–	–
	Total – EP Power Europe	**TWh**	**14.3**	**18.8**	**(4.6)**	**(24%)**
	Total – EPH	**TWh**	**17.4**	**21.4**	**(4.1)**	**(19%)**

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
EU2	**Net power production – Renewable sources**					
	EP Infrastructure					
	Wind	GWh	8	9	(1)	(13%)
	Photovoltaic	GWh	19	20	–	(1%)
	Hydro	GWh	7	7	–	–
	Other	GWh	10	17	(7)	(40%)
	Total – EP Infrastructure	**GWh**	**44**	**52**	**(8)**	**(15%)**
	EP Power Europe					
	Wind	GWh	12	15	(2)	(16%)
	Photovoltaic	GWh	1	2	(1)	(30%)
	Hydro	GWh	3	3	–	–
	Biomass	GWh	–	–	–	–
	Other	GWh	–	–	–	–
	Total – EP Power Europe	**GWh**	**16**	**19**	**(3)**	**(15%)**
	Total – EPH	**GWh**	**60**	**71**	**(11)**	**(15%)**

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
EU2	**Net heat production**					
	EP Infrastructure					
	Hard coal	TWh	–	–	–	–
	Lignite	TWh	1.8	1.7	0.1	6%
	CCGT	TWh	1.9	1.8	0.1	6%
	OCGT and other NG	TWh	0.1	0.1	–	–
	Oil	TWh	–	–	–	–
	Other	TWh	–	–	–	–
	Total – EP Infrastructure	**TWh**	**3.8**	**3.6**	**0.2**	**7%**
	EP Power Europe					
	Hard coal	TWh	–	–	–	–
	Lignite	TWh	0.3	0.3	–	–
	CCGT	TWh	–	–	–	–
	OCGT and other NG	TWh	–	–	–	–
	Oil	TWh	–	–	–	–
	Other	TWh	–	–	–	–
	Total – EP Power Europe	**TWh**	**0.3**	**0.3**	**–**	**–**
	Total – EPH	**TWh**	**4.2**	**3.9**	**0.2**	**6%**

Country

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
EU2	**Total net energy production**					
	EP Infrastructure					
	Czech Republic	TWh	4.0	3.5	0.5	14%
	Slovakia	TWh	–	–	–	–
	Hungary	TWh	3.0	2.7	0.2	9%
	Total – EP Infrastructure	**TWh**	**7.0**	**6.3**	**0.7**	**12%**
	EP Power Europe					
	Germany	TWh	2.7	3.2	(0.5)	(16%)
	UK	TWh	2.2	6.5	(4.2)	(65%)
	Italy	TWh	9.7	9.5	0.2	2%
	Total – EP Power Europe	**TWh**	**14.6**	**19.2**	**(4.5)**	**(24%)**
	Total – EPH	**TWh**	**21.6**	**25.4**	**(3.8)**	**(15%)**

Note: Includes electric energy and heat production.

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-9	**Amount of electric energy sold**					
	EP Infrastructure					
	Czech Republic	TWh	2.2	2.2	–	–
	Slovakia	TWh	4.0	3.9	–	1%
	Hungary	TWh	1.1	1.0	0.1	13%
	Total – EP Infrastructure	**TWh**	**7.3**	**7.1**	**0.1**	**2%**
	EP Power Europe					
	Germany	TWh	2.0	2.5	(0.5)	(18%)
	UK	TWh	2.1	6.3	(4.2)	(67%)
	Italy	TWh	10.2	10.0	0.2	2%
	Total – EP Power Europe	**TWh**	**14.3**	**18.7**	**(4.5)**	**(24%)**
	Total – EPH	**TWh**	**21.5**	**25.9**	**(4.4)**	**(17%)**

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

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-9	**Heat supplied to district heating network**					
	EP Infrastructure					
	Czech Republic	PJ	17.9	16.9	0.9	6%
	Slovakia	PJ	–	–	–	–
	Hungary	PJ	6.5	6.1	0.4	6%
	Total – EP Infrastructure	**PJ**	**24.4**	**23.0**	**1.3**	**6%**
	EP Power Europe					
	Germany	PJ	0.4	0.3	–	16%
	Total – EP Power Europe	**PJ**	**0.4**	**0.3**	**–**	**16%**
	Total – EPH	**PJ**	**24.7**	**23.4**	**1.4**	**6%**

Note: Before heat losses in district heating networks.

