



SUSTAINABILITY REPORT 2022



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Introduction

DEAR READER,

We are pleased to present you with this publication, our first voluntary VNG Sustainability Report. In so doing, we are making our activities in the area quantifiable, communicating them openly and transparently, and demonstrating our commitment to our key issues and goals.

Sustainability is nothing new for our Group. For many decades, we have been involved in social, cultural and sporting activities and ensured that our funds and resources are used in an appropriate and environment friendly manner. We are also valued as a responsible employer which is committed to keeping its staff healthy and providing numerous benefits. You can see this for yourself in our report.

For us, however, sustainable action goes beyond just the social sphere – it includes providing a secure, reliable and increasingly climate-neutral supply of energy. In this report, we would also like to show you that we are constantly working to improve our sustainability in this area, which is our main focus and responsibility as a Group.

This report covers the 2022 financial year – a unique and very challenging year for VNG in many respects, but one in which VNG, as one of the largest energy groups in Eastern Germany, was nevertheless firmly remained

focused on its two core missions – ensuring a secure supply of gas and helping to shape the transformation towards green gases – firmly in view at all times and meet all of the challenges encountered over the course of the year. We reliably supplied our municipal utility and industrial customers with gas, provided heat for several million households, operated our infrastructure reliably, and facilitated value creation in numerous companies.

In addition, we laid the foundations which will accelerate transformation in all business areas and Group companies, and advanced a number of green gas and hydrogen projects in Eastern Germany. We were also able to consistently drive forward our activities related to the Group-wide reporting and processing of our sustainability issues. On behalf of the entire Executive Board, I would once again like to thank our team VNG once again for their unflagging commitment in driving all of these areas forward.

We are currently placing a special focus on projects related to ramping up the hydrogen economy in Eastern Germany, particularly our pilot hydrogen project, the real-life laboratory at *Bad Lauchstädt Energy Park* (“EBL”). The project to create a real-life laboratory for the energy transition was launched in autumn 2019 by the consortium including several other partners with the support of the German Federal Ministry for Economic Affairs and Climate Protection (“BMWK”). There is no better proof of the value of our



sustainability efforts. The EBL project provides a good foundation for our future hydrogen-related activities. It has also accelerated our corporate transformation via the *VNG 2030+* strategy, in addition our consistent advocacy and work on sustainability. You will be able to read about what will happen next with the EBL project and our other green gas projects in the 2023 Sustainability Report at the latest.

Thank you for your interest in VNG and our commitment to sustainability. On behalf of the entire VNG Executive Board and all our employees, I wish you an interesting and informative read. Please let us know if we managed to cover all of the activities and areas that are important to you. We look forward to your feedback.

Hans-Joachim Polk

Member of the Executive Board, Infrastructure/
Technical Affairs

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ESG key figures 2022

PERFORMANCE


40 
Biogas facilities


As of 1 April 2023


7,700 km 
transmission system*

2.2 billion m³ 
capacity of underground
gas storage facilities

ENVIRONMENT


0.12 million t 
CO₂eq Scope 1 emissions

0.03 million t 
CO₂eq Scope 2 emissions

26.53 million t 
CO₂eq Scope 3 emissions

SOCIAL AFFAIRS

4 companies** 
recertified for family- and
life-phase-conscious HR
policies***

17% 
of positions in the first
management level held
by women

0.4 LTIF 
(Lost Time Injury Frequency)

CORPORATE GOVERNANCE

€ 128 
million investment

5 European countries in
which VNG holdings operate 

0 confirmed 
incidents of corruption

As of 31 December 2022

* Operator: ONTRAS Gastransport GmbH

** VNG AG, VNG Handel & Vertrieb GmbH,
ONTRAS Gastransport GmbH, VNG Gasspeicher GmbH

*** Certification by berufundfamilie Service GmbH

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VNG at a glance

The VNG Group (hereinafter VNG) is a group of companies active throughout Europe and firmly anchored in its home region, consisting of over 20 companies with around 1,600 employees. From its headquarters in Leipzig, VNG operates an extensive group network with subsidiaries and holdings in Germany, Poland, the Czech Republic, Austria and Italy. As a gas importer and gas wholesaler, gas storage operator and – through its subsidiary ONTRAS Gastransport GmbH – an independent transmission system operator, VNG is active as a group of companies in all key parts of the midstream gas value chain and stands for a secure supply of gas in Germany. VNG’s business activities are bundled in five business units: Trading & Sales, Transportation, Storage, Biogas, and Digital Infrastructure.

VALUE CREATION IN FIVE BUSINESS AREAS

TRANSPORT

The independent transmission system operator¹ ONTRAS Gastransport GmbH (ONTRAS) operates the 7,700-kilometre high-pressure pipeline system in Eastern Germany and is responsible for the reliable and efficient transport of gas. Accordingly, ONTRAS supports the European gas market and is a pioneer

in hydrogen projects in the gas network. ONTRAS also makes important contributions to security of supply.

STORAGE

Underground storage facilities are an integral part of the gas infrastructure and essential for security of supply. The subsidiary VNG Gasspeicher GmbH (VGS), the third largest gas storage operator in Germany, stores its customers’ gas efficiently, safely and reliably, successfully markets storage capacities and offers innovative storage products.

TRADING & SALES

As a major gas importer and gas trader in Germany, VNG Handel & Vertrieb GmbH (VNG H&V) offers a wide range of products and services to around 400 municipal utilities, redistributors and industrial companies. VNG H&V maintains regional offices for its customers throughout Germany and is involved in the end customer business domestically and internationally.

BIOGAS

BALANCE Erneuerbare Energien GmbH (BALANCE) operates 40 biogas facilities in Eastern and Northern Germany. The production of green energy is just as much a focus as the intensification of value creation and the development of new products related to biogas and biomethane.

DIGITAL INFRASTRUCTURE

Several VNG subsidiaries and holdings organise the expansion of fibre optic networks or offer services in the areas of documentation and telecommunications. In order to bundle activities in this growth market, VNG established this new business area in 2022.



¹ Transparency and a non-discriminatory approach to gas network operators are required to foster competition in the upstream and downstream areas of the value chain and create trust among market participants. Since 2005, the German Energy Industry Act (“EnWG”) has therefore prescribed informational, accounting, legal and operational unbundling measures for vertically integrated companies. The term *unbundling* refers to the legal requirement for energy supply companies to separate their grid infrastructure and sales operations. In this Sustainability Report, the process flows of VNG and its subsidiaries, in which these unbundling measures are implemented, are presented separately.

