

# Sustainability Report



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## Fields of business and activities

**The Essen-based STEAG Group was founded 83 years ago in Lünen near Dortmund. Today, STEAG is an energy sector company with national and international operations, offering its customers integrated solutions and services, especially in the areas of electricity and heat generation and supply. Its core competencies include the planning, construction and operation of large power plants and distributed generation facilities, power plant-based electricity marketing, district heating supply and various technical and engineering services associated with energy generation. In addition to fossil fuels, various renewable energy sources and special fuels are also used to generate electricity and heat.**

In Germany, the STEAG Group operates large-scale power plants at six locations in the Ruhr and Saar regions, as well as a refinery power plant in Leuna, Saxony-Anhalt. In addition, the Group operates more than 200 distributed plants for energy generation from renewable sources and distributed systems for power and heating supply to industry throughout Germany. Overseas, the STEAG Group operates its own large-scale power plants in Colombia, the Philippines and Turkey. STEAG has worked closely with local partners for many years.

As already mentioned, another central business unit is renewable energies and distributed systems. All the activities for distributed energy generation (based on renewable sources and industrial or municipal supply solutions) are bundled in this division. The New Energies division specializes in developing distributed, customized energy solutions based on efficient and sustainable concepts. The portfolio ranges from conventional power generation to wind power and bioenergy, from mine gas plants to geothermal energy. District heating and use of mine gas as an energy source are products with which the division is also successful abroad, for example in Poland. STEAG companies have also been active in the construction and operation of solar and photovoltaic systems since 2019. The newest member of the Group's corporate family is a company for digital services in the field of energy data monitoring and management.

As an active partner to the energy transition in Germany, the STEAG Group stands for a holistic view of the changes in the energy industry through continuous research and development. One future area is energy storage. STEAG has been developing large-scale battery systems for years. Since completion and putting the systems into commercial service in 2016, a

continuously increasing interest in storage technologies has been observed worldwide. In Germany in particular, investments are being made in battery storage systems to provide primary control power. STEAG is also cooperating with other companies to forge ahead with the climate-friendly transformation of industry and the energy system. One example is the development of power-2-X technologies, with a particular focus on the use of hydrogen as an energy medium.

With this broadly based generation and service portfolio, STEAG ensures security of supply.

#### **Individual core aspects from the business units:**

- › In the Power Plants business unit, the Trading & Optimization (T&O) division is responsible for trading and marketing of the electricity products and commercial management of the power plants. The Generation division, on the other hand, is responsible for the operation of the STEAG Group's power plants.
- › The German generation activities are supplemented by the District Heating business unit. This business unit markets climate-friendly district heating from cogeneration plants and industrial waste heat.
- › The aim of the Power Minerals business unit is to market the residues from domestic and foreign generation facilities. The main customers here are the cement and construction industries.
- › Within the Energy Services business unit, STEAG engineers and technicians have been designing, planning and implementing concepts for thermal or renewables-based generation plants for decades, and also offer services and IT support for optimization of those plants on the international market – for example in India, Brazil, parts of the African subcontinent and China.
- › Krantz, a long-established company, is now forging ahead as part of the STEAG Group with the “Dismantling of Nuclear Power Plants” business line and also developing modular exhaust air systems and ventilation and filter systems.
- › STEAG Solar Energy Solutions (SENS) focuses on the key areas of planning and construction of large ground-mounted photovoltaic plants as well as

their maintenance and operational management, and also on bespoke energy solutions for commerce and industry.

- › The know-how in services acquired over decades with a focus on power plant maintenance and grid services is combined in the Technical Services business unit.
- › With its two waste to energy plants and the acquisition of the shares in IKW Rüdersdorf GmbH in 2017, the STEAG Group has stepped up its involvement in the Waste to Energy business. STEAG Waste to Energy GmbH is strategically developing this business unit – both nationally and internationally.

## Participation in the UN Global Compact since 2011

**Since 2011, STEAG has been a member of the German Network of the UN Global Compact, and in that role the company supports the implementation of the ten principles:**

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

## Promotion of the United Nations principles, and in particular the Sustainable Development Goals

STEAG considers technical innovation and the resulting business areas to be the driving force for the optimization of social, ecological and societal infrastructures worldwide. This also has a favorable effect on the achievement of the Sustainable Development Goals (SDGs).

**In this connection, the following SDGs are worthy of mention with regard to STEAG's fields of business:**



# A

## Strategy

### 1. Strategic analysis and actions

**In order to increase efficiency throughout the STEAG Group, optimize the business portfolio and occupy new growth areas, six strategic directions for future activities have been defined within the STEAG Group:**

- › Efficient operation of STEAG's own plants and establishments in dynamic market environments, e.g. by optimizing the power plant portfolio and transforming the district heating supply.
- › Leveraging the competitive advantage as an energy trader with its own generation base, e.g. by expanding commodity trading and identifying new business models based on renewables with the company's own trading platform.
- › Expertise as a developer and operator in the field of distributed energy supply, e.g. by using industrial process waste heat and expanding the portfolio to include compressed air and refrigeration.
- › Development as a leading specialist in the decommissioning and dismantling of nuclear facilities, e.g. through further internationalization and acquisition of further competitors.
- › Success as a provider in the market for energy services, e.g. by continuously expanding the range of services in the field of energy from renewables.
- › Systematic asset investments in Germany and on international markets, e.g. for the construction of plants with combined cycle technology and additional district heat extraction or further development of energy production using hydrogen technology.

Corporate responsibility that is perceived as sustainable is consistently part of both the business areas described above and the Group strategy, and is thus one of the foundations of business success. According to the "tone from the top" of STEAG's management, success does not only mean being profitable, but also reaching the targets set in a legally compliant and responsible manner. Generally accepted ethical values, e.g. the principles of the Global Compact, have been the guiding principles of STEAG's actions not only since the company began participating in the Initiative in 2011. STEAG also expects its business partners worldwide to live up to those values and principles.

Since STEAG, with its wide range of technical know-how, is making an important contribution to the successful transformation of energy systems in Germany, the field of environmental protection is playing an increasingly central role.

In the area of environmental protection, therefore, the measures taken have been derived in particular from the business areas and technical innovations that STEAG pursues. STEAG is increasingly involved in a variety of projects in the field of energy from renewables. These projects include onshore wind farms, solar and photovoltaic systems, and systems for generating energy from biomass or solid waste. In addition, STEAG supplies municipalities and regional government associations in Germany with climate-friendly district heating in the industrial centers of the Ruhr area and Saarland. In the Research and Development division, which always accompanies STEAG's operations in an application-oriented manner, the focus is on the further development of battery and storage solutions and the expansion of hydrogen technology.

These business activities, which at the same time take into account the principles of environmental protection within the framework of the UN Global Compact, will again be supported this year by the firming up of the principles of respect for human rights, compliance with the core labor standards of the International Labor Organization (ILO) and the fight against corruption and economic crime.

In addition, STEAG is making progress in achieving the 17 SDGs by 2030, including in particular goals 7 (affordable and clean energy), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure) and 13 (climate action).

The sustainability approach at STEAG also includes the corporate culture and the resulting high-quality performance of the employees, who contribute to the necessary development of the Group with skills beyond their specialized know-how. This is particularly true in the area of digitalization. In addition, many of our Group's employees volunteer their time in social and community activities, which will be reported on in the following.

In particular, the measures taken in connection with participation in the UN Global Compact have been part of the Group's daily business operations for years and are also incorporated in the long-term Group strategy as values with practical relevance. This also applies in the case of processes of change or strategy innovations that will make STEAG's business faster, more flexible and more diverse in the future. These changes require a resilient framework.

**As early as 2011, against the backdrop of diversification, receptiveness to new technologies and the aim of security of supply as described above, STEAG defined the following six fields of action, under which the measures have been classified for years:**

- › Technical innovation
- › Marketability
- › Environment
- › Employees
- › Integrity
- › Social responsibility

The Group strategy also includes transparent and reliable communication. This document is one of the means with which STEAG is expanding its own sustainability reporting. At the same time, this opens up new target groups for the Group, for example on the financial markets.

The Group's systematic restructuring is also paying off in terms of the expanded opportunities for financing the business. The process for obtaining a green ESG rating was successfully completed at the beginning of 2020. Such a rating, which assesses environmental issues in particular, is becoming increasingly important as a selection criterion for institutional investors. Renewable energies and distributed facilities have been an important business area for STEAG for years. STEAG is also actively promoting decentralization, digitalization and decarbonization, and on that basis is aiming to place green financing instruments on the market for the first time.

# By 2030

Achievement of all  
Sustainable Development Goals

**Following on from this, STEAG defined six fields of business and action, these being the following:**

- › Onshore wind energy
- › Solar power and photovoltaics
- › Geothermal energy
- › Biomass
- › Battery systems and storage technology
- › Development of hydrogen production

This selection is especially apt to promote the achievement of selected SDGs (in particular 7 – affordable and clean energy – and 13 – climate action). In addition, the individual activities are sometimes related to the other SDGs. This orientation is thus in line with STEAG's basic orientation with regard to sustainability.