Type

GRI/EUSS	KPI	Unit	Electricity Distribution	Electricity Supply	Gas Supply
G4-9	**Number of customer accounts – SSE**				
	Residential	#	652,409	571,036	6,549
	Mid-size	#	5,362	56,702	1,649
	Large(*)	#	86,050	23,470	266
	Total	**#**	**743,821**	**651,208**	**8,464**

		Gas
Number of connection points – SPP-D(**)		**Distribution**
Residential	#	1,438,584
Industrial	#	689
Commercial & Institutional	#	78,858
Total	**#**	**1,518,131**

		Heat
Numberof connection points – District heating companies		**Supply**
Residential	#	9,092
Industrial	#	490
Commercial	#	2,009
Institutional	#	1,439
Total	**#**	**13,030**

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

Country

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN3	**Energy consumption**					
	EP Infrastructure					
	Czech Republic	PJ	34.0(*)	28.6	5.4	19%
	Slovakia	PJ	6.9	5.0	2.0	40%
	Hungary	PJ	12.9	11.9	1.0	8%
	Total – EP Infrastructure	**PJ**	**53.9**	**45.5**	**8.3**	**18%**
	EP Power Europe					
	Germany	PJ	28.3	34.1	(5.8)	(17%)
	UK	PJ	23.1	66.4	(43.3)	(65%)
	Italy	PJ	76.7	76.0	0.7	1%
	Total – EP Power Europe	**PJ**	**128.1**	**176.5**	**(48.4)**	**(27%)**
	Total – EPH	**PJ**	**182.0**	**222.1**	**(40.1)**	**(18%)**

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

Fuel

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN3	**Energy consumption**					
	EP Infrastructure					
	Hard Coal	PJ	5.9	5.8	0.1	1%
	Lignite	PJ	27.3	22.0	5.3	24%
	Natural Gas	PJ	20.4	17.4	3.1	18%
	Other	PJ	0.2	0.4	(0.2)	(40%)
	Total – EP Infrastructure	**PJ**	**53.9**	**45.5**	**8.3**	**18%**
	EP Power Europe					
	Hard Coal	PJ	48.6	90.1	(41.4)	(46%)
	Lignite	PJ	27.7	33.4	(5.7)	(17%)
	Natural Gas	PJ	50.1	50.3	(0.3)	(1%)
	Other	PJ	1.7	2.8	(1.0)	(37%)
	Total – EP Power Europe	**PJ**	**128.1**	**176.5**	**(48.4)**	**(27%)**
	Total – EPH	**PJ**	**182.0**	**222.1**	**(40.1)**	**(18%)**

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.

Country

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN15	**Direct GHG Emissions (Scope 1)**					
	EP Infrastructure					
	Czech Republic	million tons CO_2-eq	3.1	2.6	0.5	17%
	Slovakia	million tons CO_2-eq	0.3	0.2	0.1	54%
	Hungary	million tons CO_2-eq	0.7	0.7	0.1	8%
	Total – EP Infrastructure	**million tons CO_2-eq**	**4.2**	**3.5**	**0.6**	**18%**
	EP Power Europe					
	Germany	million tons CO_2-eq	2.8	3.5	(0.6)	(18%)
	UK	million tons CO_2-eq	2.1	6.0	(3.9)	(65%)
	Italy	million tons CO_2-eq	5.3	5.2	0.1	2%
	Total – EP Power Europe	**million tons CO_2-eq**	**10.3**	**14.7**	**(4.4)**	**(30%)**
	Total – EPH	**million tons CO_2-eq**	**14.4**	**18.2**	**(3.8)**	**(21%)**

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN18	**Emissions intensity – Including heat component**					
	EP Infrastructure					
	Czech Republic	ton CO_2-eq/GWh	770	752	19	2%
	Slovakia	ton CO_2-eq/GWh	12	24	(12)	(50%)
	Hungary	ton CO_2-eq/GWh	244	244	(1)	–
	Total – EP Infrastructure	**ton CO_2-eq/GWh**	**543**	**526**	**17**	**3%**
	EP Power Europe					
	Germany	ton CO_2-eq/GWh	1,056	1,085	(29)	(3%)
	UK	ton CO_2-eq/GWh	937	930	6	1%
	Italy	ton CO_2-eq/GWh	551	551	–	–
	Total – EP Power Europe	**ton CO_2-eq/GWh**	**703**	**768**	**(65)**	**(8%)**
	Total – EPH	**ton CO_2-eq/GWh**	**651**	**708**	**(57)**	**(8%)**

Note: Calculation of Emissions intensity indicators excludes emissions from non-energy producing operations, namely eustream, SPP-distribúcia and Nafta in Slovakia and SPP Storage in Czech Republic and in respective summary indicators, in amount of 0.2 and 0.3 mil ton CO_2 in 2015 and 2016 respectively.

Country

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN21	Total SO_2 emissions					
	EP Infrastructure					
	Czech Republic	thousand tons	7.6	11.8	(4.2)	(35%)
	Slovakia	thousand tons	–	–	–	–
	Hungary	thousand tons	–	–	–	–
	Total – EP Infrastructure	thousand tons	7.6	11.8	(4.2)	(35%)
	EP Power Europe					
	Germany	thousand tons	3.1	4.4	(1.3)	(29%)
	UK	thousand tons	3.5	16.4	(12.9)	(79%)
	Italy	thousand tons	1.4	1.9	(0.5)	(28%)
	Total – EP Power Europe	thousand tons	8.0	22.7	(14.7)	(65%)
	Total – EPH	thousand tons	15.6	34.5	(18.9)	(55%)