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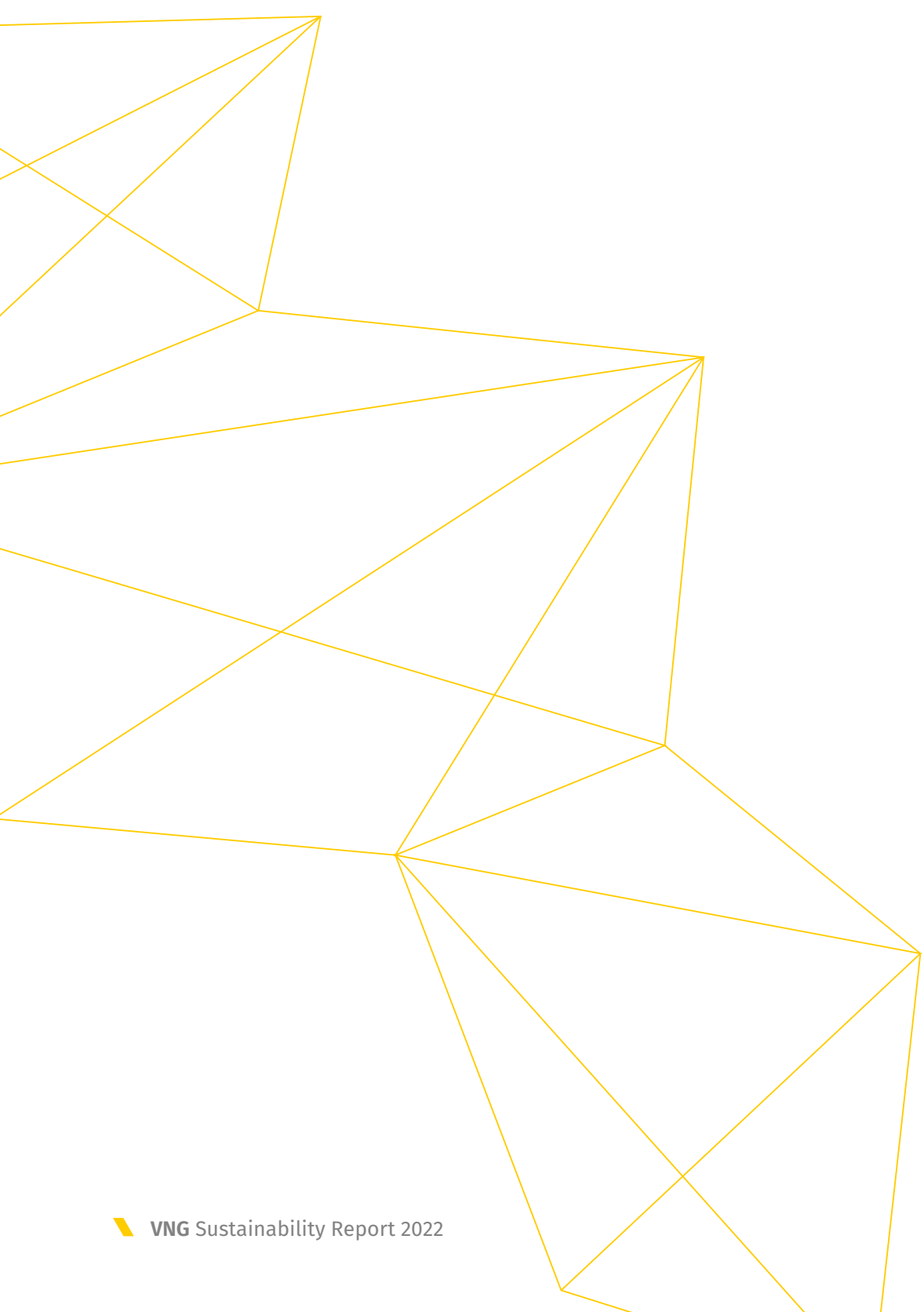
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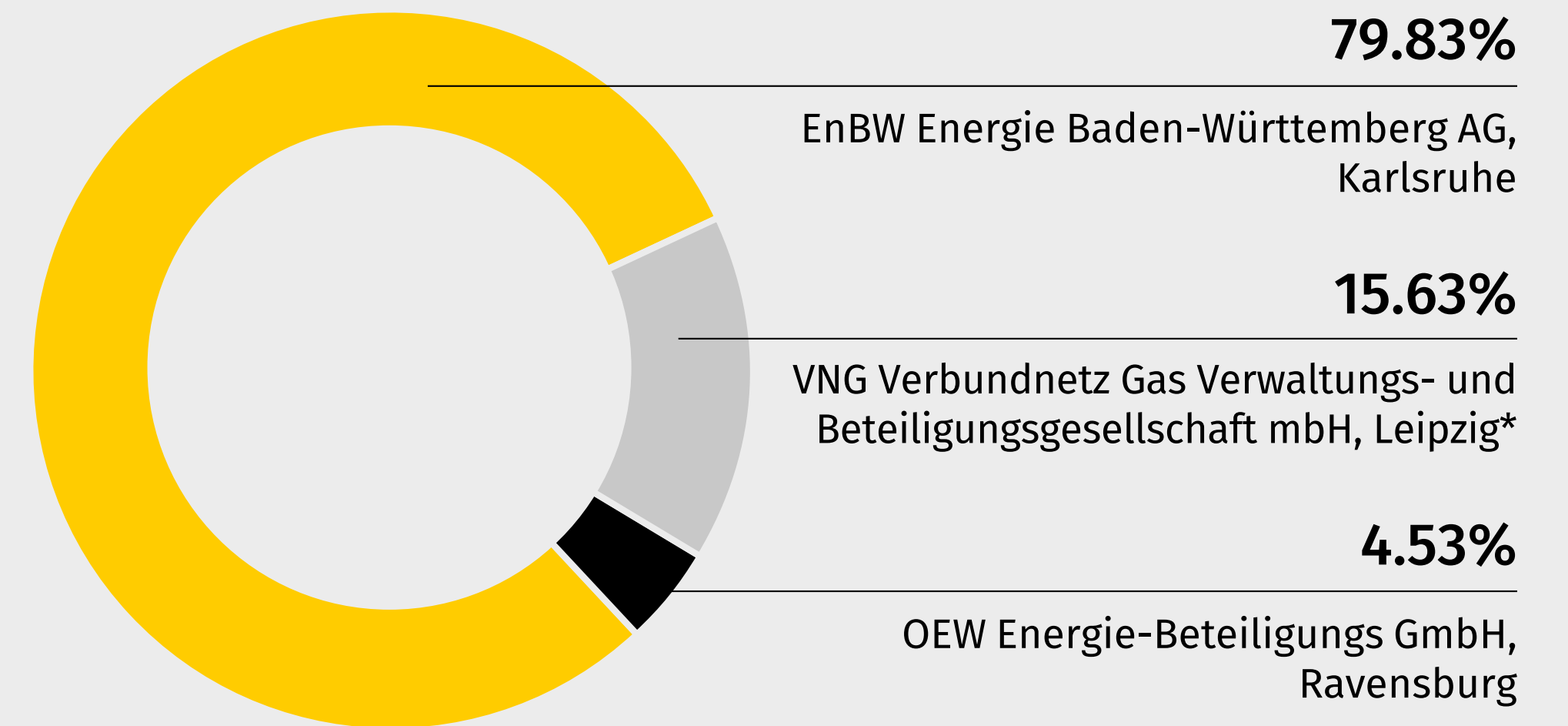


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VNG AG is the parent company of the VNG Group. Among other things, it is responsible for corporate and strategic development and bundles support functions and *shared services* in the areas of finance and human resources. VNG AG also acts as a central communication and dialogue partner for VNG’s stakeholders in politics, business and society.

With a stake of 79.83 percent, EnBW Energie Baden-Württemberg AG is the main shareholder of VNG AG. Represented by eight municipal companies, the Eastern German municipalities – Annaberg-Buchholz, Chemnitz, Dresden, Hoyerswerda, Leipzig, Lutherstadt Wittenberg, Neubrandenburg and Rostock – hold 15.63 percent shares through VNG Verbundnetz Gas Verwaltungs- und Beteiligungsgesellschaft mbH (VUB). OEW Energie-Beteiligungs GmbH holds a further 4.53 percent of the shares.

It is readily apparent that VNG is a company with a focus on local municipalities and with deep roots in Eastern Germany. VNG AG’s current shareholder structure is shown in the chart on the right.



* Trustee for eight municipal utilities and companies (Annaberg-Buchholz, Chemnitz, Dresden, Hoyerswerda, Leipzig, Lutherstadt Wittenberg, Neubrandenburg, Rostock).

As of 31 December 2022

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ABOUT THIS REPORT – VNG’S FIRST SUSTAINABILITY REPORT

This report is the first sustainability report to be published by the VNG Group. The aim of this publication is to highlight VNG’s sustainability activities and present in-depth non-financial information from the areas of governance, environment and social affairs for the first time.

VNG sees this initial report as an opportunity to present a snapshot of the current state of affairs with regard to its sustainability activities, as well as an important building block in the process of initiating measurable and progress reporting processes at VNG. While this version focuses primarily on describing VNG’s current sustainability activities, future reports will be expanded to include sustainability-related objectives and measures.

This Sustainability Report was prepared on the basis of the internationally recognised GRI (*Global Reporting Initiative*) 2021 reporting standard and covers the 2022 financial year, i.e. the period from 1 January 2022 to 31 December 2022.

This report provides information about the sustainability activities of the five companies that have the greatest impact on the environment, people and the economy within the Group; these are VNG AG, VNG H&V, ONTRAS, VGS and BALANCE. For reasons of data consistency, however, the published key figures relate to all fully consolidated companies of VNG (see → [VNG Annual Report 2022, page 77](#)).

This report also includes information from VNG’s Group Management Report 2022, which was audited by the independent auditor Ernst & Young GmbH. The information in this Sustainability Report has not been reviewed by an independent auditor.



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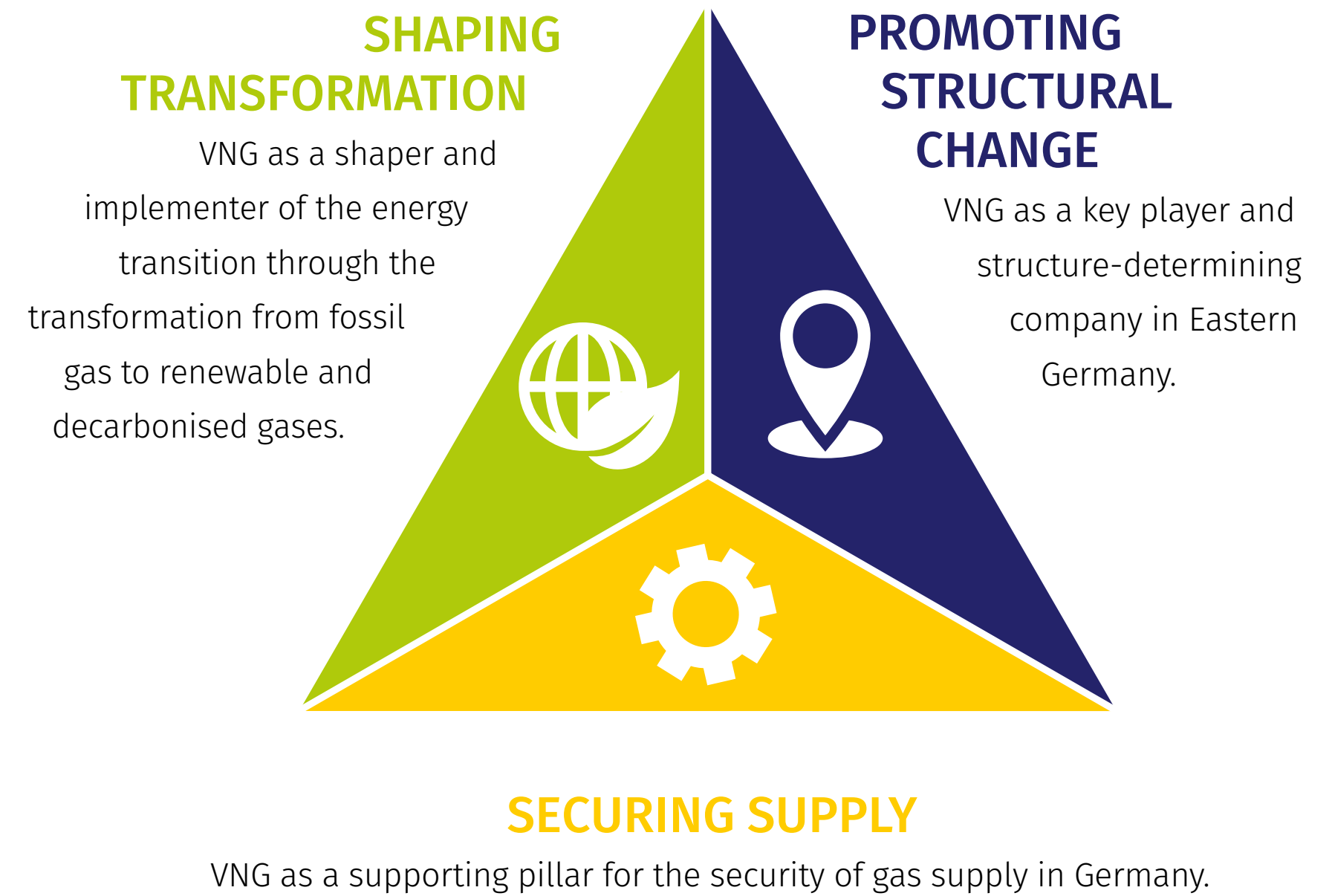
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VNG'S CORPORATE ACTIVITIES IN THREE DIMENSIONS