## 2. Materiality

The German energy industry has been subject to politically driven upheaval for several years. Many questions have not yet been answered conclusively in this context, these being in particular the financing of the structural change, the regulation of the phase-out of coal-fired power generation and the financing of the necessary climate protection measures. The STEAG Group, like the energy sector as a whole, has been obliged to accept considerable drops in earnings in recent years due to the difficult market conditions and the unstable political environment. Climate change and CO<sub>2</sub> reduction are currently dominating the public debate and political decisions at local, national and international levels. At the same time, the demand for safe and reliable energy, especially electricity, is increasing worldwide. This trend is accompanied by a greater variety of technologies and increasing digitalization.

As an international energy producer and service provider, STEAG has managed to keep up with these developments despite difficult conditions. In recent years, for example, the company succeeded in reducing the CO<sub>2</sub> consumption of the Group's own plants by 79 percent as of December 31, 2019 in comparison with the base year 1990, without government support and at its own instigation. Notwithstanding that, STEAG has been able to implement its corporate strategy, which was adopted in 2019, and to maintain a reliable, innovative and decentralized service portfolio. In this connection, STEAG sees itself as a technically adept facilitator of the energy transition. This goes hand in hand with the fact that the Group also supports the socially driven decision to phase out coal-fired power generation in Germany, although STEAG still sees a considerable need to improve the legal framework for the coal phase-out.

Irrespective of this, STEAG has been implementing modernization programs within the Group for some time now and is thus reacting to the industry's changing conditions – a situation which persists and has been outlined above. The "STEAG 2022" program, which was launched in 2016, is still raising efficiency levels throughout the Group, optimizing the portfolio and entering new growth areas. The current "Future" project is now developing the future business portfolio and STEAG's fundamental vision of the future. The general management, executives and works councils are working together in diversified teams to shape these future prospects. All the groups are multidisciplinary and work independently of existing structures.

Sustainability is already playing a central role in all areas today and will continue to play an even greater role in the future. Particularly in the areas of innovation and marketability as obvious fields of action for receptiveness to technology

**79 %**  
reduction in CO<sub>2</sub> emissions  
since 1990

**steag**  
**2022**

STEAG reacted to the changes in background conditions with the STEAG 2022 program.



and security of supply, STEAG's research and development work makes socially relevant contributions that have a direct and positive impact on people's daily lives.

In addition, the Group has intensively pursued the key topic of digitalization in order to record and develop the wide-ranging activities in this area within the STEAG Group. Employees from a wide variety of business units work together in an interdisciplinary manner to fulfil the associated requirements and jointly address relevant issues for the future. In working groups, approaches to solutions are devised in order for employees to network meaningfully, work together better and learn from each other more quickly. These are the foundations on which digital technology can be used to create value at STEAG. STEAG's acquisition of all the shares in the former Gildemeister Energy Efficiency GmbH in Stuttgart, now trading under the name OPTENDA, a leading service provider in the field of energy data monitoring and management, underlines the importance of digitization and digitalization, especially for the energy industry.

For, in the same way as realignment of the strategy, the continuous development of digital workflows not only serves to achieve economic goals, but also strengthens the associated framework and structures.

### 3. Objectives

With an energy mix which covers the entire value creation spectrum with regard to energy supply, utilizing hard coal, sun, wind, mine gas and biomass, and in future also natural gas at the Herne power plant site, as the energy sources, the company is making an important contribution to a secure and affordable energy supply. As a result of the gradual decline in the importance of coal-fired power generation and the simultaneous expansion of activities in the field of energy from renewable sources, STEAG is also making a significant contribution to the success of the energy transition in Germany. STEAG is also researching into innovative processes and procedures with no technological restrictions in order to advance the development of sustainable generation and supply concepts. In doing so, the focus is primarily on the parameters of safety, environmental compatibility, and cost-effectiveness, as laid down as cornerstones of the triangle of energy policy objectives in the German Energy Industry Act (EnWG).

As a traditional partner of local government, STEAG focuses on local and regional energy solutions that help strengthen local infrastructures and reliably supply people and companies with energy. This is a general goal, which also runs through all 17 SDGs as one of the guiding principles. Thanks to the broad mix of experience and expertise at STEAG, the company is in a position to develop suitable solutions and implement corresponding projects that serve to supply people reliably with energy almost anywhere in the world. Traditionally, the local authorities in the Ruhr area and Saarland have been STEAG's partners in Germany, although growth in recent years has also led to other regions in Germany being added. Internationally, STEAG has for example been active at several locations in India for almost 20 years, and is an indispensable partner there in the expansion of energy supply to parts of the country that have not been optimally connected up to now. A similar example can be found in South America with the business activities of STEAG Energy Services do Brasil: As one of the BRIC countries, Brazil must constantly expand its energy capacities. In addition to new hydroelectric power plants, there are more and more thermal power plants and the wind and solar energy markets.

In order to secure the local supply situation and at the same time maintain the acceptance of the local population, STEAG always acts transparently. The management report, the Global Compact communication on progress and other forms of sustainability reporting, including this document, serve this purpose. At the same time, STEAG is in constant communication with political decision-makers on their respective committees. In this way, entrepreneurial activity as a whole is not only subject to the principle of sustainability, but also to constant, democratically legitimated control by the citizens of the countries in which STEAG operates.

## 4. Depth of the value chain

STEAG is an energy producer itself and thus the manufacturer of its own products throughout. Nevertheless, there are supply and value chains in which STEAG bears responsibility.

In recent years, "Business Partner Screening" has been introduced and continuously developed in almost all STEAG Group companies. The screening covers all common topics and risk scenarios within the individual fields of business both nationally and internationally, and thus sheds light on the links which make up all the supply chains. Furthermore, the value chains are part of the regular compliance risk analysis at STEAG. The Compliance department is responsible for this, and is also responsible for upholding corporate responsibility. This combined thematic responsibility, which has also been in place at STEAG since 2011, enriches both areas in terms of implementation and credibility, which has an impact particularly on the value chains. A central issue in this context is the purchase of hard coal on international markets for further processing at STEAG's German hard coal fired power plants. Since 2011, STEAG has optimized these procurement channels and placed coal suppliers, especially those from Colombia and Russia, under an obligation to comply with minimum human rights standards and implement modern occupational safety measures. These measures on the part of STEAG include dialogues and activities in the mining areas with the operators, and also with representatives of the local residents. Reference is made to the information on employee rights and human rights provided elsewhere in this report.

As an operator of large-scale plants in numerous countries and cultures around the world, STEAG maintains business contacts with a large number of suppliers and service providers. STEAG strengthens its sustainable supply chains by means of extensive commitment and involvement of partners at various levels. Part of the general purchasing conditions at STEAG is the obligation to comply with the principles of the STEAG Code of Conduct. These principles include the Global Compact principles. In the context of procurement and purchasing in Germany, suppliers with framework agreements also comment on STEAG's principles in the supplier self-disclosure process before the first order, and commit themselves to subject their own suppliers and service providers to a comparable evaluation. In this way, numerous small and medium-sized companies have so far been made receptive to the information presented, which is sometimes still new to them.

Logistics partners are increasingly coming to the fore in the product range of STEAG Power Minerals, which focuses on the processing of power plant

by-products for the construction materials industry, and this has already been identified as a future field of business partner screening.

In special topics which, for example, touch upon the aspects of money laundering, foreign trade and corporate responsibility partners and supply chains are also examined in detail in the following chapter.

B

# Process management

## 5. Responsibility and governance

Corporate Governance is generally understood to mean the exercise of responsible corporate management and control. In the case of the STEAG Group, this includes compliance with the laws relevant to the Group as well as directives defined and compiled in the Organizational Manual for day to day business. Furthermore, all agreements and contractual obligations are observed in the relationships with third parties. Over and above these provisions, STEAG exercises its corporate responsibility and duties of care in accordance with internationally recognized standards such as the principles of the UN Global Compact. The STEAG Code of Conduct is the key source of guidance which describes these goals both for internal and external relations and brings them together on the basis of business scenarios.

STEAG's approach is based, among other things, on the provisions of the German Corporate Governance Code in its latest version. A pivotal role in this context is played by the respective company management, which is obliged to ensure compliance with the statutory provisions and internal directives and work towards their observance by the employees. According to the Code, this is described by the term "compliance".

The STEAG Group is subject to a Compliance Management System which is implemented worldwide by an independent staff department. In addition to the regulatory obligations to prevent risks, the department is also responsible for implementing and reporting on activities within the scope of STEAG's corporate responsibility. Since 2011, corporate responsibility has been part of the compliance department's remit. The dovetailing of the two areas strengthens their credibility and reputation. In consequence, adherence to sustainability is also part of the compliance management system, in which, for example, the responsible conduct of potential business partners is also examined as a "hard criterion". Further information on the individual measures and instruments is provided in the following sections of this report.

## 6. Rules and processes

The rules and processes in the STEAG Group are regulated internationally by a codified system of directives. These are summarized in the Organizational Manual, which contains stipulations of a fundamental nature and those for matters that have to be handled uniformly within the STEAG Group, relating both to workflows and the conformity of individual measures in terms of content.

## 7. Control and monitoring

**STEAG's Organizational Manual (OM) is accessible to all employees and serves to fulfill the following principles:**

- › Compliance with the principle of delegation of responsibility by granting freedom of action (subsidiarity).
- › Ensuring that the control and monitoring duties of the management are fulfilled.