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN21	Total NO_x emissions					
	EP Infrastructure					
	Czech Republic	thousand tons	3.2	3.1	0.2	6%
	Slovakia	thousand tons	0.3	0.3	0.1	18%
	Hungary	thousand tons	0.5	0.5	–	–
	Total – EP Infrastructure	thousand tons	4.1	3.8	0.3	7%
	EP Power Europe					
	Germany	thousand tons	1.7	2.3	(0.5)	(23%)
	UK	thousand tons	3.0	10.2	(7.2)	(70%)
	Italy	thousand tons	2.1	2.6	(0.6)	(21%)
	Total – EP Power Europe	thousand tons	6.9	15.1	(8.3)	(55%)
	Total – EPH	thousand tons	10.9	18.9	(8.0)	(42%)

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN21	Total dust emissions					
	EP Infrastructure					
	Czech Republic	thousand tons	0.2	0.2	–	–
	Slovakia	thousand tons	–	–	–	–
	Hungary	thousand tons	–	–	–	–
	Total – EP Infrastructure	thousand tons	0.2	0.2	–	–
	EP Power Europe					
	Germany	thousand tons	–	–	–	–
	UK	thousand tons	0.2	1.0	(0.8)	(81%)
	Italy	thousand tons	0.1	0.1	–	–
	Total – EP Power Europe	thousand tons	0.3	1.1	(0.8)	(73%)
	Total – EPH	thousand tons	0.5	1.3	(0.8)	(64%)

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN21	SO_2 emissions intensity					
	EP Infrastructure					
	Czech Republic	ton/GWh	1.9	3.4	(1.5)	(43%)
	Slovakia	ton/GWh	–	–	–	–
	Hungary	ton/GWh	–	–	–	–
	Total – EP Infrastructure	ton/GWh	1.1	1.9	(0.8)	(42%)
	EP Power Europe					
	Germany	ton/GWh	1.2	1.4	(0.2)	(15%)
	UK	ton/GWh	1.6	2.5	(1.0)	(38%)
	Italy	ton/GWh	0.1	0.2	(0.1)	(29%)
	Total – EP Power Europe	ton/GWh	0.5	1.2	(0.6)	(54%)
	Total – EPH	ton/GWh	0.7	1.4	(0.6)	(47%)

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN21	NO_x emissions intensity					
	EP Infrastructure					
	Czech Republic	ton/GWh	0.8	0.9	(0.1)	(7%)
	Slovakia	ton/GWh	0.5	0.6	(0.1)	(17%)
	Hungary	ton/GWh	0.2	0.2	–	–
	Total – EP Infrastructure	ton / GWh	0.5	0.6	–	(5%)
	EP Power Europe					
	Germany	ton/GWh	0.6	0.7	(0.1)	(9%)
	UK	ton/GWh	1.4	1.6	(0.2)	(14%)
	Italy	ton/GWh	0.2	0.3	(0.1)	(23%)
	Total – EP Power Europe	ton / GWh	0.5	0.8	(0.3)	(41%)
	Total – EPH	ton / GWh	0.5	0.7	(0.2)	(33%)

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN21	Dust emissions intensity					
	EP Infrastructure					
	Czech Republic	ton / GWh	0.04	0.06	(0.02)	(29%)
	Slovakia	ton / GWh	–	–	–	–
	Hungary	ton / GWh	–	–	–	–
	Total – EP Infrastructure	ton / GWh	–	–	–	–
	EP Power Europe					
	Germany	ton / GWh	–	–	–	–
	UK	ton / GWh	0.1	0.1	(0.1)	(46%)
	Italy	ton / GWh	–	–	–	–
	Total – EP Power Europe	ton / GWh	–	0.1	–	(65%)
	Total – EPH	ton / GWh	–	0.1	–	(58%)

Note: Calculation of Emissions intensity indicators excludes emissions from non-energy producing operations, namely eustream, SPP - distribúcia and Nafta in Slovakia and SPP Storage in the Czech Republic and in respective summary indicators, in amount of 9 and 7 tons NO_x in CZ in 2016 and 2015, respectively, 331 and 270 tons NO_x in SK in 2016 and 2015, respectively and 2 tons of dust in SK in both years.

Country

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN8	Quantity of water withdrawn					
	EP Infrastructure					
	Czech Republic	million m^3	122.7(*)	62.6(**)	60.1	96%
	Slovakia	million m^3	–	0.1	–	(25%)
	Hungary	million m^3	15.4	14.0	1.4	10%
	Total – EP Infrastructure	million m^3	138.1	76.6	61.5	80%
	EP Power Europe					
	Germany	million m^3	107.6	108.4	(0.8)	(1%)
	UK	million m^3	18.7	137.6	(118.9)	(86%)
	Italy	million m^3	1,112.9	1,193.4	(80.5)	(7%)
	Total – EP Power Europe	million m^3	1,239.2	1,439.4	(200.2)	(14%)
	Total – EPH	million m^3	1,377.3	1,516.0	(138.7)	(9%)