VNG's transformation process was launched back in 2017 as part of the Group strategy VNG 2030*, which describes the Group's objective up to 2030 and beyond. VNG is pursuing an ambitious strategy for the market ramp-up of renewable and decarbonised gases such as biogas and hydrogen, paving the way for a sustainable, secure supply and, in the long term, climate-neutral energy system of the future.

VNG, a regionally anchored group of companies, is contributing significantly to structural change through investments in infrastructure and future projects, primarily in Central and Eastern Germany. VNG's strategic objectives remained intact in 2022, despite the challenges of the energy crisis. However, the numerous operational challenges arising from the loss of Russian gas supplies in 2022 underscore the ongoing need for the swift and consistent implementation of VNG's strategic direction. Given the disruptive developments in the energy market and the gas sector in particular, VNG initiated an update of its Group strategy, known as VNG 2030*, in 2022. The Executive Board officially issued this strategy update in the first half of 2023, providing VNG with a stable framework and the flexibility it needs.

THREE DIMENSIONS OF OUR ACTIONS



VNG's business activities play out in three dimensions which build on our past successes mean that company is poised to seize future opportunities. Strategic, reliable and innovative: VNG secures the energy supply, plays an active role in shaping the energy transition and, as a key provider of infrastructure, promoting structural change. VNG's sustainability management system is based around these three pillars.

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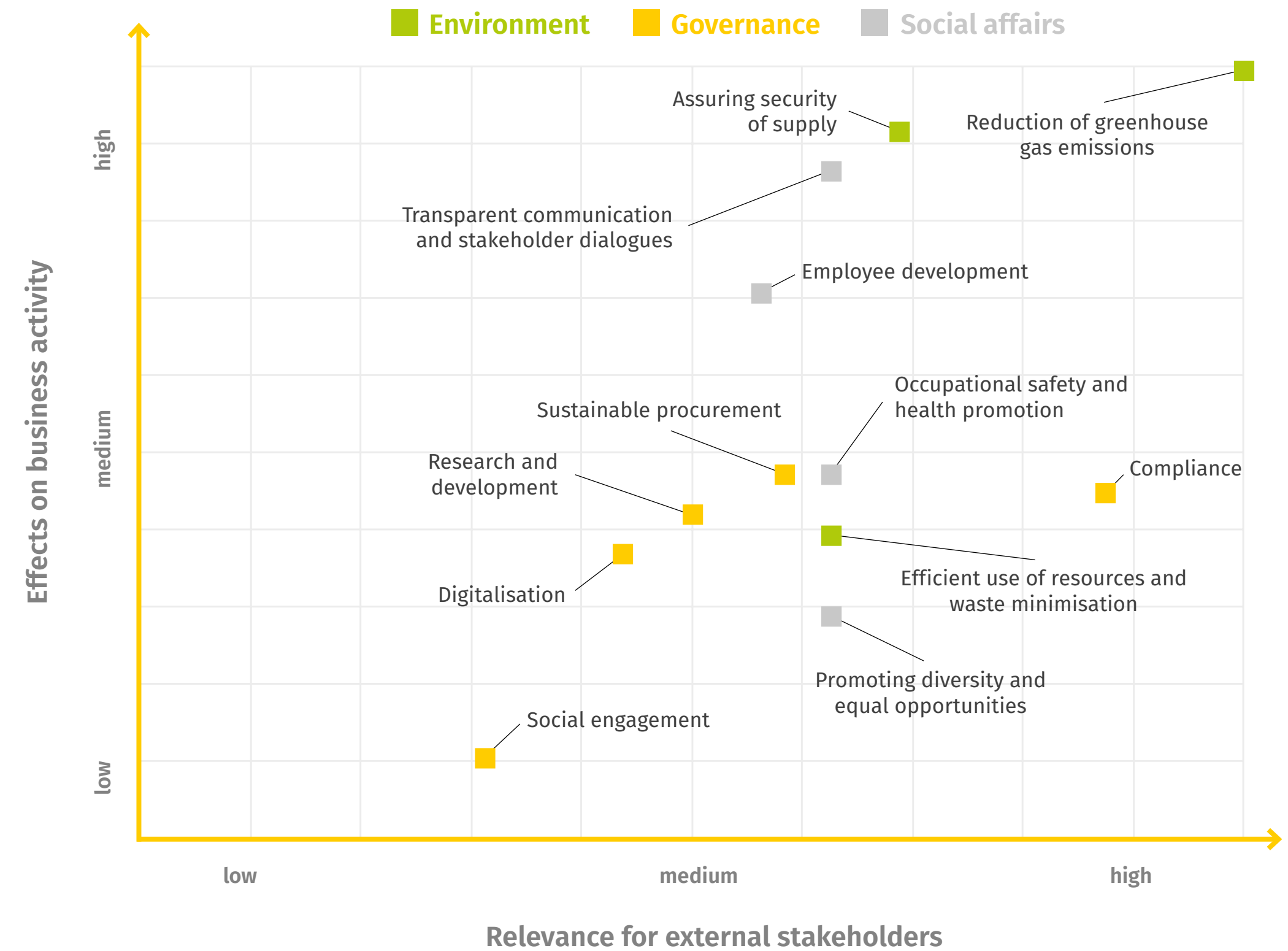
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Megatrends such as climate change, digitisation and demographic change are influencing the economy, society and the environment. In this highly dynamic context, VNG is committed to actively shaping a secure and ultimately climate-neutral energy system for the future. To fulfil this commitment, VNG recognises the need to take a holistic approach that properly reflects the interplay between its business activities, society and the environment. For this reason, sustainability is acquiring increased prominence throughout the VNG Group.

MATERIALITY ANALYSIS

Towards the end of 2021, VNG initiated a materiality process with the objective of establishing its priorities in the realm of sustainability. VNG's relevant sustainability topics were identified in the areas of environmental, social and governance. As a basis for this analysis, VNG employed the principle of double materiality. The issues were first evaluated from the point of view of how material (i.e. relevant) they are for external stakeholders – competitors, for example – or how they may affect VNG. In addition to regulatory issues, the expectations of competitors, the public and capital market players were included in the analysis. Secondly, VNG examined the positive and negative impacts of VNG's business activities on the various sustainability issues and evaluated its ability to influence them.



For this purpose, expert interviews were conducted with the members of the Executive Board, the management teams of the subsidiaries and other division heads within the VNG Group.

The findings from both perspectives were reviewed with the full Board and at management level. A total of eleven environmental, social and governance themes were identified as relevant. These themes form the core of this report and are presented in the materiality matrix.