External control and monitoring are exercised through the committees of the Supervisory Board. In addition, the Organizational Manual as mentioned in section 6 also functions in its entirety as an internal control system (ICS). Any necessary supplementary regulations for processes in individual business units or companies and groups thereof are to be incorporated in the procedural manuals of the business units or companies concerned. The process-oriented descriptions in the directives always include practical control mechanisms. Updating of the Organizational Manual in its function as an internal control system is the responsibility of a working group which assesses the directives to determine whether they are, among other things, user friendly and whether they are in line with the corporate objectives and therefore also the sustainability goals.

Within the terms of the "Green Financial Framework" described above, internal control processes involving various corporate divisions in the selection and implementation of the defined projects and fields of business are also planned for the future. In addition, an external audit process is to be implemented, the results of which will be published as part of future corporate responsibility reports.

## 8. Incentive system

Sustainability targets can be part of the annual agreements on objectives for executives and non-tariff employees at STEAG. These individual agreements on objectives are the basis of the variable remuneration payable to these groups of people. The target agreement system supports the implementation of tasks and projects required by corporate planning. To this end, superiors agree targets for the coming business year with their employees each year.

## 9. Stakeholders

Orientation towards the strategic corporate objectives, which also include sustainability, is an effective tool in good Management by Objectives on the part of the respective superiors.

STEAG regularly provides information to different stakeholder groups through various channels.

Internally, the employees are the most important group of stakeholders. They are kept up to date regularly from day to day by means of the intranet and internal publications and – if desired – are involved interactively. Credible communication plays a particularly important role in sustainability issues in order to win over the employees as multipliers.

A further important component of internal communication is the daily press review, in which even critical media reports concerning STEAG are presented for reading.

Externally, the target group-oriented STEAG NEWS, developed specifically for the local government environment, is published. STEAG reports there on all the current issues affecting the Group from various perspectives. These regularly include sustainability aspects.

In individual subsidiaries, such as STEAG Power Minerals or the STEAG Energy Services companies, publications for business partners are also used, either in the form of a magazine (e.g. "Segment" from the Power Minerals Group) or in the form of newsletters.

Since 2011, STEAG, as a member of the German Coal Importers Association (Verein der Kohleimporteure – VDKI), has participated in animated discussions on the subject of coal imports. These have involved both the municipal utilities as shareholders in STEAG and to the local authorities associated with them. There are long-established and regularly used contacts there. Furthermore, STEAG is also in direct contact with critical non-governmental organizations on this topic, and this exchange of information intensified further in 2019. On the one hand, STEAG passed on specific critical enquiries about environmental intervention in Colombia to the mine operators in question and was able to exert a favorable influence on the discussion through this mediation. In addition, journalists from national daily newspapers and the television

stations ZDF and ARTE have sought contact with STEAG. At the invitation of the Bündnis 90/Die Grünen parliamentary group in the State Parliament of North Rhine-Westphalia, the Chief Compliance Officer of STEAG took part in a discussion round on the subject of coal imports from Colombia. Finally, STEAG took part in a nationwide survey by a non-governmental organization on the general topic of coal imports. Linking the topics of compliance and corporate responsibility, the responsible staff department, with the support of Corporate Communications, acts as an active dialogue partner within the framework of these enquiries. As in the last reporting period, the department has also been taking an active part in information events in the form of lectures and workshops on both topics, thus demonstrating the advantages of this combination in terms of credibility and enforceability.

The Compliance department also maintains a regular exchange of information with the responsible persons from other companies on sustainability issues in general.

As part of its involvement in the UN Global Compact as a member of the German network, STEAG has taken on the role of topic sponsor for anti-corruption. This includes active participation in meetings and the editorial and didactic design of information and training material on the subject. In 2019, STEAG successfully contributed to the development of a qualification program for Chambers of Commerce and Industry on the subjects of ethics and compliance.

Furthermore, STEAG is an active member of the German Association of Compliance Managers (BVDCM) and Transparency International Germany e.V., and regularly attends their meetings, to which STEAG makes an active contribution through lectures and workshops.

Finally, the stakeholder dialogue is complemented by the relatively new contacts with investors and financing partners on issues of sustainable investments, as described above.

## 10. Product and innovation management

In 2019, the STEAG Group's research and development activities continued to focus on topics related to applications and business areas. This applies both to the central research and development department at STEAG GmbH and to the subsidiaries.

The "DESIGNETZ" project, which was launched at the beginning of 2017 with a total of 46 partners as part of the SINTEG Initiative of the German Federal Ministry of Economic Affairs, is entering its final phase. The electrode boiler erected at the Fenne site as part of this project and the Fernwärme-Verbund Saar district heating storage facility were connected, together with other pilot projects, to a higher-order "system cockpit" using modern methods of data exchange (keyword "Internet of Things"). Scenarios for the electricity market of the future will be played out there in "live operation" in 2020. In particular, it is being investigated how the integrated industry combination of district heating generation and a storage facility can provide additional flexibility in the electricity grid.

FlexiTes, a joint project to test increased flexibility in thermal power plants, in which STEAG has participated, is being prolonged until mid-2020. The results so far reveal concepts, new technologies and practical technical designs for the integration of thermal storage facilities which can be used to increase the flexibility of thermal power plants in the electricity market. The joint project is funded by the Federal Ministry of Economic Affairs and Energy.

In November 2019, STEAG, together with Mitsubishi Hitachi Power Systems, RWE Generation, Siemens, Thyssen Krupp, Ruhr:HUB, the Essen Economic Development Agency and Zenit GmbH, founded the Industrial Innovation Excellence Cluster (SPIN). Under the motto "Envisioning the future together", the cluster offers companies a platform for collaboration on which they can press ahead with the climate-protecting transformation of industry and the energy system and strengthen the industrial core, add value and create jobs in the Ruhr region. The aim is to establish the Ruhr as a location for internationally competitive industrial innovations. The networking of experts from industry, politics and research is also an objective. The projects pursued by the Industrial Innovation Excellence Cluster are being funded by the Ministry for Economic Affairs, Innovation, Digitalization and Energy of the State of North Rhine-Westphalia in the amount of 15 million euros in the first year.

**STEAG is contributing two initial cooperative projects to the Industrial Innovation Excellence Cluster:**

In one of the initial projects, Mitsubishi Hitachi Power Systems, STEAG and the Fraunhofer Institute for Intelligent Analysis and Information Systems (IAIS) are working on the industrial applications of machine learning and natural language processing (NLP). The aim is to make these methods usable for the smart monitoring of small distributed facilities in the future energy landscape. In the second initial project, the open test platform for the development of power-2-x technologies, which was conceptualized in 2018, will be established on the site of the Herne power plant. In addition to STEAG, the Mitsubishi Hitachi Power Systems and Evonik companies, the University of Duisburg-Essen and the Fraunhofer Institute for Environmental, Safety and Energy Technology (UMSICHT) are involved. The platform is based on the carbon capture plant which was relocated from Lünen to the Herne site in 2018. The partners intend to use this platform to develop various processes for the production of synthesis gases used in the manufacture of synthetic fuels or input materials for the chemical industry. The release of the funding by the project agency and therefore the start of the projects are expected in 2020.

In addition, the Federal Ministry of Economic Affairs announced the “Living Labs for the Energy Transition” ideas competition to take place in 2019. In a holistic approach, the living labs are to test new technologies and business models under real conditions and gather experience that will later provide the basis for new legal regulations. They are also intended to support a forward-looking energy and industrial policy in energy-producing regions affected by structural change. STEAG entered the ideas competition with three projects. Firstly, the location of the Völklingen-Fenne hard coal fired power plant provides an opportunity to gain experience with regard to the operation and commercial use of “power-to-hydrogen” in a living laboratory (“Fenne HydroHub”).

Secondly, for the Ullersdorf site, a living lab for the “stabilization of energy from renewables with hourly storage” with battery storage systems based on sodium-sulfur technology was submitted. Thirdly, a living laboratory for an innovative solid state storage battery for stationary use as an energy buffer was proposed. In addition to STEAG, these project outlines were supported by a total of six other partners, distributed among the individual living labs.

In July 2019, it was announced that the Fenne HydroHub living laboratory was one of the twenty winners of the ideas competition. The investment volume for the project is to be financed by government funding and in equal shares by the project partners STEAG and Siemens. The details of the funding plan are currently being worked out with the Federal Ministry of Economic Affairs. At the Fenne power plant site, STEAG is therefore now implementing the “HydroHub” project together with the project partners Siemens AG, the Institute for Future Energy and Material Flow Systems (IZES gGmbH) and the German Research Center for Artificial Intelligence (DFKI GmbH). This and other projects are intended to accelerate the expansion of hydrogen technologies and the establishment of integrated energy systems. The Fenne site will thus become a living laboratory for the energy transition. Hydrogen is regarded as an energy medium which can, for example, balance out supply fluctuations in solar and wind energy. At the STEAG power plant in Völklingen-Fenne, this is to take place at an energy hub where the electricity grid, district heating network and a gas pipeline converge. Electricity-based hydrogen production (electrolysis) is to take place on an industrial scale on the basis of renewable energy sources. Electricity from wind and sun is used to split water into oxygen and hydrogen in an electrolysis process. This so-called “green hydrogen” can then be used as a substitute for fossil fuels, making energy production CO<sub>2</sub>-free.