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN22	Quantity of water discharged					
	EP Infrastructure					
	Czech Republic	million m^3	118.1(*)	59.7(**)	58.4	98%
	Slovakia	million m^3	0.2	0.2	–	–
	Hungary	million m^3	15.0	13.6	1.4	10%
	Total – EP Infrastructure	million m^3	133.3	73.5	59.8	81%
	EP Power Europe					
	Germany	million m^3	1.1	0.9(***)	0.1	15%
	UK	million m^3	14.8	129.5	(114.7)	(89%)
	Italy	million m^3	1,107.6	1,193.7	(86.2)	(7%)
	Total – EP Power Europe	million m^3	1,123.4	1,324.2	(200.8)	(15%)
	Total – EPH	million m^3	1,256.7	1,397.7	(141.0)	(10%)

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

(**) Water withdrawal and discharged water in the Czech Republic in 2015 includes 58.3 million m^3 and 56.1 million m^3, respectively, related to Elektrárna Opatovice plant ("EOP"). In the absence of direct measuring, this data has been calculated using formula agreed with the supplier in order to estimate the surface water withdrawn and discharged. Since 1 January 2016 external supplier's meters have had been installed at inlet.

(***) We restarted Quantity of water discharged in Germany. We reported 77.4 million m^3 of water discharged in 2015. This figure included water pumped from open cast mines. In order to further align with GRI, we excluded water pumped from open cast mines in this report and the updated figure for 2015 represents 0.9 million m^3.

Type

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN8	Quantity of water withdrawn					
	EP Infrastructure					
	Surface water	million m³	136.8	75.1	61.6	82%
	Ground water	million m³	0.1	0.1	–	–
	Municipal water supplies or other water utilities	million m³	0.7	0.9	(0.1)	(17%)
	Other	million m³	0.6	0.6	–	–
	Total – EP Infrastructure	million m³	138.1	76.6	61.5	80%
	EP Power Europe					
	Surface water	million m³	1,164.5	1,364.9	(200.4)	(15%)
	Ground water	million m³	73.6	73.7	(0.1)	–
	Municipal water supplies or other water utilities	million m³	1.1	0.8	0.3	32%
	Other	million m³	–	–	–	–
	Total – EP Power Europe	million m³	1,239.2	1,439.4	(200.2)	(14%)
	Total – EPH	million m³	1,377.3	1,516	(138.7)	(9%)

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN8	Cooling Water					
	EP Infrastructure					
	Cooling water – withdrawal	million m³	135.4	74.0	61.4	83%
	Cooling water – discharge	million m³	130.1	69.9	60.2	86%
	Total – EP Infrastructure – Usage	million m³	5.3	4.1	1.2	28%
	EP Power Europe					
	Cooling water – withdrawal	million m³	1,130.8	1,335.5	(204.7)	(15%)
	Cooling water – discharge	million m³	1,123.9	1,326.1	(202.2)	(15%)
	Total – EP Power Europe – Usage	million m³	6.9	9.4	(2.5)	(26%)
	Total – EPH – Usage	million m³	12.2	14	(1.3)	(10%)

Country

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN23	Byproducts – Total production					
	EP Infrastructure					
	Czech Republic	thousand tons	1,287.0	982.1	304.9	31%
	Slovakia	thousand tons	–	–	–	–
	Hungary	thousand tons	0.3	0.3	–	–
	Total – EP Infrastructure	thousand tons	1,287.3	982.5	304.8	31%
	EP Power Europe					
	Germany	thousand tons	523.8	612.2	(88.3)	(14%)
	UK	thousand tons	160.1	391.7	(231.7)	(59%)
	Italy	thousand tons	112.3	94.0	18.3	19%
	Total – EP Power Europe	thousand tons	796.1	1,097.9	(301.8)	(27%)
	Total – EPH	thousand tons	2,083.4	2,080	3.1	–

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN23	Waste other than byproducts – Total production					
	EP Infrastructure					
	Czech Republic	thousand tons	2.6	5.0	(2.4)	(48%)
	Slovakia	thousand tons	14.1	13.7	0.5	3%
	Hungary	thousand tons	–	0.1	(0.1)	(70%)
	Total – EP Infrastructure	thousand tons	16.8	18.8	(2.0)	(11%)
	EP Power Europe					
	Germany	thousand tons	106.8	273.4	(166.6)	(61%)
	UK	thousand tons	6.5	1.3	5.2	390%
	Italy	thousand tons	2.8	45.8	(43.0)	(94%)
	Total – EP Power Europe	thousand tons	116.1	320.5	(204.4)	(64%)
	Total – EPH	thousand tons	132.9	339	(206.4)	(61%)