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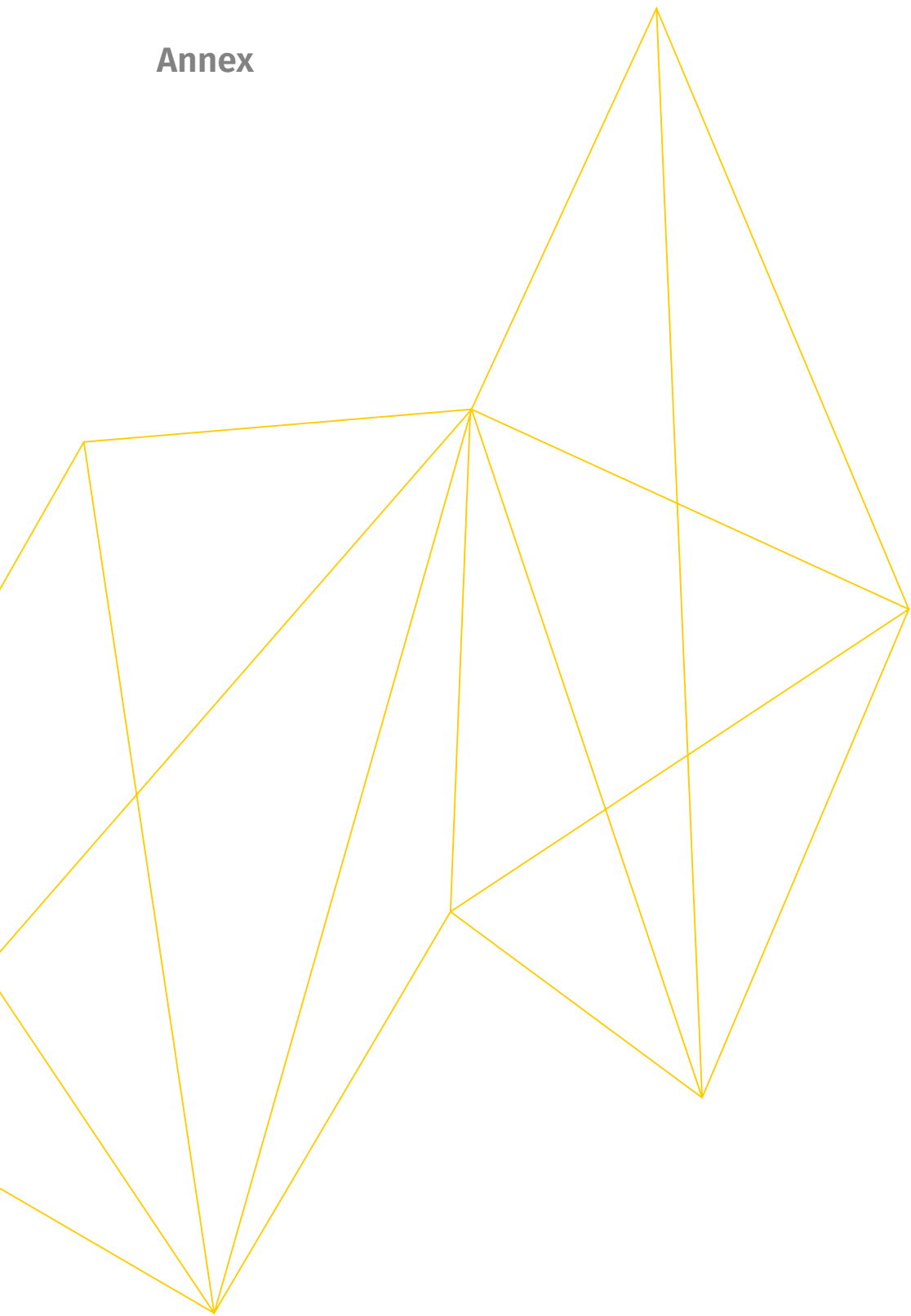
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SUSTAINABILITY STRATEGY

The Group strategy *VNG 2030** creates the framework for VNG’s business activities. The transformation process and the further development of the Group’s *VNG 2030** strategy were strongly influenced by significant shifts in the political and economic landscape last year. The close link between sustainability and VNG’s strategic orientation was, in part, a response to these factors.

The materiality analysis served as the foundation for the strategy process. The strategy process was continued by building on the essential and prioritised sustainability topics with the aim of systematically advancing sustainability issues along the three dimensions of environment, social affairs and governance at VNG in an integrated manner.

To ensure that constant progress is made, the sustainability goals will be underpinned by concrete measures and indicators. Last year, VNG’s sustainability team worked with experts from various corporate and specialist departments to develop a basic framework for the company’s future sustainability strategy.

In line with the guiding principles of the Group strategy *VNG 2030**, sustainability at VNG is structured



around three strategic action areas, each consisting of various focus themes (see → [table, p. 12](#)).

The strategic goal of actively helping to shape an energy system of the future that is secure and ultimately climate-neutral is closely linked to a transformation of VNG’s business model. To enable this transformation, VNG is stepping up its environmental activities in particular and intends to focus, among other things, on the gradual reduction of greenhouse gas emissions.

In the integration of renewable and decarbonised gases into its business model, VNG maintains a steadfast commitment to ensuring a reliable energy supply.

Nurturing our internal financial resources will create the foundation we need for investment in our transformation.

At the same time, it is important to build up and develop the competencies and the organisational structures that are required for this change process. Meeting the diverse expectations of internal and external stakeholders is an integral part of this process.

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ACTION AREAS AND AMBITIONS

ENERGY SUPPLY OF THE FUTURE

We want to contribute to a secure, affordable and climate-friendly energy supply in a decarbonised world and are actively driving forward the energy transition along our entire value chain. Our focus is on supporting the development of low-carbon and ultimately climate-neutral alternatives to natural gas and ensuring the safe and efficient use of our infrastructure. In our hands innovation is the lever with which we will make the switch to a sustainable energy supply. We are also reducing greenhouse gas emissions from our own operations.

RESPONSIBLE EMPLOYER

We create a working environment in which our employees can actively help shape the transformation of our business model. That's why we give our employees opportunities to develop continuously and to develop their skills to the best of their abilities. A healthy and safe working environment serves as the foundation for these initiatives. We see diversity as an opportunity for innovation and change.

FOCUS THEMES

Facilitating a secure and reliable energy supply

Our secure and efficient gas storage and transport infrastructure ensures a reliable energy supply – today and in the future. Our infrastructure is the bridge from natural gas to renewable and decarbonised gases.

Developing renewable and decarbonised gases

We develop renewable and decarbonised gases for our customers. These include biogas, biomethane and hydrogen.

Driving innovation

We are driving forward the transformation of the energy supply within the framework of innovation projects and partnerships thereby applying our know-how in the field of infrastructure for the storage and transport of gas fuels.

Reducing greenhouse gas emissions from our own operations

We are reducing the greenhouse gas emissions associated with our own business activities (Scope 1 and Scope 2) by harnessing opportunities to improve efficiency and promoting responsible energy use within the Group.

Developing skills and facilitating participation

We establish conditions that allow all employees to develop their skills and competencies to their fullest potential, enabling them to actively participate in shaping the transformation process.

Promoting health and ensuring safety

We provide a working environment that ensures the safety of our employees and promotes their health on the basis of rigorous occupational health and safety standards.

Embracing diversity as an opportunity

A diverse workforce brings a variety of perspectives to the table. This represents a great opportunity for our Group and its transformation. Our approach values diversity in a wide range of areas.

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ACTION AREAS AND AMBITIONS

VALUE-ORIENTED AND TRANSPARENT PRACTICES

All our actions are legally compliant and informed by our values. We follow clearly defined business principles; this approach extends to our procurement of supplies and services. We will integrate appropriate sustainability criteria into all core processes and further expand the dialogue with our stakeholders – even on difficult issues and unresolved challenges. We will take responsibility for our home region, as we always have done.

FOCUS THEMES

Acting in a value-based and legally compliant manner

We act in accordance with our values and follow binding business principles and corporate values. We ensure compliance with laws and regulations through compliance management. Our sustainability goals and criteria are firmly anchored in the Group’s internal procedures and core processes. In connection with our procurement activities, we are committed to ensuring that our suppliers and service providers meet high environmental, social and safety standards along the entire value chain and across our business units.

Expanding dialogue and communication

We actively promote the in-depth and specific exchange of information with internal and external stakeholders as well as transparent communication about ambitions and progress, challenges and problems.

Accepting responsibility for the region

As a Group, we have close ties with our home region of Central and Eastern Germany and take our corporate and social responsibility seriously. We promote regional activities and participate in initiatives and projects for the common good alongside committed members of society.



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SUSTAINABILITY STRUCTURE

The Executive Board of VNG AG, consisting of three members, operates under the oversight of the Supervisory Board. Sustainability falls within the purview of the Member of the Executive Board responsible for Infrastructure/Technical Affairs.

Adapting the overall organisational structure to the various axes of sustainability forms an integral part of the systematic sustainability process which VNG initiated in 2021. To facilitate this, VNG AG has established a cross-functional and cross-divisional sustainability project team led by a sustainability manager who reports directly to the Executive Board and keeps senior management up to date about VNG's sustainability activities.

With the increasing demands of various stakeholders, sustainability is becoming a key issue across the entirety of VNG. For this reason, VNG has been working with the existing sustainability project team since the autumn of 2022 to integrate managers as well as executives from the various business and specialist units even more closely into VNG's strategic sustainability activities. An additional sustainability manager was added to the project team in spring 2023. In future, sustainability officers will manage and promote CSR (*Corporate Social Responsibility*) activities within Group companies.

This will facilitate continuous knowledge sharing and collaboration between the Group companies' sustainability officers and VNG AG's sustainability managers.



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Compliance – i.e. ensuring adherence to legal requirements and internal policies – forms the basis of our business and is a central prerequisite for business practices that are based on integrity and helps keep us competitive. The responsible and compliant conduct of all corporate bodies, managers and employees is not only fundamental to the success of the Group and to maintaining the trust of our customers and business partners; it is also an important aspect of VNG’s reputation.

Awareness of compliance and its importance is encouraged and expected at all levels of the group. For this reason, VNG has established a comprehensive Compliance Management System (CMS), which is supplemented by VNG’s Code of Conduct. Internal regulations promote compliance-oriented behaviour in order to minimise risks along the value chain.

OUR MANAGEMENT APPROACH

VNG’s CMS is based on three well-established principles with regard to legal violations and internal guidelines: prevention, timely detection and appropriate responses. The CMS focuses on avoiding conflicts of interest at all levels of VNG and preventing any corruption or money laundering.

The CMS also aims to prevent violations of antitrust and competition law, data protection law, unbundling requirements and the provisions of capital market law in terms of insider trading and market manipulation, as well as other issues and associated risks. Our compliance management system also takes into account the regulations issued by the European Council and the European Commission, including their implementing provisions, such as those related to European sanctions lists.