In view of the increasing importance of digitalization, a “Digital Office” was set up for STEAG in 2019 as part of the research and development program. This office will coordinate and develop digitalization and digitization topics at STEAG in close cooperation with Corporate Development and the CIO. The main focus of the digital office is on the development of digital business models for STEAG, while the CIO is pressing ahead with the automation of internal processes.

**In the operational research and development activities of STEAG’s subsidiaries, topics within the framework of the existing business models were also driven forward in the year under review:**

In connection with digitalization, work is being performed here by STEAG Fernwärme, STEAG Energy Services and T&O. In district heating, the load optimization activities started in 2018 to avoid peak loads by using building substance as buffer storage and to test smart metering in district heating were continued.

At STEAG Energy Services, big-data methods of machine learning were investigated and integrated into existing software products to support predictive maintenance. T&O and STEAG Energy Services have combined methods of artificial intelligence and mathematical optimization with the aim of reducing the operating costs of large battery systems. Simulation results show significant savings potential here.

In terms of process engineering developments, Krantz, the ventilation and air-conditioning specialist within the STEAG Group, has developed a modular, mobile exhaust air system for regenerative afterburning. The turnkey "SmartRTO" (Regenerative Thermal Oxidizer) system, which can be expanded with components for heat recovery, was designed for fast and space-saving use in industrial plants.

In addition, STEAG New Energies investigated ways to improve the availability and efficiency of distributed supply systems, and STEAG Power Minerals investigated alternative materials to replace the declining fly ash volumes.

The effects of e-mobility, especially on distribution networks, will be further examined in the course of the expansion of the electric car fleet. Here, the integration of battery storage systems is gaining in importance.

STEAG's initiatives in the development of storage and battery systems in previous years have resulted, for example, in the availability of an option to offer mobile bridging power from containers to supply structurally weak areas or for transitional solutions. The system was deployed in 2019 in rural areas of northern India, where connection to the electricity grid is rudimentary at best. In many areas there is no electrification at all.

The patent system as an integral part of the innovation activities of the STEAG Group as a whole is indispensable for the success of the work described above. Processes related to patents and their initiation have been channeled, bundled and evaluated. The goal is to maintain valuable patents and generate new patents.

STEAG Power Minerals has been successful in the field of product innovation and marketing of power plant by-products for 40 years. The company was founded in 1979 as STEAG Entsorgung-GmbH. The aim was to develop recycling technologies for power plant by-products and to operate processing plants for those products. Since then, STEAG Power Minerals has been

an expertise leader in two fields of business: the procurement of power plant by-products and the production and supply of construction materials, blasting abrasives and industrial minerals. The company's functions also include supplying power plants with refuse derived fuels and absorbents for flue gas treatment. In every progress report of recent years, STEAG has reported, for example, on the enormous CO<sub>2</sub> savings achieved with the use of fly ash in cement production.



# Environment

## 11. Utilization of natural resources

According to the STEAG Code of Conduct, environmental protection generally applies to all processes and modes of behavior in the company and therefore to all employees. In the course of a continuous improvement process, possible effects of corporate activities on the environment are monitored and improvements are implemented where necessary. In this context, STEAG follows an Environmental Management System which is based on binding environmental protection guidelines (see section 12). These include principles for the economical use of natural resources.

A codified environmental management system is in place at all STEAG locations, both nationally and internationally, covering the areas of immission control, hazardous incidents, water protection and waste handling. These are common industrial standards that are applied in the operation of comparable large-scale plants.

Water extracted from natural courses is mainly used as cooling water. In principle, the extracted water is returned to the water course, just as all resources are used efficiently through targeted analysis and exploitation of the savings potential. In order to precisely determine the impact and interaction between resource consumption and plant operation, STEAG's environmental management system provides for personal responsibilities to be assigned by designated corporate officers and specialists in accordance with the Group directives, who provide, among other things, company-wide advice and monitoring in their respective areas. In the field of water protection, the officers are responsible for monitoring the waste water cycle and its effects on nature. In the area of solid waste, the officers at the sites advise on the environmental impact that could be caused by the waste and on facilities and measures to prevent such negative environmental impact.



## 12. Resource management

At STEAG, new projects are linked to technical innovations. In addition, ecological aspects and resource conservation play a major role, for example by means of distributed solutions in the field of district heating, renewable energy or the sale of CO<sub>2</sub>-neutral power plant residues for the construction industry. In the field of energy storage, STEAG operates one of the largest large-scale battery systems in Europe. In addition, environmentally friendly energy is obtained from waste incineration plants.

**Resource management is part of STEAG's group-wide environmental management. It implements the Group's environmental protection policy and strategy and is documented in the Environmental Management Manual. The principles contained therein are based on eight environmental protection guidelines:**

› **Environmental Protection and Corporate Principles:**

Observance of environmental protection is one of STEAG's corporate principles. Environmental protection affects all processes and modes of behavior in the company. Product quality, economic efficiency, environmental protection and the avoidance of malfunctions are equally important goals.

› **Conservation of resources**

The aim of our actions is the economical use of resources.

› **Consciousness of responsibility on the part of the employees**

Environmental protection is the responsibility of every employee. Creating and promoting a sense of responsibility for the environment among all employees is part of the management task.

› **Continuous improvement**

By means of a continuous improvement process, possible effects on the environment are considered and attempts are made to reduce them.

› **Legality**

Laws and regulations on environmental protection must be strictly observed.

› **Environmental technology**

To protect the environment, the best available technology is used, taking economic aspects into account

› **Environmental protection management**

The environmental protection management system is constantly being developed. It organizes clear responsibilities and delegates defined tasks.

› **Suppliers**

Contractors and suppliers are integrated in STEAG's measures for environmental protection.

The management cycle for implementing the guidelines and directives in the company takes the published environmental protection policy as the point of departure. Fundamental statements on the importance of environmental protection are laid down in the environmental protection guidelines. On the basis of these guidelines, firm individual goals are devised and agreed upon in the operational area. Subsequently, the necessary measures for the implementation of those goals are planned in terms of technology, organization and conduct. This involves identifying and assessing the possible hazards and stipulating and documenting the corresponding measures for environmental protection. The environmental protection measures required are then consistently implemented in the plants and integrated into all processes and workflows at an early stage. Continuous controlling of all the measures put in place ensures an immediate reaction in the case of deviations between the planned and actual conditions. If necessary, corrections by changing or intensifying the environmental protection measures are subsequently implemented. After corrective action has been initiated, the management cycle starts all over again. Each new cycle inevitably results in an improvement in environmental protection.

At STEAG, new projects are linked to technical innovations, which is an approach that runs through all the business areas. Ecological aspects and resource conservation already play a major role in the business strategy. In total, STEAG is one of the largest electricity and heat producers in Germany and operates six large-scale power plants and one refinery power plant, as well as over 200 other plants for generating energy from renewable and conventional sources and for distributed energy supply.

With reference to the comments on the overall strategy in Part 1 of this report, we would like to take this opportunity to mention the group's subsidiaries which play an active role in the conservation of resources within the Group: STEAG New Energies (distributed energy generation plants based on renewable energy sources, bioenergy and geoenergy, and wind power),

STEAG Waste to Energy (thermal waste treatment), STEAG Fernwärme (district heating), and STEAG Power Minerals (marketing of power plant by-products such as fly ash or the production of environmentally friendly construction materials and blasting abrasives).

The STEAG companies each have their own energy management systems with the associated certification to suit their fields of business and the associated requirements. However, all STEAG companies have undergone an energy audit in accordance with the German Act on Energy Efficiency and other Energy Efficiency Measures (EDL-G) 2019. The subsidiaries STEAG Fernwärme, STEAG New Energies and STEAG Power Minerals have introduced a separate energy management system according to ISO 50001.

Under the Paris Agreement, the European Union has pledged to reduce its greenhouse gas emissions by 40 percent by 2030 compared with the base year 1990. By 2050, emissions in the EU should then have been reduced by 80 to 95 percent. In the field of greenhouse gas emissions from the energy sector and large industrial plants, this is to be regulated by the EU Emission Trading Scheme (ETS). By means of a linear increase in the scarcity of the credits issued, the ETS precisely maps the emission reduction route promised under the Paris Agreement against the political decisions. The emissions covered by the ETS will be reduced by 43 percent between 2005 and 2030. The reduction target is expected to be tightened up as part of the Green Deal. Germany's greenhouse gas emissions are, for example, integrated in the Paris Climate Protection Agreement through the European targets that are being pursued by the ETS.

The STEAG Group is continuously investing in energy from renewables and energy efficiency and is constantly expanding the energy capacities obtained from renewable resources. STEAG's long-term strategy is in line with the European targets for significantly reducing greenhouse gases. STEAG's sustainability approach is in harmony with the SDGs of the United Nations. The responsibility for sustainability goes beyond climate protection. Nevertheless, Germany will achieve its greenhouse gas reduction targets in the energy sector in 2020 even without the effect of the coronavirus crisis. Owing to the feed-in priority granted to renewables, the operating hours of hard coal fired power plants have been declining for years.

In 2018, their share of gross electricity generation in Germany dropped to 12.8 percent, the lowest level since the introduction of electricity statistics.

In this context, STEAG's carbon footprint stands out: The company reduced its own CO<sub>2</sub> emissions by 79 percent by 2019 compared to 1990 – especially by means of the early decommissioning of power plant capacities financed with the company's own funds. This is associated with considerable sacrifices at STEAG. As a reminder, the voluntary commitment of the German government provides for a reduction in CO<sub>2</sub> emissions by 61 to 62 percent by 2030 compared to 1990.