Type

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN23	**Byproducts – Total production**					
	EP Infrastructure					
	Additised granulate	thousand tons	400.6	421.1	(20.5)	(5%)
	Ash	thousand tons	445.9	283.8	162.1	57%
	Slag	thousand tons	162.1	131.2	30.9	24%
	Gypsum	thousand tons	143.5	101.3	42.3	42%
	Additional material – hydrated lime	thousand tons	16.6	6.1	10.5	173%
	Additional material – water	thousand tons	118.6	39.0	79.5	204%
	Total – EP Infrastructure	**thousand tons**	**1,287.3**	**982.5**	**304.8**	**31%**
	EP Power Europe					
	Additised granulate	thousand tons	–	–	–	–
	Ash	thousand tons	496.5	728.1	(231.7)	(32%)
	Slag	thousand tons	47.9	52.3	(4.3)	(8%)
	Gypsum	thousand tons	251.7	317.5	(65.8)	(21%)
	Additional material – hydrated lime	thousand tons	–	–	–	–
	Additional material – water	thousand tons	–	–	–	–
	Total – EP Power Europe	**thousand tons**	**796.1**	**1,097.9**	**(301.8)**	**(27%)**
	Total – EPH	**thousand tons**	**2,083.4**	**2,080**	**3.1**	**–**

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN23	**Byproducts – Total means of disposal**					
	EP Infrastructure					
	Sales	thousand tons	140.8	153.2	(12.4)	(8%)
	Storage – own stock	thousand tons	130.8	107.4	23.4	22%
	Storage – external	thousand tons	83.5	81.8	1.7	2%
	Stabilizate production	thousand tons	528.7	215.4	313.3	145%
	Storage – chargeable waste	thousand tons	403.5	424.7	(21.2)	(5%)
	Other	thousand tons	–	–	–	–
	Total – EP Infrastructure	**thousand tons**	**1,287.3**	**982.5**	**304.8**	**31%**
	EP Power Europe					
	Sales	thousand tons	195.1	297.3	(102.2)	(34%)
	Storage – own stock	thousand tons	23.8	27.6	(3.8)	(14%)
	Storage – external	thousand tons	0.3	–	0.3	550%
	Stabilizate production	thousand tons	178.6	163.6	15.0	9%
	Storage – chargeable waste	thousand tons	43.0	178.1	(135.1)	(76%)
	Other	thousand tons	355.3	431.3	(76.0)	(18%)
	Total – EP Power Europe	**thousand tons**	**796.1**	**1,097.9**	**(301.8)**	**(27%)**
	Total – EPH	**thousand tons**	**2,083.4**	**2,080**	**3.1**	**–**

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN23	Waste other than byproducts – Total production					
	EP Infrastructure					
	Non-hazardous waste	thousand tons	13.2	15.7	(2.5)	(16%)
	Hazardous waste	thousand tons	3.6	3.1	0.5	15%
	Total – EP Infrastructure	thousand tons	16.8	18.8	(2.0)	(11%)
	EP Power Europe					
	Non-hazardous waste	thousand tons	110.0	318.3	(208.4)	(65%)
	Hazardous waste	thousand tons	6.2	2.1	4.0	187%
	Total – EP Power Europe	thousand tons	116.1	320.5	(204.4)	(64%)
	Total – EPH	thousand tons	132.9	339	(206.4)	(61%)

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN23	Waste other than by products – Non-hazardous – Disposal					
	EP Infrastructure					
	Recycling	thousand tons	7.4	10.3	(2.9)	(28%)
	Landfill	thousand tons	1.4	3.1	(1.7)	(54%)
	Other	thousand tons	4.3	2.3	2.1	92%
	Total – EP Infrastructure	thousand tons	13.2	15.7	(2.5)	(16%)
	EP Power Europe					
	Recycling	thousand tons	39.6	78.3	(38.7)	(49%)
	Landfill	thousand tons	2.5	44.6	(42.1)	(94%)
	Other	thousand tons	71.8	195.6	(123.8)	(63%)
	Total – EP Power Europe	thousand tons	114.0	318.5	(204.6)	(64%)
	Total – EPH	thousand tons	127.1	334	(207.1)	(62%)

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-EN23	Waste other than by products – Hazardous – Disposal					
	EP Infrastructure					
	Recycling	thousand tons	0.1	0.6	(0.4)	(80%)
	Landfill	thousand tons	0.7	0.4	0.2	52%
	Other	thousand tons	2.8	2.2	0.7	32%
	Total – EP Infrastructure	thousand tons	3.6	3.1	0.5	15%
	EP Power Europe					
	Recycling	thousand tons	1.4	1.2	0.2	17%
	Landfill	thousand tons	0.8	1.0	(0.2)	(17%)
	Other	thousand tons	–	–	–	–
	Total – EP Power Europe	thousand tons	2.2	2.2	–	–
	Total – EPH	thousand tons	5.8	5	0.5	10%

Social / Occupational health and safety

Country

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-LA6	**Fatal injuries – Employees**					
	EP Infrastructure					
	Czech Republic	#	–	–	–	–
	Slovakia	#	–	–	–	–
	Hungary	#	–	–	–	–
	Total – EP Infrastructure	**#**	**–**	**–**	**–**	**–**
	EP Power Europe					
	Germany	#	–	–	–	–
	UK	#	–	–	–	–
	Italy	#	–	–	–	–
	Total – EP Power Europe	**#**	**–**	**–**	**–**	**–**
	Total – EPH	**#**	**–**	**–**	**–**	**–**

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-LA6	**Registered injuries – Employees**					
	EP Infrastructure					
	Czech Republic	#	12.0(*)	9.0	3	33%
	Slovakia	#	9	11	(2)	(18%)
	Hungary	#	1	1	–	–
	Total – EP Infrastructure	**#**	**22**	**21**	**1**	**5%**
	EP Power Europe					
	Germany	#	17	26	(9)	(35%)
	UK	#	1	1	–	–
	Italy	#	3	–	3	300%
	Total – EP Power Europe	**#**	**21**	**27**	**(6)**	**(22%)**
	Total – EPH	**#**	**43**	**48**	**(5)**	**(10%)**

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.