The implementation of legal obligations is monitored by VNG AG’s Legal & Compliance unit. An effective CMS minimises the risk of rule violations, criminal offences or improper conduct – which can lead to fines, penalties and damage to the reputation of VNG – and ensures that our business practices are responsible along the value chain.



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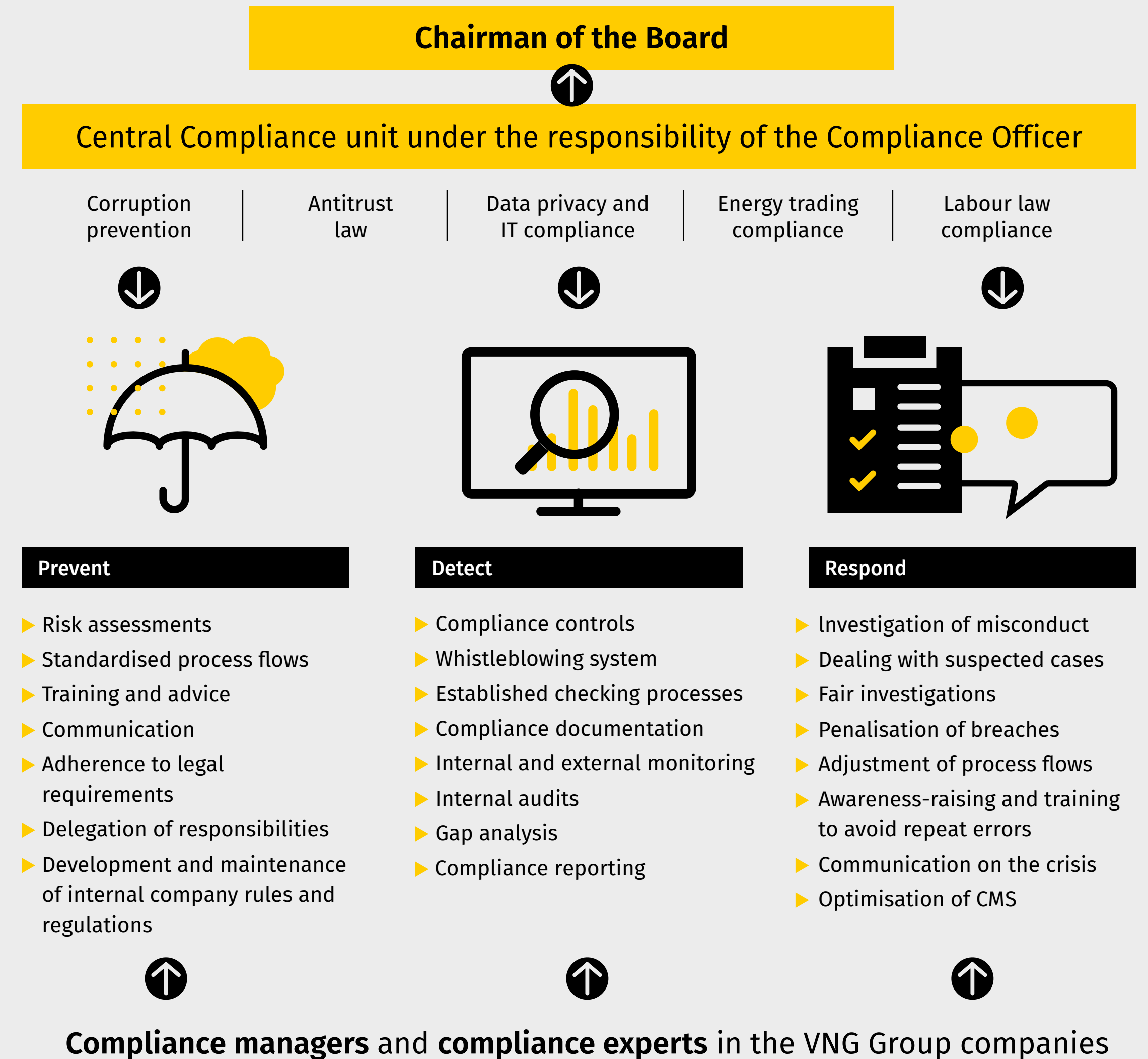
VNG's compliance management system consists of:

- ▶ a **central Compliance unit**, which is responsible for setting up and methodically updating the CMS, in addition to providing advice on compliance-related issues.
- ▶ a **Compliance Officer** who reports directly to the Chairman of the Executive Board and who is authorised to act autonomously. The Compliance Officer generally reports to the VNG Executive Board on a quarterly and ad-hoc basis. He is also responsible for preparing an annual compliance report.

- ▶ **local compliance managers** who act as points of contact for compliance issues at the individual Group companies.

VNG's Compliance Officer is responsible for ensuring the adequacy and effectiveness of the CMS and is supported by his team from the central Compliance department. The compliance managers exchange information with the Compliance Officer on a regular basis and are responsible for ensuring that their companies act within the law. VNG's compliance system is described in a Group-wide compliance guideline.

VNG COMPLIANCE MANAGEMENT SYSTEM



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PROCESS FOR COMPLIANCE VIOLATIONS AND REPORTING CHANNELS

If a compliance violation does occur it is first documented in the data collection tool. Significant violations are reported to the Executive Board or the affected unit. In the event that a potential compliance violation is reported using existing internal or external reporting channels, confirmation is provided to the reporting person upon receipt of the report. Subsequently, the facts of the case are thoroughly investigated – if necessary with the help of forensic consulting companies – followed by the legal evaluation. If the suspected a compliance violation is confirmed, measures are taken to prevent similar compliance violations in the future.

If there is need to make changes to internal processes, information is provided to Internal Audit so that they can assess the compliance of the relevant process. The result of the compliance review must be communicated to whistleblowers after three months at the latest.

This procedure only applies to ONTRAS to a limited extent. Compliance-related matters affecting ONTRAS and its subsidiaries are handled by the Compliance Manager of ONTRAS. In this case, reports are made

to the Executive Board and, if necessary, to the Supervisory Board of ONTRAS. Reports are only made to the Compliance Officer of VNG AG – triggering the process described above – in coordination with the Equality Officer of ONTRAS.

VNG has established reporting channels for the aforementioned compliance violations that are available to both employees and external parties. These make it possible to report information relating to violations of federal and state legal provisions or of the directly applicable legal acts of the EU, some of which are subject to criminal penalties or fines. The Works Council was involved in the design of the reporting system. The channels include a → [form on the Group website](#), sending emails to a VNG internal mailbox (compliance@vng.de) or informing the Compliance Officer in writing. In the case of a personal report, all whistleblowers are protected against personal reprisals as provided for in the Whistleblower Protection Act (“HinSchG”). Accordingly, they are required to make comprehensive reports. The applicable data protection laws are observed as part of the process. A similar reporting system has been set up at VNG H&V and ONTRAS. Information can be submitted by email to compliance@vng-handel.de or compliance@ontras.com. VNG H&V and ONTRAS also have forms available on their respective company websites. All other subsidiaries of the Group subject to reporting

requirements will also establish reporting channels in accordance with HinSchG in due time.

VNG CODE OF CONDUCT AS A SUPPLEMENTARY GUIDE

VNG’s Code of Conduct builds on the fundamental principles of VNG’s mission statement to ensure that all employees behave responsibly. In addition to outlining important laws and corporate policies, the Code also defines the Group’s values, which are expressed through the responsible actions of all employees. Among other things, this the Code provides guidance on how to handle business partners, information and assets, conduct in the workplace, and on social and environmental issues. By translating the constantly changing legal framework into internal rules – e.g. the Code of Conduct or corporate guidelines – VNG supports all employees in conducting themselves in accordance with the rules and taking preventive action against breaches, particularly corruption.

DEALING WITH CONFLICTS OF INTEREST

The Executive Board is required to submit regular and transparent reports related to CMS to the Supervisory Board as the Group’s highest governance body. These include clear disclosures of conflicts of interest in relation to memberships of multiple boards/governance bodies, shareholdings in suppliers or other stakeholders, the