These efforts were made without state subsidies and on the company's own economic responsibility – even against the background of the discussion about the current, hotly debated draft bill of the Federal Government to end the generation of electricity from coal. With a view to the compensation payments planned for the future, that bill still represents blatantly unequal treatment of the operators of hard coal fired power plants in comparison with those of lignite fired plants, even though the reduction of CO<sub>2</sub> emissions in the lignite sector has been much lower to date. A compulsory shutdown without compensation, possibly as early as 2024, of the latest generation of hard coal fired power plants that will only be in operation for a few years is tantamount to expropriating company assets, which is unacceptable in this form and urgently needs to be rectified if protracted legal disputes are to be avoided. Irrespective of this, STEAG accepts the fundamental decision to phase out coal-fired power generation. With its power plant engineering expertise, the Group is in fact contributing to the success of the energy transition in Germany and, against this background, sees itself as a partner in that process.

Emission control systems are implemented throughout STEAG's generation plants and are part of the environmental protection strategy. The carbon intensity of energy generation has remained stable and almost unchanged over the last five years. The proportion of pollutant emissions such as nitrogen oxides or sulfur oxides has fallen. The data relevant to STEAG are registered in the database of the Federal Environment Agency (thru.de) and are accessible to the public. The aim of the register is to ensure transparency in environmental protection. Industrial companies are obliged to publish their environmental data and thus to disclose to the nation and its citizens what burdens exist and where, and how they are developing.

### 13. Climate-relevant emissions

# 90 %

Planned reduction in CO<sub>2</sub> emissions by 2050 from 1990 levels

STEAG's approach to ensuring environmental protection by means of technical innovations is also effective in every respect in the field of CO<sub>2</sub> reduction.

In the form of the Waste to Energy business unit, STEAG is implementing power generation from waste incineration. Thermal waste treatment, for example, makes a significant contribution to regional environmental protection by using the combustion heat to generate electricity. As a result of the significant proportion of biogenic and thus regenerative carbon in solid waste, the energy generated in this way contributes to CO<sub>2</sub> savings compared to conventional power generation.

As a partner in the "InnovationCity Roll Out" project, STEAG Fernwärme has been continuously expanding the district heating supply network in the Ruhr area for years. As part of this climate-friendly urban redevelopment project, a total of 20 selected urban quarters in the Ruhr area are gradually being connected to the environmentally friendly district heating network. The aim is to reduce carbon dioxide emissions and local emissions from fossil-fueled heating systems. These projects will noticeably and sustainably increase the quality of homes and life in these quarters and, in consequence, in the Ruhr area as a whole.

Power plant residues and by-products created during power generation are marketed by STEAG within the framework of long-term national and international partnerships. Almost 100 percent of the fly ash which is produced during the combustion of hard coal is reused by the construction materials industry as a cement additive, and contributes significantly to CO<sub>2</sub> savings compared to the use of energy-intensive binding agents.

In addition, STEAG has been able to continuously win contracts and implement further projects in the dismantling of nuclear facilities in recent years. As owner's engineer, STEAG takes on the design of residue processing centers in which dismantled nuclear plant components are safely decontaminated.

In the future, STEAG will place a clear investment focus on renewable energy sources and distributed facilities and will continue to expand its global involvement. Onshore wind energy is a growing sector, particularly in France. In addition, STEAG is developing unit-type combined heat and power plants tailored to meet the individual final energy consumption of industrial plants. This decentralized business segment is being further promoted by establishing lean regional sales offices in Germany. In Brazil, the subsidiary

STEAG Energy Services do Brasil has taken on the operation and maintenance of wind, hydropower and PV plants. In addition, STEAG Energy Services also provides operation and maintenance services for natural gas production plants in Brazil.

# Almost 100 %

Reusability of fly ash

## D

## Society



## 14. Employees' rights

Above and beyond the provisions of the law, STEAG practices a working atmosphere of respect for one another, trustworthiness and credibility in accordance with the STEAG Code of Conduct, which is an integral part of the contracts of employment. The employment relationships are designed for the long term. In order to safeguard the interests of the employees at the companies and business units in Germany as required by the provisions on co-determination, a collective bargaining agreement concluded between the management concerned on the one hand and the trade union for the mining, chemical and energy industries (IG BCE) on the other hand applies in each case. In addition, numerous company agreements regulate all aspects of the employment relationship, such as the promotion of equality, compatibility of work and family life, working time accounts, flexitime models or the integration of severely disabled persons. At the beginning of the employment relationship, every new employee receives a Welcome Package, including the STEAG ABC, which contains general information on topics ranging from working hours to signing authority.

At its foreign locations, STEAG consistently relies on the use of local workers, who are employed on fair conditions. STEAG operates internationally with its own plants and companies. There are power plants and other plant sites in Turkey, the Philippines, Colombia, Romania, and Poland. Project companies and subsidiaries are operating in India, Brazil, Botswana, and elsewhere. All of these are subject to the ILO core labor standards. The establishment of works councils as a matter of principle means that wages are in line with the applicable local rates. Regulations on occupational safety, health and environmental protection are also applied at the foreign locations and are reviewed at regular intervals on site under the auspices of the central staff department at company headquarters in Germany.

Protection against workplace accidents and environmental and health hazards is a corporate objective. In the area of occupational safety, health and environmental protection, STEAG ensures the safe planning and implementation of operational procedures at its locations worldwide with the aim of preventing accidents and health hazards for all employees. Experienced and practice-oriented safety and environmental protection engineers provide interdisciplinary support throughout the Group in all relevant functions and in services for third parties. In addition to internal consulting in accordance with STEAG organizational directives and the German Occupational Safety and Health Act, external coordination takes place, for example, with professional associations and government occupational health and safety committees.

# 22,9 %

Decline in workplace accidents

A report on group-wide accident figures is part of every general works assembly at STEAG sites.

The level of occupational safety in the STEAG Group has been steadily improved by a large number of measures, an occupational health and safety policy and the associated occupational health and safety targets. The certified occupational health and safety management system supports those targets. No fatal accidents occurred. The accident rate (LTIF) fell from 3.5 accidents per million working hours in 2018 to 2.7 accidents per million working hours as of October 2019. This represents a decrease of 22.9 percent. The accident rate has thus reached a historic low. In 2013, STEAG joined the Vision ZERO campaign on cooperative employee protection. This occupational health and safety campaign is an integral part of occupational health and safety (OHS) in all countries worldwide. The cooperation launched in 2018 with BG RCI, the employers' liability insurance organization for the raw materials and chemicals industries on the subject of occupational health and safety supports Vision ZERO and enhances the strategy of preventive health and safety at work measures.

A further step towards comprehensive occupational health and safety is the implementation of the first internationally valid OHS standard DIN ISO 45001, "Occupational health and safety management systems". The conversion of the existing occupational health and safety management system certified to OHSAS 18001 has already begun. STEAG Fernwärme GmbH was the first Group company to be successfully certified to DIN ISO 45001 in October 2019.

At STEAG, employees' rights go hand in hand with a company health and social management system that has existed in the Group for decades and is considered exemplary within the energy sector. In 2011, STEAG received the Corporate Health Award 2011 in the energy category as one of the healthiest German companies. With this award, the Handelsblatt and EuPD Research annually honor companies that are particularly exemplary in their commitment to the health and performance of their employees and thus set standards throughout Germany and the industry.

STEAG is currently continuing to implement measures and offer support to strengthen personal responsibility as a pillar of health and fitness. STEAG has its own LIFE brand for health and social management as an integral part of its established personnel policy. Initially, the focus was particularly on raising

awareness of the topic of health. Today, LIFE represents an all-encompassing lifestyle concept which contributes to the maintenance of performance and health as a comprehensive and integrated help system. This includes offers for precaution and prevention, for reintegration, and also for social counselling in crises and emergencies, in the case of severe disability and for retirement.

The legally required risk assessment for mental stress which STEAG conducted in 2018, and a voluntary stress analysis, were continued in 2019. The establishment of steering committees and the arrangement of workshops with managers and members of works councils back up the implementation process and ensure that the measures put into practice are tailored to the results.

In 2019, an online tool was developed for a comprehensive and qualitative recording of the potential for improvement identified from the results of the mental stress risk assessment and the identification of appropriate solutions. This tool is intended to ensure a structured approach to the implementation of measures for risk assessment of mental stress and thus ensure that work on the relevant topics is performed on a continuous basis.

A total of 248 behavioral preventive measures were offered in 2019 in the fields of stress, exercise, nutrition, leadership and addiction. A total of around 3,000 employees from all German STEAG locations took part in the activities.

STEAG is strengthening its initiatives in cross-organizational cooperation with social security organizations through preventive and health-promoting measures. In addition, measures for prevention, rehabilitation and integration are defined as part of the company integration management system at STEAG. Company integration management applies to people who fall ill for more than six weeks at a time within a year or who are repeatedly unable to work. The Human Resources, Health and Social Management department takes care of the employees affected in close cooperation with the responsible advocacy group or disabled persons' representative.