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-LA6	**Worked hours – Employees**					
	EP Infrastructure					
	Czech Republic	million hours	3.0	3.0	(0.1)	(3%)
	Slovakia	million hours	7.4	7.6	(0.2)	(3%)
	Hungary	million hours	0.5	0.5	–	–
	Total – EP Infrastructure	**million hours**	**10.8**	**11.1**	**(0.3)**	**(3%)**
	EP Power Europe					
	Germany	million hours	3.8	4.0	(0.2)	(4%)
	UK	million hours	0.6	0.6	–	–
	Italy	million hours	0.8	0.7	0.1	14%
	Total – EP Power Europe	**million hours**	**5.2**	**5.3**	**(0.1)**	**(2%)**
	Total – EPH	**million hours**	**16.0**	**16.4**	**(0.4)**	**(2%)**

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-LA6	**Injury Frequency Rate – Employees**					
	EP Infrastructure					
	Czech Republic	index	4.0	3.0	1.1	37%
	Slovakia	index	1.2	1.5	(0.2)	(16%)
	Hungary	index	2.2	2.1	0.1	3%
	Total – EP Infrastructure	**index**	**2.0**	**1.9**	**0.1**	**8%**
	EP Power Europe					
	Germany	index	4.5	6.5	(2.1)	(32%)
	UK	index	1.7	1.6	0.1	7%
	Italy	index	3.6	–	3.6	–
	Total – EP Power Europe	**index**	**4.0**	**5.1**	**(1.0)**	**(21%)**
	Total – EPH	**index**	**2.7**	**2.9**	**(0.2)**	**(8%)**

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

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-LA6	Fatal injuries – Contractors					
	EP Infrastructure					
	Czech Republic	#	–	–	–	–
	Slovakia	#	–	1	(1)	(100%)
	Hungary	#	–	–	–	–
	Total – EP Infrastructure	#	–	1	(1)	(100%)
	EP Power Europe					
	Germany	#	–	–	–	–
	UK	#	–	–	–	–
	Italy	#	–	–	–	–
	Total – EP Power Europe	#	–	–	–	–
	Total – EPH	#	–	1	(1)	(100%)

GRI/EUSS	KPI	Unit	2016	2015	2016 - 2015	%
G4-LA6	Registered injuries – Contractors					
	EP Infrastructure					
	Czech Republic	#	1	2	(1)	(50%)
	Slovakia	#	–	1	(1)	(100%)
	Hungary	#	–	1	(1)	(100%)
	Total – EP Infrastructure	#	1	4	(3)	(75%)
	EP Power Europe					
	Germany	#	2	1	1	100%
	UK	#	1	1	–	–
	Italy	#	3	3	–	–
	Total – EP Power Europe	#	6	5	1	20%
	Total – EPH	#	7	9	(2)	(22%)

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

Social / Employment

Country

GRI/EUSS	KPI	Unit	Total	Male	Female
G4-9	Headcount				
	EP Infrastructure				
	Czech Republic	#	1,722	1,424	298
	Slovakia	#	4,351	3,493	858
	Hungary	#	257	211	46
	Total – EP Infrastructure	#	6,329	5,128	1,202
	EP Power Europe				
	Germany	#	2,468	2,099	369
	UK	#	369	338	31
	Italy	#	495	437	58
	Total – EP Power Europe	#	3,332	2,874	458
	Total – EPH	#	9,661	8,002	1,660

GRI/EUSS	KPI	Unit	Total	% of total
G4-11	Employees with collective employment agreements			
	EP Infrastructure			
	Czech Republic	#	1,668	97%
	Slovakia	#	4,305	99%
	Hungary	#	257	100%
	Total – EP Infrastructure	#	6,230	98%
	EP Power Europe			
	Germany	#	2,308	94%
	UK	#	225	61%
	Italy	#	494	100%
	Total – EP Power Europe	#	3,027	91%
	Total – EPH	#	9,257	96%

Management

GRI/EUSS	KPI	Unit	Total	Male	Female
G4-10	**Headcount**				
	EP Infrastructure				
	Executives	#	229	207	22
	Other Employees	#	6,101	4,921	1,180
	Total – EP Infrastructure	**#**	**6,329**	**5,128**	**1,202**
	EP Power Europe				
	Executives	#	55	48	7
	Other Employees	#	3,277	2,826	451
	Total – EP Power Europe	**#**	**3,332**	**2,874**	**458**
	Total – EPH	**#**	**9,661**	**8,002**	**1,660**