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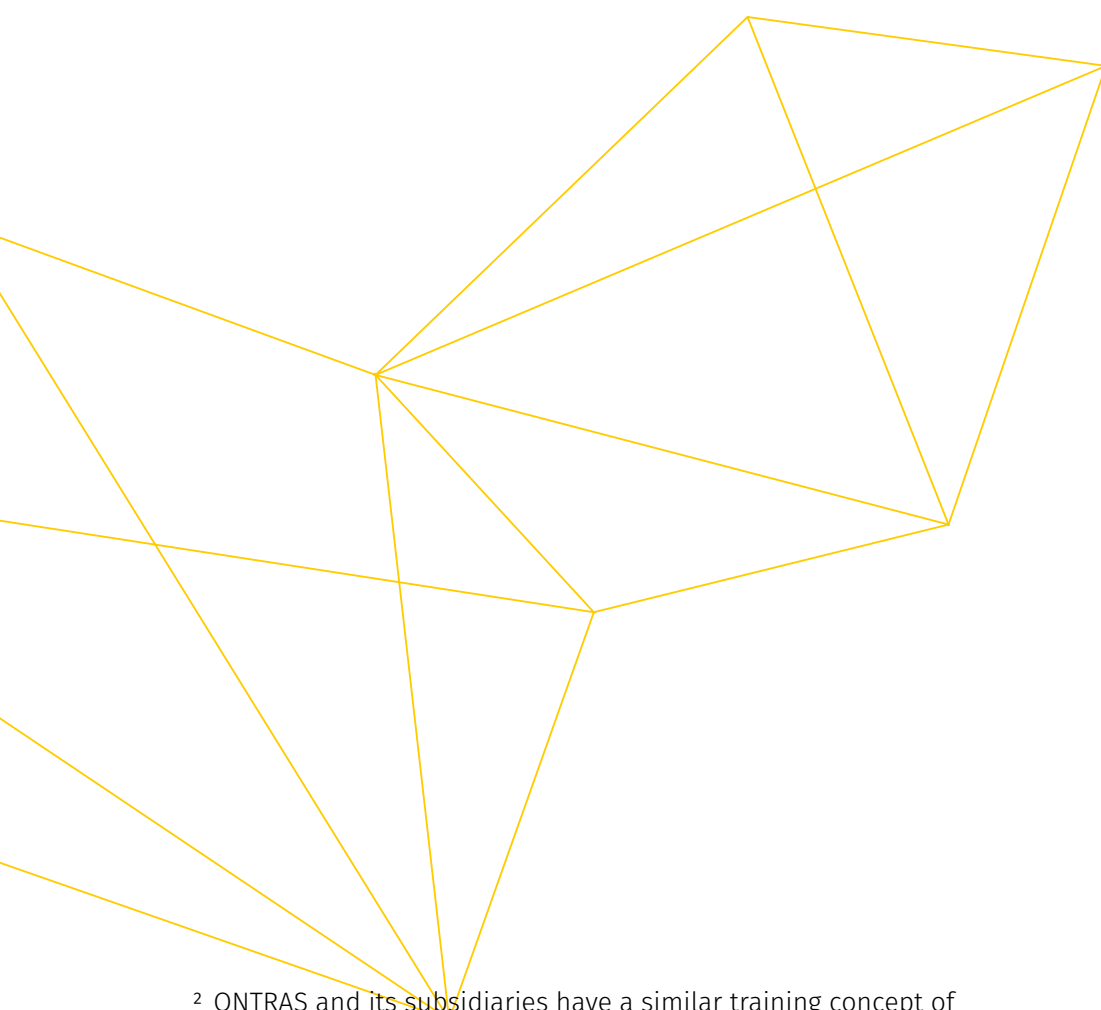
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existence of majority shareholders or in relation to related parties. No conflicts of interest were reported in the 2022 reporting period.

FORUMS AND TRAINING

The compliance managers of the subsidiaries and VNG AG exchange information on a regular and an ad hoc basis to drive improvements in the area of compliance. In addition, quarterly discussions are held with the compliance officers at EnBW. The aim is to implement the requirements imposed by legislation in a joint and coordinated manner. The network also facilitates intra-Group communication about current compliance topics and best practices.

VNG H&V participates in the annual Compliance Summit of the Association of Corporate Lawyers (“BUJ”) to discuss current developments and incorporates the outcomes of these summits into its organisational structure. VNG AG’s Compliance Officer attends the annual Federal Congress of Compliance Managers. In addition, some compliance managers are members of the Professional Association of Compliance Managers (“BCM”), which regularly holds continuing education events on pressing compliance issues and legal changes.

The aim is to maintain a robust compliance culture, where managers lead by example, individuals are

committed to compliance and responsible conduct and rules and decisions are transparent. Extensive training courses raise the awareness of everyone involved of the importance of compliance, and help them to act on this awareness in their day-to-day responsibilities.

Regular training courses² are held for employees, including managers, on general, selective and topic-specific compliance issues such as corruption prevention, unbundling or antitrust law. These events are held either in person or digitally via the *VNG Training Campus*.

Mandatory compliance training is held once a year for all employees. In addition, training is provided on an ad hoc basis to focus on specific issues in various business areas. For example, employees who are exposed to an increased risk of anti-trust law violations due to their work or who have contact with persons who could conceivably be involved in corruption violations receive special training in this regard.

TAX COMPLIANCE MANAGEMENT SYSTEM

As an extension of the existing CMS, VNG AG implemented a tax CMS for income tax, sales tax and excise tax for German subsidiaries whose accounting is handled by VNG AG. The purpose of the system is to both identify risks of significant violations of tax

regulations within the Group in good time and to prevent them with the help of targeted measures.³ The appropriateness and effectiveness of the tax CMS for income tax and sales tax was examined and certified by an auditing firm in 2021. The appropriateness of the tax CMS for excise duties (energy and electricity tax) was also audited and certified by an auditing firm in 2022.

COMPLIANCE AT OUR SUBSIDIARIES

In order to combat insider trading and market manipulation, VNG has issued a REMIT⁴ Group guideline to all Group companies. This has been brought into effect at each subsidiary on the basis of individual guidelines which take company-specific or unbundling-related issues into account.

VNG AG’s subsidiaries also have their own guidelines, which are geared to the business activities of the respective company. For example, VGS has a public procurement policy which governs equal treatment and non-discrimination for external companies bidding for contracts. In addition to its own code of conduct, VNG H&V also uses a tool to identify internal market abuse and operates an operational risk management system.

ONTRAS and its subsidiaries are integrated into VNG’s CMS in accordance with unbundling requirements. They have a compliance structure that is derived from the CMS

² ONTRAS and its subsidiaries have a similar training concept of their own.
³ ONTRAS has implemented its own tax CMS for income, sales and energy tax.
⁴ REMIT = EU regulation on the integrity and transparency of the wholesale energy market.

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but largely independent, with a separately implemented CMS and reporting system. The Compliance Manager of ONTRAS, whose duties and powers are similar to those of the Compliance Officer of VNG AG, coordinates the design of the compliance system and processes for ONTRAS and its subsidiaries. She supports these companies, manages and coordinates Group-wide implementation, and reports directly to the ONTRAS management team on a regular basis and is also authorised to bring matters directly to the attention of the management team without following standard reporting channels.

Management is informed about all compliance-relevant incidents and receives the annual compliance risk analysis for information purposes. The annual compliance programme is approved by the Management.

COMPLIANCE IN THE VALUE CHAIN

To minimise compliance risks in the value chain, VNG has a *Group policy for assessing the integrity of its business partners*. The KYC (*Know Your Customer*) process is rounded off with sustainability criteria, such as respect for human rights, environmental protection and compliance issues for any business partner or investment project of a particular importance.

VNG H&V has a KYC process in place in compliance with the aforementioned aspects for all sales and trading



activities. In addition to a mandatory initial audit, repeat audits of individual business partners must be carried out at specific defined intervals.

Special attention is also paid to possible penalisation of partners. In addition to screening contractual partners as part of the KYC process, VNG H&V's General Terms and Conditions of Purchase ensure that all legal requirements, including occupational health and safety, environmental protection and anti-corruption measures, are strictly adhered to by business partners.

In 2023, VNG H&V will add sustainability criteria to its business partner review process for both gas and general procurement regardless of the scale of a prospective

business partner's trading and sales activities. BALANCE and VGS have also established the KYC process in line with the Group guideline. In addition to facilitating integrity checks for business partners, the process identifies legal and commercial risks and creates transparency regarding the trustworthiness of business partners.

ONTRAS also imposes specific requirements on its business partners to help ensure that they behave in a compliant manner. Through its General Terms and Conditions of Purchase, ONTRAS strives to work only with legally compliant business partners and therefore reviews them before entering into a business relationship and on an ongoing basis.

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PROGRESS AND ACTIVITIES IN 2022

Employee conduct is subject to random checks to assess compliance with the rules, and annual internal audits are performed by VNG AG and ONTRAS. In addition, quarterly surveys are carried out at the subsidiaries, providing an opportunity for possible corruption risks can be reported. There were no confirmed incidents of corruption in the reporting period. Quarterly compliance reports are submitted to the Executive Board and consolidated into an annual compliance report. These are based on the feedback received in response to surveys from the departments, staff units and subsidiaries of VNG AG as well as the work performed by the Compliance Officer and his deputy. Internally, no

significant deficiencies were identified in the existing CMS. As a result, no adjustments were necessary.

The appropriateness of VNG's CMS was last reviewed and endorsed by an auditing firm in 2015. A new audit is scheduled for 2023.

Identifying, analysing and assessing compliance risks forms the basis for preventative measures and for the introduction of measures to counter known compliance risks.

The compliance structure has competent and independent experts who assess and classify risks and are responsible for the management of identified risks.



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Procurement

The following statements relate exclusively to the procurement of materials and services. Procurement transactions related to energy trading at VNG H&V and substrates or harvesting services at BALANCE are not covered by the following statements.⁵

For VNG, sustainable procurement means that we always consider the social, environmental and economic impact of the goods and services we purchase. Efficient procurement processes that comply with legal requirements and internal regulations strengthen competitiveness and long-term partnerships with reliable and innovative suppliers. VNG has six core elements when it comes to its procurement policy: compliance, (occupational) safety, social responsibility, sustainability, competitiveness and innovation. These procurement principles form a guideline and provide a framework for efficient, lawful, responsible and future-oriented procurement. They also form the basis of the activities VNG implements to live up to its responsibility for people and the environment.

A responsible procurement process helps to identify weaknesses in the supply chain and ensures that our materials have as few negative consequences for man and the environment as possible from their production through to their consumption or use while taking ecological, social and economic aspects into account.



VNG is considered a sector contracting authority in the meaning of public procurement law. Sector contracting authorities are public as well as private contracting authorities and companies that are responsible for certain key areas (sectors). These include the drinking water supply, the energy supply and transport. The energy sector includes electricity, heat and gas.