In the company suggestion scheme, STEAG employees submit hundreds of suggestions every year for more efficient organization of operational processes and workflows, occupational health and safety, and material and energy savings. On evaluation, many of the suggestions are found to result in a considerable annual financial benefit for the STEAG Group. In recent years, STEAG employees have repeatedly been presented with an "Ideas Award"

# 2011

Corporate Health Award

by the Center for Ideas Management (ZI) at the German Institute for Ideas and Innovation Management. In 2019 alone, more than 800 suggestions were submitted by November. STEAG proposals have also attracted attention beyond the company itself. In the nationwide Ideas Award of the Center for Ideas Management, a suggestion for improvement by a STEAG employee won 3rd place in the category “Best Idea for Occupational Health and Safety”.

In the increasingly relevant field of the work-life balance, employees in Germany have recently been given the opportunity to take time off work. For some time now, STEAG has been offering flexible working hours, the opportunity of teleworking and methods of achieving a better balance between work and family life. In 2019, the “STEAG Time-Out” Group Agreement additionally provided the opportunity to take a sabbatical. Employees can therefore incorporate greater freedom into their working lives and use the time off to fulfill private wishes. This increases loyalty to the company and employee satisfaction. In consultation with superiors and the employee’s team, a period of up to six months’ leave can be requested. The employee concerned remains covered by social security for the entire period. The months consist of a work phase and a leisure phase, both of which are of equal length. Over the entire period, 50 percent of individual remuneration is paid.

At STEAG, strong works councils actively contribute to and support both the benefits for employees and the Group’s overall strategic and operational orientation. Strengthening the work of the works councils’ activities is therefore another aspect of corporate responsibility that STEAG lives up to. Around 120 employees at STEAG work in the various works councils at the head office and branches. Some of them are released from their duties during their period of service, but many are involved in local committees in addition to their regular work. To strengthen this target group, regular workshops are conducted by STEAG at the level of the General Works Council. These are designed to give the people concerned the opportunity to get to know each other and exchange information and ideas. Especially after works council elections, the works council teams change at almost all the STEAG sites. For the newly elected representatives, the General Works Council workshops are all about smooth integration, but also about obtaining the latest information on STEAG’s business and economic environment and thus having a better understanding of corporate decisions.

The above-mentioned commitment to the ILO core labor standards and the principles of the Global Compact requires STEAG to support preservation of freedom of association as a general social asset. In accordance with the STEAG Code of Conduct, the company also expects its business partners to strive for and realize these responsible goals. The outlawing of child labor and forced labor and the safeguarding of freedom of association are central criteria in the business partner reviews, and STEAG expects suppliers and service providers in particular to fulfil them. The Compliance department reviews these principles as part of the prequalification of new suppliers and the review of existing suppliers with framework agreements. In individual cases in 2019, after irregularities had been found, the Purchasing department pointed out to business partners in Germany that no business relationship with STEAG can be established if the work of the respective works council is impeded or its very establishment is even made more difficult.

## 15. Equality of opportunity

STEAG pays fair and appropriate wages worldwide, and for a large proportion of employees these are based on wage negotiations and collective bargaining with the relevant trade unions.

The subject of work and family includes various offers that support employees in sustaining the compatibility of work and family. These include advisory services for relatives in need of care, day care places for children under the age of three, holiday child care and information on various topics (e.g. living wills, etc.).

Every year, STEAG and its subsidiaries provide around 70 young people with a future in industrial, technical, and commercial professions. In addition to practical training, there are multidisciplinary qualifications and events appealing to trainees from various disciplines.

STEAG is committed to promoting the professional development of women and men on an equal footing and to maintaining equal opportunities for male and female employees. STEAG is a signatory to the Charter of Equality. Under the terms of this charter, the trade union IG BCE and the signatories are committed to equal pay for women and men and equal career development opportunities. In addition to work that pays a living wage, the requirements for working hours oriented towards the various stages of life are also part of the demands. The signatories of the charter also lobby politicians, businesses,

academic institutions and associations for more women in leading positions and have the aim of creating and supporting networks for women.

Diversity is of great importance at STEAG. In the period under review, STEAG also signed the IG BCE Action Plan on Inclusion. With this plan, employers, works councils and representatives of severely handicapped persons demonstrate the importance of diversity and strengthen the integration of severely handicapped persons into working life. In the STEAG Group, there are a total of 23 severely disabled persons' representatives who are responsible for the protection of severely disabled people and people of equal status. The aim of their work is to overcome colleagues' incapacity to work, to prevent a possible recurrence of incapacity to work and to adjust the workplace of those affected in individual cases so that employees with altered performance can continue to have career prospects within the company.

In addition to the usual contacts such as the respective superiors, the Human Resources department and the works councils, the Compliance department is also available to all employees to report cases of discrimination. In accordance with the Code of Conduct, discrimination and disadvantages based on ethnic origin, gender, religion or belief, disability, age or sexual identity or orientation are not tolerated. This also applies to the selection of business partners.

Well-trained and highly motivated employees are a key factor in the success of the company. STEAG promotes the professional development of employees and develops their individual potential in a demand-oriented, continuous, systematic and transparent manner – even beyond the employees' original areas of responsibility. Furthermore, STEAG offers support for in-service qualifications. Individual measures and programs for special target groups are continuously implemented and systematically backed up. In 2019, the second round of the Group-wide General Management Program was completed as planned. 14 high potential individuals were accompanied and supported in their personal development on the way to leadership and management positions. The third General Management Program will start in January 2020 with 15 participants. The program itself focuses on joint learning in line with the STEAG expertise model. "Unity and diversity at STEAG", "Markets and customers", "Corporate management", "Leadership and conflict management" and "Communication and interviewing" are the main topics of the pro-

gram. The participants, from all areas of the STEAG Group, are followed and supported by their superiors and personal mentors throughout the program. STEAG also runs the internal Energy Development Program (EDP): In 2019, the eleventh group, comprising another 16 participants, embarked on the program. The programs are embedded in a STEAG development landscape which includes further modules for individual development, and for management development and classical further and advanced training. In addition to the development programs, the STEAG development landscape includes modules from all fields of expertise relevant to the STEAG Group for the individual development of employees. One focus in 2019 was on the subject of project management.

STEAG lives up to its social responsibility and offers young people an excellent preparation for their respective professional careers in the form of an apprenticeship, which generally increases opportunities on the labor market. However, STEAG is highly aware of the increasing importance of having its own high-quality training that is geared to future needs. In view of the already noticeable shortage of skilled workers, STEAG is investing in its own training program, which already shows applicants a future within the STEAG Group, and is thus aimed at retaining qualified young people within the Group. For example, a new training center for the technical and commercial staff of tomorrow is currently being built at the Herne site, and in terms of equipment will meet the latest technical and didactic requirements for demanding, modern company training.

In addition to the initial technical and commercial training, STEAG also promotes integrated courses of study in cooperation with local universities. The final grades for STEAG trainees in both commercial training and technical training were excellent in the last reporting period. Some of the trainees were awarded the top grade by the Chamber of Commerce and Industry for Essen, Mülheim an der Ruhr and Oberhausen.

For some trainees, vocational training at STEAG also means looking beyond the horizon. From July to August 2019, three STEAG apprentices, all of them students on integrated courses, traveled to Compania Eléctrica de Sochagota S.A. in Bogota, Colombia, and to STEAG Energy Services do Brasil Ltda. in Rio de Janeiro for four weeks as part of their training. On site, they were integrated into the daily work routine and also established good social contacts with local colleagues. This educational visit has been a part of the STEAG training plan for years and strengthens the intercultural competence of the

## 16. Professional development

company's own junior staff.

A further component of the vocational training at STEAG is the introductory period at the beginning of the apprenticeship, during which all the apprentices get to know both STEAG and each other in workshops spanning a period of one week, in order to promote subsequent cooperation and interaction between colleagues.

Over and above training and continued professional development, STEAG has developed a new form of open cooperation and work culture among STEAG employees in the shape of the STEAGile program. In this way, the company is taking account of the strong pressure for change in the energy industry and reacting to internal areas of tension that may arise at different levels in the group. Throughout the past year, a working group has been dealing intensively with these issues, among others. Together, its members developed STEAGile and have already discussed it in workshops, management workshops and with the trainees. Their aim is to initiate new ways of thinking, strengthen the personal responsibility of the employees, create flexibility, enable creativity, promote networking and bring together many perspectives to redefine cooperation within the Group. Examples of the results of this program so far include guidelines on the use of social media by STEAG employees, the organization of meetings and e-mail traffic. STEAG also introduced the WorkingOutLoud (WoL) approach. WoL is a method and a way of thinking that makes it possible to learn digital collaboration in a self-organized environment, to systematically build up sustainable networks and to make one's own work (more) visible. It is about trust and appreciation, networking and cooperation as well as personal responsibility. STEAG employees meet regularly in small teams over a period of several weeks in order to network better with each other and to advise and support each other in achieving individual goals that lie outside the job descriptions and professional target agreements.

## 17. Human rights

In accordance with the STEAG Code of Conduct, responsible and law-abiding action is the focus of all corporate activities and represents a clear, indispensable objective and a basis of STEAG's success. As a participant in the UN Global Compact initiative, STEAG supports the implementation of the principles in the areas of human rights, labor standards, environmental protection and anti-corruption.