Country

GRI/EUSS	KPI	Unit	Total	Male	Female
G4-LA1	**New hires rate**				
	EP Infrastructure				
	Czech Republic	%	9%	8%	13%
	Slovakia	%	6%	4%	14%
	Hungary	%	2%	2%	2%
	Total – EP Infrastructure	**%**	**7%**	**5%**	**13%**
	EP Power Europe				
	Germany	%	3%	3%	2%
	UK	%	3%	2%	13%
	Italy	%	4%	3%	16%
	Total – EP Power Europe	**%**	**3%**	**3%**	**4%**
	Total – EPH	**%**	**5%**	**4%**	**11%**

GRI/EUSS	KPI	Unit	Total	Male	Female
G4-LA1	**Employee turnover rate**				
	EP Infrastructure				
	Czech Republic	%	10%	9%	14%
	Slovakia	%	9%	8%	15%
	Hungary	%	5%	5%	9%
	Total – EP Infrastructure	**%**	**9%**	**8%**	**14%**
	EP Power Europe				
	Germany	%	18%	19%	8%
	UK	%	20%	20%	16%
	Italy	%	2%	2%	2%
	Total – EP Power Europe	**%**	**16%**	**17%**	**8%**
	Total – EPH	**%**	**11%**	**11%**	**13%**

Social / Training

Country

GRI/EUSS	KPI	Unit	Ths. Hours	Hours per Employee
G4-LA9	**Total training hours**			
	EP Infrastructure			
	Czech Republic		9.8	9.8
	Slovakia		169.1	38.9
	Hungary		7.2	27.9
	Total – EP Infrastructure		**186.1**	**33.2**
	EP Power Europe			
	Germany		32.7	13.3
	UK		14.2	38.4
	Italy		12.8	25.9
	Total – EP Power Europe		**59.7**	**17.9**
	Total – EPH		**245.8**	**27.5**

Note: Calculation of Training hours per Employee excludes employees from Prazska teplarenska in Czech Republic that did not have training data readily available, in ammount of 797 employees in 2015 and 723 employees in 2016.

11.3 Acronyms and units

Acronyms

AA1000	Accountability Stakeholder Engagement Standards
Arpa	Agenzia regionale per la protezione ambientale
A2A	A2A S.p.A.
BBS	Behaviour Based Safety
BERT	Budapesti Erőmű Zrt.
BG RCI	Die Berufsgenossenschaft Rohstoffe und chemische Industrie
CAGR	Compound annual growth rate
CCGT	Combined cycle gas turbine
CENTREL	Association of transmission system operators in the Czech Republic, Slovakia, Poland and Hungary, set up in 1992. Now part of UCTE association.
CO_2	Carbon dioxide
COP 21	Paris Climate Conference
DLE	Dry Low Emissions
DN	Diameter Nominal
EBITDA	Earnings before interest, taxes, depreciation and amortization
EIA	Environmental Impact Assessment
EMIR	European Market Infrastructure Regulation
ENSREG	European Nuclear Safety Regulators Group
EOP	Elektrárny Opatovice a.s.
EPH	Parent company – Energetický a průmyslový holding, a.s.
EPIF	EP Infrastructure
EPPE	EP Power Europe
EU	European Union
EU ETS	European Union Emission Trading Scheme
EUA	European Emission Allowances
EURO 3, 4, 5, 6	European emission standards
EUSS	Energy Utility Sector Supplement
Eustream	eustream, a.s.
FIDeR	Final Investment Decision Enabling for Renewables
FR	"Frequency rate = (the number of accidents / worked hours) × 10^6
GDPR	General Data Protection Regulation
GHG	Greenhouse gases are those currently required by the United Nations Framework Convention on Climate Change and the Kyoto Protocol. These GHGs are currently: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3).
GRI G4	Global Reporting Initiative G4 Standards
H&S	Health and safety
HFCs	Hydrofluorocarbons
HSEQ	Health, Safety, Environment, and Quality
HV	High voltage
CH_4	Methane
CHP	Combined heat and power plant
IED	The Industrial Emissions Directive
IFRS	International Financial Reporting Standards
IMS	Integrated management system
INPO	The Institute of Nuclear Power Operations
IPCC	Intergovernmental Panel on Climate Change
IPPC	Integrated Pollution Prevention Control
ISAE 3000	International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information"