Sector contracting authorities are required to issue public, Europe-wide invitations to tender for all procurement transactions above the statutory thresholds.

OUR MANAGEMENT APPROACH

The main principles for procurement are described in a Group-wide⁶ procurement policy. Further principles

have been set out in the Code of Conduct, in other Group policies (for example, the *Group policy on integrity checks for business partners* or business partner auditing) and in internal Group guidelines (for example, internal procurement regulations). Aspects such as corruption prevention, embedded in the CMS, and environmental protection are essential elements of the procurement processes.

GROUP-WIDE PROCUREMENT

The basic principle is that procurement should meet the needs of VNG⁶ as centrally as possible, with a decentralised approach taken only when necessary. Consequently, goods and services that have a high degree of standardisation potential and that are recurrently ordered with relevance several Group

⁵ These are described in the following section → [Procurement in the core business of VNG H&V and BALANCE](#).

⁶ Excluding ONTRAS and its subsidiaries.

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companies and/or that generate significant price effects from the bundling of demand are procured centrally at Group level. VNG AG has designated a central procurement service provider for this purpose. This company handles the procurement of materials and services on a centralised basis for a significant part of VNG.

This approach is not used for procurement transactions relating to the core business of the respective companies, for example procurement transactions for energy in Trading & Sales or substrates and harvesting services in Biogas.

The following principles are an integral part of the Group's procurement policy. They form the basis and guideline for responsible conduct and all procurement activities.

Compliance: The framework for all procurement activities is compliance, i.e. adherence to legal requirements, the Code of Conduct and internal guidelines. Transparency and data protection are some of the other key building blocks.

(Occupational) safety: Occupational safety and accident prevention measures are key components of compliant conduct.

Social responsibility: Respect for and compliance with human rights along supply chains is an essential element of any responsible procurement system.

Sustainability: Sustainability is incorporated into procurement activities in the form of environmental protection and striving for long-term supplier partnerships.

Innovations: These serve to continuously improve the Group and its processes and make them future-proof. Innovations are supported by the procurement of goods and services which facilitate them.

Competitiveness: Implementing the aforementioned procurement principles contributes both to responsibly safeguarding VNG's competitiveness and to the efficient provision of the materials and services which we need.

The principles of innovation, social responsibility and sustainability provide an initial guideline – these still need to be fleshed out and further developed.

CONTROL AND MANAGEMENT STRUCTURE

The management structure for procurement comprises an overarching Management Steering Committee with central management responsibilities and regular meetings with Group companies to discuss current

and planned procurement. Among other things, the steering committee is responsible for updating governance regulations and the management of VNG's regular central procurement reporting process. This reporting process keeps the Executive Board of VNG AG and the Management Steering Committee informed about key procurement figures relevant for management purposes.

SUPPLIER MANAGEMENT

We need our suppliers to be reliable so that we can implement our procurement principles and achieve our strategic objectives. The purpose of supplier management is to create transparency with regard to the performance of existing and potential new suppliers and to strengthen successful partnerships with suppliers. The careful selection of business partners and suppliers helps to minimise any risks and ensures compliance with legal requirements and internal guidelines. At VNG, the central procurement service provider is responsible for managing suppliers for certain commodity groups, commodity group management and the procurement of agreed commodity groups for some companies of the VNG Group upon request.⁷

⁷ In compliance with unbundling rules, ONTRAS is centrally commissioned for this purpose.

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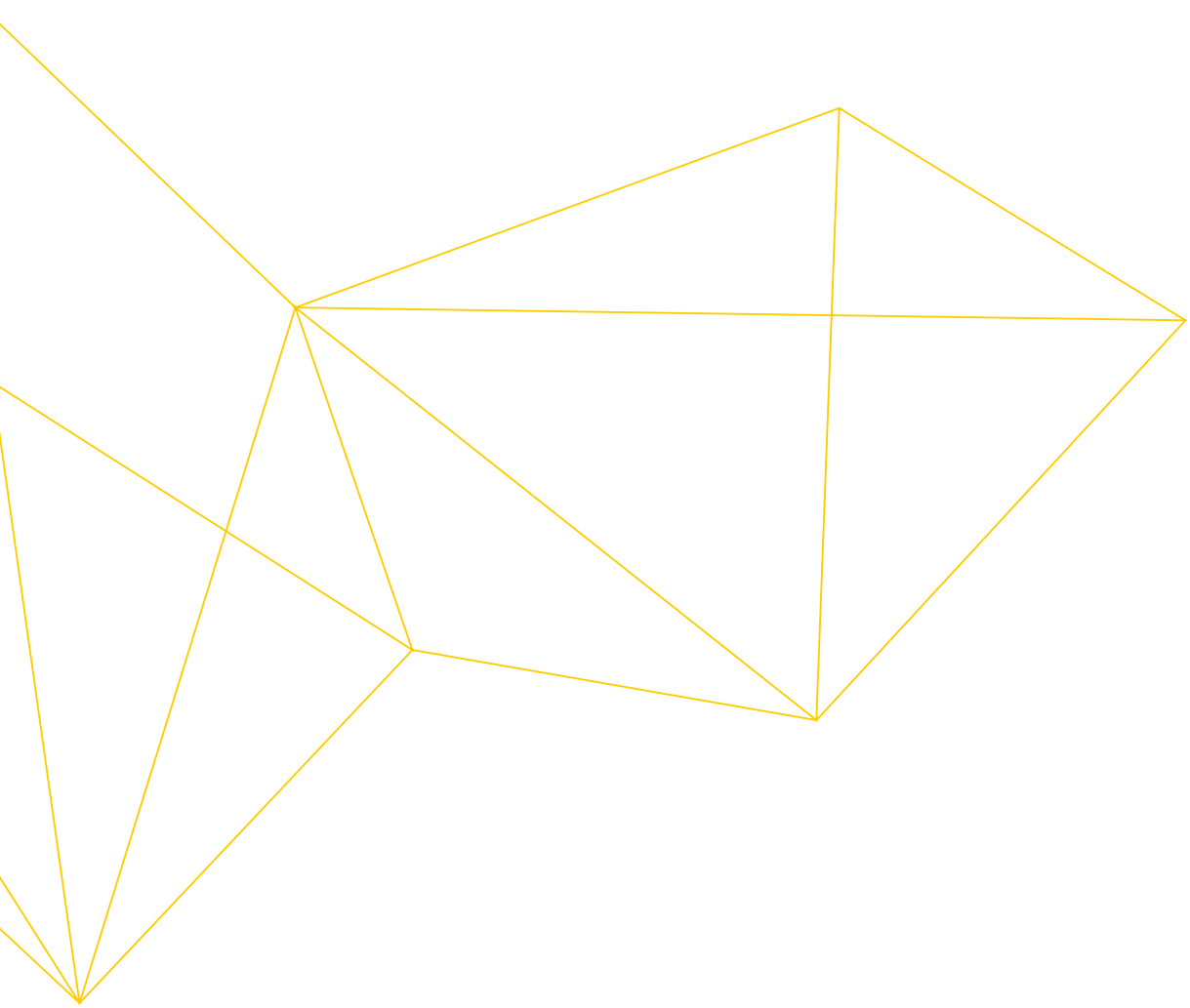
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RESPONSIBLE PROCUREMENT AT ONTRAS AND VGS

► **ONTRAS**

ONTRAS incorporates sustainability into its individual procurement processes by taking CO₂ emissions and other pertinent factors into account. The fact that climate neutrality is a strategic objective of ONTRAS is taken into account in the potential commodity group strategies and purchasing whenever possible.

Aspects of sustainability are also included in the specifications, in some cases in the suitability criteria (“SektVO”) and in the award criteria. EU-wide tenders regularly include sustainability criteria both for the supplier and the contract in question. For example, suitability criteria may require bidders to be ISO 14001 and/or EMAS⁸-certified. In addition, sustainability-related award criteria are determined in ONTRAS award procedures pertaining to waste plans, environmental protection plans, and the presentation of opportunities, for example, with regard to CO₂ and methane reductions.

Within the framework of supplier management, the approval and regular auditing of ONTRAS suppliers uses in a multi-stage process, starting with a detailed sustainability questionnaire. Surveys for major

commodity groups focus on verifiable certificates that allow conclusions to be drawn about the company’s general operations, such as ISO 9001 (quality management), ISO 14001 (environmental management), ISO 45001 (occupational health and safety management systems).

Special approvals granted by industry associations may also be required. Supplier management also involves auditing suppliers. This is done in addition to regular supplier meetings and as needed. Depending on the commodity group, new suppliers are reviewed in depth by means of an approval audit, during which additional details of critical commodity groups are checked and explained by the suppliers on site.

ONTRAS has decided to implement its own Code of Conduct for Business Partners to govern what is expected of all business partners in terms of compliance, e.g. fair competition, no child labour, and respect for people and the environment.

► **VGS**

In addition to the Group Procurement Policy, VGS has a more extensive Procurement Policy that defines tasks, processes and responsibilities for the procurement process within VGS and for its partnership with the procurement service provider. VGS also has a

Supplier Assessment Guideline that makes it possible to create an overview of all of the suppliers and service providers approved at VGS on the basis of the KYC process. This is used to select suppliers when procuring supplies and services of an agreed quality on economic terms while taking environmental and safety aspects into consideration. The assessment also serves to minimise risks in the procurement process. In general, care is taken in procurement processes to work with regional suppliers whenever possible in order to reduce negative environmental impacts and to strengthen the region.