In practical terms, the exercise of corporate responsibility belongs in the remit of the Compliance department at STEAG. This results in favorable effects because the interlocking of the two areas underlines their credibility and robustness. The staff department continuously calls the attention of the Group's managers and employees from Germany and abroad to these topics and to the action taken at STEAG. This also takes place in open discussions on the limits to what can objectively be done. Across the Group, against the background of the UN's guiding principles for businesses, steps and measures enabling STEAG to exert a positive influence are designed.

STEAG is currently focusing on the discussion and development of the National Action Plan for Business and Human Rights. The National Action Plan for Business and Human Rights (NAP) was launched by the German government in 2016 and is intended to put the UN principles for business and human rights into practice in and for Germany. It is also part of the currently valid coalition agreement. On the one hand, it defines the state's obligation to stand up for the protection of human rights worldwide, and on the other hand it formulates the expectation for German companies to exercise human rights diligence in their business activities and to introduce the processes defined in the plan.

### **The core elements of the duty of care that the companies are expected to implement are as follows:**

- › Issuing a statement of principles on respect for human rights
- › Introduction of procedures for identifying actual and potential adverse effects on human rights (risk analysis)
- › Implementation of measures to prevent potential adverse effects and verification of the effectiveness of these measures
- › Reporting
- › Introduction of a complaints mechanism



The aim is for at least 50 percent of all companies based in Germany with more than 500 employees to have integrated the above elements of human rights diligence into their corporate processes by 2020. Originally, the plan was voluntary and has (so far) not been legally enforceable. However, the federal government at the time reserved the right to review the plan, starting in 2018. If there is no sufficient implementation, further steps ranging up to legal regulations and the expansion of the group of companies to be covered will be examined. In the course of the 2019 calendar year, the first round of a monitoring procedure was carried out, in the course of which the implementation status of the five core elements of the NAP was polled by the government. For that purpose, a random sample of companies were asked to submit information in an online questionnaire. A second survey phase will follow in 2020. STEAG participated in the survey through STEAG Energy Services, which was selected.

The Compliance department at STEAG has been following the action plan and its development ever since its publication. At the federal level, political parties, associations, and non-governmental organizations are currently discussing the introduction of a supply chain law to regulate the responsibility of companies for compliance with human rights. STEAG is well prepared for possible future measures and is already implementing the above-mentioned core elements for the most part, both in the area of coal imports and in general in its operative business with its suppliers and service providers.

An important tool for the further development and strengthening of the topics covered by the department is – as already described – dialogues with stakeholders. These have been established at STEAG for years on the subject of sustainable coal supply chains. How these dialogues are structured is explained in the section entitled “Stakeholders”. Recently, STEAG also participated in the first virtual conference of members in the German Global Compact Network. In a panel discussion with over 100 participants, the Chief Compliance Officer of the Group highlighted the human rights due diligence approach at STEAG against the background of the shaping of practice-oriented framework conditions such as a possible Supply Chain Act.

When contacting potential business partners for the first time, STEAG first conducts a review of compliance-relevant past events via the Internet. This means that STEAG is normally aware of potential human rights violations in the context of its supply chains in the short term. Furthermore, STEAG has been strengthening the sustainable supply chain in the context of procure-

ment and purchasing in Germany for years by means of instruments such as self-disclosure for new framework agreement suppliers. Among other things, this involves asking about compliance with human rights. In this context, small and medium-sized companies in particular obtain information on STEAG’s expectations and their possible practical implementation in daily business. In addition, STEAG regularly checks its sensitive supply relationships, for example when importing coal from Colombia, by personally visiting the production sites. Finally, STEAG specifically seeks a continuous professional exchange of information with non-governmental organizations. From these dialogues, STEAG can pass on suggestions to its contractual partners in order to improve the quality of life of the people concerned. Furthermore, this commitment has led, among other things, to a critical analysis of human rights violations by suppliers and to activities for the rehabilitation of victims and injured parties due to possible past violations.

## 18. Community

With the Agenda 2030 for sustainable development the international community expresses its conviction that global challenges can only be solved together. The Agenda creates the basis for shaping global economic progress in harmony with social justice and within the ecological limits of the earth.

The core of the Agenda is a list of 17 Sustainable Development Goals (SDGs), which have already been mentioned several times. For the first time, the 17 SDGs take equal account of all three dimensions of sustainability – social, environmental and economic. Thus, they do not represent intellectual games detached from everyday life, but have a consistent impact on societies and communities, right down to the local level.

Throughout the Group, STEAG is committed to social causes at all its domestic and foreign locations. The projects are intended for the long term and always have a local connection to the respective STEAG establishment. The focus is on social, cultural and sports aspects, and for the locations abroad also on strengthening local infrastructures. A further focus is on the willingness of employees to volunteer on behalf of STEAG, mostly for social purposes. A significant part of these activities are performed by means of the voluntary contributions of the employees, who are expressly supported by STEAG with time off work and the necessary budgets.

**Some current examples:**

In 2019, for the first time, STEAG supported the Special Olympics of North Rhine-Westphalia (SONRW), which took place in Hamm, Westphalia, by providing a team of helpers. Over 1,000 athletes with mental, physical and multiple disabilities take part in this sports festival, which takes place every two years. Mixed teams, consisting of people with and without disabilities, also take part within the framework of so-called unified competitions.

The Special Olympics was founded in the USA in the 1960s with the idea of offering sports activities and events to people with mental, physical and multiple disabilities. Today, the Special Olympics is attended by more than 5 million athletes in 175 countries, making it the largest sports movement for people with mental and physical disabilities which is officially recognized by the International Olympic Committee (IOC).

The STEAG team comprising over 15 employees supervised the boccia competitions for four days. In addition to employees from the nearby Bergkamen power plant site, volunteers from the Essen site, including trainees, also took part. All the helpers were impressed by the friendly way the athletes treated each other, and so each and every one of them gained something for themselves from the event.

In autumn 2019, eleven volunteers from Trading & Optimization (T&O) used 50 europallets to build lounge furniture for the garden of the Diakoniewerk charity's reception center in Essen. The facility offers people in need a wide range of advice and assistance. The services offered there include a youth protection center for young people between the ages of 12 and 18, short-term assisted living and a special shelter for women and children. The campaign was a joint project: the Project Purchasing and Materials Management departments helped to provide the 50 europallets required and were able to win over the power plants as donors of the pallets. The fire brigade from the Herne power plant performed the transport.

At the Dinslaken, Gladbeck and Lünen sites, STEAG Power Minerals employees continued their commitment to the Dinslakener Tafel charity. Just before Christmas, the helpers collected presents for the needy, especially Christmas presents for children in families undergoing hardship.

A new addition to Power Minerals' commitment was a development aid project at the Dinslaken Waldorf School, which the school has been carrying out for 15 years under the motto "Learning from Life" with its ninth grade pupils. For four weeks the young people travel to Romania, Russia, Bulgaria, Hungary or Moldavia to work on various construction projects. The students are also responsible for preparing for the stay abroad themselves.

Since 2012, trainees at the Essen site have been hosting the "Renewable Energy" project day for pupils at the Adolf Reichwein Primary School in Altenessen. They are supported by trainees from the Lünen power plant. At stations constructed by the trainees themselves, two third grade classes from the primary school learned how electricity can be generated from renewable energy sources.

This idea was taken up by employees from other corporate sectors. In a Bochum kindergarten, employees from Essen and Lünen staged the Energy Day "in miniature" and explained in a playful way to about 60 children aged between three and five how electricity is generated, with the help of equipment available at STEAG.

The JOBLINGE project was started in the reporting period. STEAG supports the JOBLINGE organization together with 2,400 well-known companies from various industries and 50 public institutions. This non-profit initiative is concerned with getting young adults from difficult backgrounds into training or work on a permanent basis. Volunteer mentors contribute greatly to the successful progress of the young people. STEAG employees who can act as role models and sounding boards for young people are currently being sought at the locations concerned. The JOBLINGE mentoring program is designed for a six-month period. During that time, the personal mentors support the protégés in finding a career, practice together for interviews and provide support for the first steps into the world of employment.

**Abroad, the strengthening of local infrastructures is far more relevant.**

As an operator of power supply plants worldwide, STEAG in itself represents a significant part of the local infrastructure. For decades now, the companies operating STEAG plants across the globe have been committed to social involvement in the environment of their plant beyond the level required by local regulations. The following are just examples of some of the many and varied activities.

In India, STEAG Energy Services India (SESI), which maintains a presence at several locations on the subcontinent, has been supporting various nation-wide social projects for almost 20 years now. In the period under review, employees and the company management took part in national action days on topics such as environmental protection, safety, cleanliness, and firefighting. Furthermore, SESI has been equipping social organizations with technical equipment such as photovoltaic systems or vehicles for years.

In addition, STEAG has been running a one-year introductory training program in India for nine years for graduate engineers and other graduates who learn how to operate and maintain thermal power plants in on the job training and educational courses.

In the Philippines, STEAG Power Inc. has also been involved in national social programs for many years, mostly in the areas of environmental protection, poverty reduction and education. One example of the numerous programs is the public sector education initiative Social Empowerment through Education (SEED), in which STEAG has been involved for over ten years and which has so far provided improved, supplementary training for over 2,000 children and young people.

Furthermore, the Philippine company STEAG Power Inc. is involved in local and national disaster control through donations and voluntary work. In 2019, earthquakes and massive landslides hit the town of Makilala, which like the STEAG power plant is located in the Mindanao region. Over 600 families, mostly from the indigenous population, lost their homes. Together with other partners, STEAG supported the people affected in the context of emergency aid by supplying food, toiletries, and toys.