ISO 14001	Environmental Certification, Environmental management system
ISO 50001	Environmental Certification, Energy Management
JTSD	JTSD Braunkohlebergbau GmbH
J&T	J&T Finance Group SE
KPI	Key Performance Indicator
KYC	“Know your customer” is the process of a business, identifying and verifying the identity of its customers
LEAG	Lausitz Energie Bergbau AG and Lausitz Energie Kraftwerke AG
LV	Low voltage
M&A	Mergers and acquisitions
MIBRAG	Mitteldeutsche Braunkohlengesellschaft mbH
MIRA	Macquarie Infrastructure and Real Assets
MV	Medium voltage
N_2O	Nitrous oxide
Nafta	NAFTA a.s.
NF_3	Nitrogen trifluoride
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
OHS	Occupational Health and Safety
OHSAS 18001	Occupational Health and Safety Management Systems
PFCs	Perfluorocarbons
PM_{10}	Mixture of materials that can include smoke, soot, dust, salt, acids, and metals
PPF	PPF a.s.
PRE	Pražská energetika, a.s.
PT	Pražská teplárenská, a.s.
PTS	Prague Heat Distribution System
PV	Photovoltaic
REMIT	Regulation on Wholesale Energy Market Integrity and Transparency
SAC	Single Annular Combustor
SAIDI	System Average Interruption Duration Index = sum of all customer interruption durations in minutes / total n° of customer served
SAIFI	System Average Interruption Frequency Index = total n° of customer interruptions / total n° of customers served
SAM	Severe Accident Management Programme
SBR	Supplemental balancing reserve
SE	Slovenské elektrárne a.s.
SEPS	Slovenská elektrizačná prenosová sústava, a.s.
SF_6	Sulphur hexafluoride
SO_2	Sulphur dioxide
SO_x	Sulphur oxides
SPA	Special protection area
SPH	Slovak Power Holding BV
SPP-D	SPP - distribúcia, a. s
SPP-I	SPP Infrastructure, a.s.
SSE	Stredoslovenská energetika, a.s.
SSE-D	Stredoslovenská energetika – Distribúcia, a.s.
TSO	Transmission System Operator
UCF	Unit capability factor. Top UCF quartile for pressurised water reactor is 90.00% (WANO rating 2013–2015)
UCTE	“Union for the Co-ordination of Transmission of Electricity” is the association of transmission system operators in continental Europe, providing a reliable market base by efficient and secure electric “power highways”.
UGS	Underground gas storage
UK	United Kingdom
UM	Unit of measure
WWER	Water-water energetic reactor

Units

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

11.4 Organisational boundaries

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

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	73.8%	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	
Eggborough Power Ltd	EPPE	100.0%	Yes	Yes	
EP Produzione S.p.A.	EPPE	100.0%	Yes	Yes	
Helmstedter Revier GmbH	EPPE	100.0%	Yes	Yes	
Lynemouth Power Limited	EPPE	100.0%	Yes	Yes	
Mitteldeutsche Braunkohlen Gesellschaft mbH	EPPE	100.0%	Yes	Yes	

Share participations	Subholding	Ownership Share	Financial Control	Operational Control	Joint Control
POZAGAS a.s.	EPIF	41.9%	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: EPH Core includes material companies consolidated according to IFRS accounting standards and for whcih consolidated sustainability indicators are reported. Sustainability information on share participations is reported in a separate chapter.

Sold companies	Subholding	Note
Pražská teplárenská LPZ, a.s.	EPIF	Company sold in 2016

Deviations in organisational boundaries from EPH financial reporting

The information presented in this Report includes some differences in the Report boundary from the data reported in the EPH 2016 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, 33% stake in Slovenské elektrárne, a.s. and also the 41.9% stake in company POZAGAS a.s. are equity consolidated in financial reporting. Since EPH does exercise joint control over these companies, sustainability information is not consolidated and is reported in separate section 3. 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 the Sustainability Report.
- The majority of indicators are reported at the level of the operating company in the list above. In order to properly capture the extent of operations, the HR data, namely the indicators on Headcount, Training hours, Fatalities, Injuries and Hours worked are reported in line with the respective subsidiaries of the above mentioned entities. These mostly operate as service companies.
- Full year figures are reported for all entities, even if the entity was acquired during the respective reporting period. This differs from financial reporting where only fractional data are reported for the years where the respective entity was reported.

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 2016 Report

- Performance indicators of Ergosud S.p.A. and POZAGAS a.s were reported in the consolidated indicators in the 2015 Report. As mentioned in the previous paragraph, Indicators for these companies were excluded from consolidation and are reported separately.

- In 2016, EPH sold company Pražská teplárenská LPZ, a.s., that owns certain assets consisting of small local heat sources and related distribution networks located predominantly on the left bank of Vltava river. Performance indicators for these assets were deconsolidated from the figures for both presented years 2015 and 2016 in this 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.

11.5 List of case studies

NAME OF CASE STUDY	SECTION
Practical management of our subsidiaries in the UK and Italy	4.1
Whistleblower hotline in Eustream	4.2
History and development of EPH	7.1
EPH Foundation	7.1
Flexible generation from lignite in LEAG	7.2
Project Holešovice	7.3
Lynemouth power station	8.1
Retrofits in Elektrárny Opatovice	8.2
Emission revamping of $DeSO_x$ at unit 4 of Fiume Santo coal power plant	8.2
Construction of a new water treatment facility at Profen mine	8.3
Discovering the restored post-mining landscape around the Cottbuser Ostsee Lake of Cottbus-Nord	8.3
Biodiversity at post-mining landscapes	8.5
Initiatives to reduce injuries in Germany	9.1
MIBRAG people development	9.3

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Map of Europe with Countries – Single Color by FreeVectorMaps.com

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