In addition, the practice of religion often plays a special role in strengthening social interaction, depending on the region and culture, and is supported in many cases by corporate activities. In both Turkey and Indonesia, STEAG companies have participated in traditional Islamic festivities. In the period under review, STEAG's Turkish subsidiary ISKEN performed social activities for the second time for people in need during the month of Ramadan, that being also part of the traditional practice of religion. In Indonesia, the STEAG company SAE supported the celebrations of the Eid al-Adha. STEAG companies have been involved in similar public projects at all locations worldwide for almost 20 years, contributing in a practical and unbureaucratic way to improving local living conditions.

As in Germany, employees also make voluntary, reliable contributions in various forms.

STEAG is committed to political neutrality under the terms of the Code of Conduct. This does not, however, mean that the company may not take up a position and express an opinion in society if that is appropriate.

Under the motto "Show your face – raise your voice", numerous initiatives, associations and companies have been sending out clear signals against xenophobia and exclusion as part of the "International Weeks against Racism" in spring 2020. STEAG and its subsidiaries also took part in this campaign: A special flag was flown at all of the Group's German sites, making STEAG's support visible from afar. A matter of course for the company – cosmopolitanism and tolerance are part of the Group's DNA, as STEAG is represented in more than 40 countries on all five continents.

STEAG is also actively involved in a discussion process in North Rhine-Westphalia on the shaping of our community. At the invitation of the NRW state government, the Group took part in the dialog between various stakeholder groups and worked with numerous other company representatives in an ideas workshop on the "Joint commitment of society and industry" to expand the approach that has been practiced internally at STEAG for years.

The coronavirus is currently changing life everywhere across the globe. It is hoped that the majority of people will remain healthy and emerge well from these extraordinary times. At its plants and offices, STEAG is doing its share to support the pandemic countermeasures. The contribution by SFW Ener-gia in Poland and CES in Colombia, which are supporting local hospitals and care facilities through donations, is worthy of note in this connection.

## 19. Political influence

STEAG maintains strict neutrality in party politics. As a matter of principle, no party donations are made and no party campaigns are supported. Particularly before elections, STEAG refuses all contact with political parties or participation in their events. STEAG represents its positions on both energy and environmental policy issues through its management and the Energy Policy department by following legislative processes at national and European level and identifying political developments at an early stage. This takes place in dialog with ministries, authorities, parties, and parliamentarians. Further-

## 20. Compliance

more, as the company has municipal shareholders, local government representatives are particularly interested in STEAG's positions. STEAG draws up statements on these topics of energy and environmental policy and regularly communicates them both within the company and externally.

Compliance, i.e. conduct in accordance with the law and regulations, is an elemental component of corporate governance within STEAG. This ranges from observance of the provisions of the law and the internal company guidelines relevant to the Group, through adherence to agreements and contractual obligations, to the exercise of corporate responsibility and duties of care in accordance with internationally recognized standards. STEAG's Compliance Management System is a central component in the design of the measures to achieve these goals. The responsibility of the central staff department responsible for the entire Group ranges from the prevention of risks in the area of economic crime to topics in the area of corporate responsibility, such as the exercise of due diligence pm human rights or respect for labor standards worldwide. The guiding principles are the ten principles of the UN Global Compact, in which STEAG has been actively participating since 2011, and which are reflected in the STEAG Code of Conduct to be followed in practical business scenarios.

The implementation of measures to maintain corporate governance is carried out in accordance with the system of directives worldwide in all areas of the company and at all locations. Representatives appointed by the respective management boards support the central staff department with regard to the specific, jointly defined risks by means of regular reporting, implementation of preventive measures, specialist knowledge and the processing of potential cases of violation or suspicion. This decentralized, team-oriented approach also forms an important element in promoting the responsibility of all employees for their own actions.

Potential risks and the measures to be derived from them are determined in the regular risk analyses. These have also been continuously developed further. Business segments and their risks are regularly discussed and evaluated with the companies and specialist departments. In addition, the inquiries from the level of the company management to the departmental levels are intensified, so that the number of planned interviews increases across the board and rounds of analysis will take place continuously depending on the risk relevance.

One focus of heightening awareness is on regular, target group-oriented face-to-face training courses, which are declared as compulsory in the directives. The training courses deal with compliance-relevant topics such as corruption prevention, antitrust law or the Global Compact principles, which are expressed in STEAG's Code of Conduct. The training courses are conducted throughout the Group. In addition to passing on the latest information and refreshing the knowledge already acquired, these events ensure and maintain regular personal contact between the staff department and the operational employees. At foreign locations in particular, the training atmosphere is characterized by the mutual exchange of information and intercultural learning, as the legal or social conditions there may differ from the rules that apply in Germany. The training content is constantly being redesigned so that it is never repeated, and deals with compliance-relevant scenarios using practical, interactive case studies. These are designed to cover a wide range of topics and now for the first time also include the sphere of STEAG's business partners.

In order to be able to limit possible risks in advance, business partner screening is carried out as early as possible within the projects, as already mentioned. In addition to the identification of risks in the areas of compliance and corporate responsibility, the aim is to develop a practice-oriented prevention strategy jointly agreed with the respective business partners in order to successfully implement promising and sustainable projects. The review of new business partners and contacts was made at an even earlier stage in the period covered by this report, particularly in the context of joint venture or M&A projects, and its scope was intensified. Furthermore, the Compliance department introduced additional audit cycles involving external service providers for certain risks and circumstances specific to the country concerned, supplementing the previous screening with attention to numerous topics in the areas of commercial criminal law, respect for human rights and labor standards, and environmental protection.

In terms of content, the measures include (early) detection and prevention of corruption risks and property offences under the direct responsibility of the Compliance department. In addition, other staff departments, such as Legal, Data Protection or IT Security, provide support in the prevention and processing of any violations or suspected cases of corruption. In the period under review, the regular reporting of transactions relevant to issues of compliance to the Compliance department by the designated officers of the Group companies was accompanied by regular personal meetings and networking in working groups on special topics such as the fight against cybercrime.

In other areas such as prevention of money laundering or foreign trade law, increasing transparency vis-à-vis the respective business partners is also playing an increasingly important role in strengthening mutual trust, and is thus in line with the principles of good corporate management as defined by German corporate governance regulations. In the section on stakeholders, the report touched upon the active involvement of STEAG and especially its Compliance department in the German UN Global Compact network and in the professional association at national German level. In the area of legal and regulatory compliance, the department also developed a theoretical approach to combining tools of business mediation and internal conflict management with the strengthening of corporate culture and compliance management. This resulted in a workshop that was also offered at compliance conferences.

The DIN Standards Committee for Organizational Processes (NAOrg) in Berlin is currently working on a draft of DIN ISO 37301 on the requirements for compliance management systems. This future regulation is intended to replace the previous standard ISO 19600 on the same subject, which, as a standard within the ISO standardization system is not externally verifiable. The new standard will constitute a testing standard. STEAG's Compliance department is taking part in the public, virtual discussion process and feeding the knowledge gained into the revisions of both the relevant company directives on compliance and the STEAG Code of Conduct.

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# Overview of the use of the UN Global Compact Principles and Sustainable Development Goals

	UN Global Compact	Sustainable Development Goals
Fields of business and activities	Foreword	SDGs 9, 17
Participation in the UN Global Compact	Commitment CEO	SDGs 16, 17
Promotion of the Sustainable Development Goals	Preface	
<b>A. Strategy</b>		
1. Strategic analysis and actions	Principles 3, 4, 5, 6, 7, 8, 9	SDGs 7, 8, 9, 11, 13
2. Materiality	–	SDGs 7, 8, 9, 11, 13
3. Objectives	Principles 7, 8, 9	SDGs 7, 8, 9, 11, 13
4. Depth of the value chain	Principles 1, 2, 10	SDGs 7, 8, 9, 11, 13
<b>B. Process management</b>		
5. Responsibility and governance	Principle 10	SDGs 8, 9, 16
6. Rules and processes	Principle 10	SDG 10
7. Control and monitoring	Principle 10	SDG 10
8. Incentive system	–	–
9. Stakeholders	All Principles	SDGs 8, 9, 16
10. Product and innovation management	Principles 7, 8, 9	SDGs 7, 8, 9, 11, 13
<b>C. Environment</b>		
11. Utilization of natural resources	Principles 7, 8, 9	SDGs 7, 8, 9, 11, 13
12. Resource management	Principles 7, 8, 9	SDGs 7, 8, 9, 11, 13
13. Climate-relevant emissions	Principles 7, 8, 9	SDGs 7, 8, 9, 11, 13
<b>D. Society</b>		
14. Employees' rights	Principles 1, 2, 3, 4, 5, 6, 10	SDGs 3, 4, 5, 7, 8, 9, 11, 13
15. Equality of opportunity	Principles 3, 4, 5, 6	SDG 5
16. Professional development	Principles 3, 4, 5, 6	SDG 4
17. Human rights	Principles 1, 2, 10	SDGs 8, 9, 16
18. Community	Principles 1, 2, 10	All SDGs
19. Political influence	Principles 1, 2, 10	SDGs 11, 16, 17
20. Compliance	Principle 10	SDGs 16, 17

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