PROCUREMENT IN THE CORE BUSINESS OF VNG H&V AND BALANCE

VNG H&V and BALANCE have independent procurement processes for their respective core business.

► **VNG H&V**

The entire procurement process related to long-term gas purchasing and operational procurement within VNG H&V are permanently monitored. This starts with the selection of potential contract partners on the basis of a detailed business partner check (KYC), then proceeds to the product specification and a detailed product description as well as final inquiries and negotiations with the various producers, distributors and other suppliers. The KYC process is extended to

⁸ EMAS = Eco Management and Audit Scheme.

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include a sustainability check for business partners above a certain size.

This minimises the risks of loss of reputation and deliveries not being made, and includes criteria on environmental protection, compliance, human rights, occupational health and safety, and health promotion.

VNG H&V has implemented a rapid approval and voting process within the Group in accordance with VNG H&V rules and policies. In all procurement activities, whether in the core business or for other materials and services, we prioritise monitoring and adherence to compliance guidelines. We also conduct audits to verify and document the legal conformity of our business partners in a transparent and audit-proof manner. These audits are also important from the perspective of a wide variety of counter-terrorism laws and regulations. Based on national and international legislation, all VNG H&V business activities are therefore checked against the current sanctions lists. As an internationally active company, VNG H&V is placing greater emphasis on adhering to human rights and environmental standards in the countries where its partners operate.

From April 2022, the gas quantities that VNG H&V received from Russia were reduced and eliminated completely from September. VNG H&V promptly

compensated for these supply shortfalls at short notice by sourcing alternative supplies. The existing diversified gas procurement portfolio, extensive connections with various traders, and significant acquisitions from trading platforms played a significant role in this achievement. At no stage was the security of supply and prices for all VNG H&V customers ever compromised.

Based on the experience from 2022, the planned gradual transition away from fossil fuels as well as the transformation of the energy sector towards sustainability and environmental compatibility, VNG H&V is intensifying its efforts in areas like renewable or decarbonised ammonia and hydrogen. VNG H&V is currently in talks with various players around the world in order to remain a reliable contractual partner for its customers during the energy transition.

► **BALANCE**

Procurement of substrates and harvesting services:

BALANCE fosters local agriculture at its facilities by creating a market for local farmers to supply biomass to the plants. The residual materials left over after production are recycled on site as fertiliser. This ensures that value is created in regional economies. For BALANCE, regional, sustainable procurement means that there is a separate substrate management for

each individual region, that regional supply chains are ensured, and that the sustainability of the substrates can be certified. The substrates used are defined by the respective Renewable Energy Sources Act (“EEG”). Regional management oversees substrate management on the ground in the respective regions, while the operational management provides guidance at a higher level. Regular communication occurs with stakeholders, associations, authorities, ministries, and scientific research institutions.

Other procurement of supplies and services:

BALANCE has created its own procurement policy on the basis of the VNG Group Procurement Policy. This policy covers the procurement process for supplies (for example, procurement of plant technology) and services (for example, maintenance and repair services), but excluding substrates and harvesting services. Framework agreements exist for individual procurement areas. The Mercateo electronic procurement platform is used for peripheral needs.



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PROGRESS AND MEASURES

VNG H&V

In the independent evaluation of VNG H&V by EcoVadis⁹, procurement is assessed as an important audit and topic area. Depending on the evaluation, appropriate measures for improvement are initiated. VNG H&V goes through the evaluation process annually and strives to continuously improve its score. For example, a policy on sustainable procurement and a supplier code are currently under review. However, the existing KYC process will be prioritised first – sustainability criteria will be added to this process for all purchasing and sales activities in both the non-gas and gas sectors.



In addition, the transformation process towards trading renewable and decarbonised gases, such as hydrogen, is being pushed forward. The aim is to diversify VNG H&V's procurement and sales activities and make them more sustainable, while at the same time reducing greenhouse gas emissions.

In 2022, VNG H&V was awarded the bronze medal in the EcoVadis sustainability assessment. Compared to the previous year, the score improved from 46 to 55 out of a possible 100 points.

BALANCE

BALANCE is revising its biomass strategy due to a number of factors. On the one hand, the legal framework (for example NABIS¹⁰) has changed; climate changes (for example drought in summer, changing precipitation patterns) are posing new challenges to the daily business of BALANCE. On the other hand, greater attention must be paid to regional specifics, since differences in soil structures and precipitation distributions case lead to differences in the cultivation of arable crops.

The current decline in livestock farming is causing a decline in the production of animal manure, which is used as a feedstock for biogas facilities. A procurement process for alternative substrates is currently being set up to expand the procurement strategy. The use of alternative substrates such as landscape grass or silphium (cup plant) is being explored. At the same time, more and more suppliers are receiving funding for flowering meadows. These increase biodiversity and can also serve as substrate for biogas facilities in the future.

⁹ EcoVadis is a provider of corporate sustainability assessments. In addition to procurement, other issues such as the environment, labour rights, human rights and ethics are also included in the assessment. The size of the company, the location and the industry are taken into account.

¹⁰ NABIS = National Biomass Strategy



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Social commitment for the benefit of an active and engaged civil society has always been anchored in VNG’s corporate identity. VNG focuses this commitment primarily on the regions in Eastern and Central Germany where it has business operations and on the core areas of social welfare, education, sports, and art and culture. At the forefront of its social activities are the VNG Foundation and its *Verbundnetz der Wärme* initiative [Network of Warmth].

OUR MANAGEMENT APPROACH

VNG organises its social commitment in a variety of ways. A large part of its activities are provided through the VNG Foundation. This supports children, adolescents and young adults with monetary donations, in addition to providing donations in kind to support science, education, art, culture, sports and social projects. The foundation was established in 2009 by VNG AG. The VNG Foundation is a trust whose trustee is the Donors’ Association for the Promotion of Sciences and Humanities in Germany (“Stifterverband”); this trustee manages the assets of the VNG Foundation. The activities of the VNG Foundation are decided jointly by the Foundation Board and the Trustee.

The companies of the VNG Group may also pursue donation and sponsorship projects on their own or

independently of the VNG Foundation. The Foundation focuses on regional events, associations, organisations and projects in the fields of art and culture, sports, business, education and science.

Support is usually provided in the form of funding and, in the case of sponsorships, on a contractual basis with a balanced quid pro quo. The VNG management (i.e. the Executive Board of VNG AG and the management teams of the Group companies) is involved in the decisions. Any sponsorship or donation by Group companies¹¹ must be reported for information purposes in line with integrated Group communication practices. Sponsorships and donations above certain thresholds are also subject to approval in the form of a shareholders’ resolution or a resolution of the Executive Board.

All of VNG’s donations and sponsoring activities are governed by the VNG Group’s Code of Conduct (last updated: July 2017), the Gift Policy and the VNG Procurement Regulations.

OVERVIEW OF KEY CSR PROJECTS

“VERBUNDNETZ DER WÄRME” (“NETWORK OF WARMTH”)

With the *Verbundnetz der Wärme* (“VdW”) initiative, VNG has been supporting numerous and diverse projects

run by committed volunteers¹² in various municipalities with a focus on Eastern Germany and Berlin since 2001. The VdW platform, supported by the VNG Foundation, aims to promote recognition, networking and support in society for voluntary work.

VOLUNTEERING

VNG supports voluntary projects run by its own employees each quarter through the VNG Foundation¹³. VNG employees can apply and, if approved, receive financial support for their projects. The requirement is that the employees themselves must be actively involved in the project or the initiative or association behind it. In 2022, for example, the Urban Souls e. V. association, the HSG Rückmarsdorf 1919 e. V. association and the Verein zur Förderung körperbehinderter Kinder und Jugendlicher des Leipziger Albert-Schweitzer-Schule e. V. association all received funding.

HIGHER EDUCATION PARTNERSHIPS

VNG has been cooperating with universities, technical colleges and scientific institutions for many decades in the form of practical lectures, accompanying studies, research work and financial support for student excursions.

In 2022, VNG employees gave practical lectures on hydrogen and gas storage among other topics at

¹¹ Excluding ONTRAS and its subsidiaries

¹² Further information available at → www.verbundnetz-der-waerme.de

¹³ Excluding ONTRAS and its subsidiaries

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the Leipzig University of Applied Sciences (“HTWK”). Together with the TU Freiberg, the VNG Foundation conducted a study on the use of carbon in the agricultural sector. VNG also sponsors the German scholarships at the University of Leipzig and the HTWK Leipzig via the VNG Foundation.

VNGART – SIGNS OF THE TIMES

The promotion of art in Eastern Germany has played an important role at VNG AG since the 1990s. The company provides regular opportunities for the regional art scene to exchange ideas and present itself to an audience through collections of up-and-coming East German art and photography, as well as calendars, exhibitions and books.

With this commitment, VNG AG aims to foster the East German creative activities and make a lasting contribution to documenting the transformation process following German reunification. Today, the VNGart art collection totals over 1,100 works, including 220 paintings and prints and more than 890 photographs.¹⁴

SPONSORSHIPS

In 2022, the sponsorships of VNG AG and its subsidiaries included the volleyball players of Dresdner Sportclub 1898 in the 1st Women’s National League as well as the

Eastern Germany Energy Forum, the Eastern Germany Economic Forum, the Gewandhaus zu Leipzig, the H2Global Foundation, the Central German Hydrogen Congress and the gat | wat Congress of the Energy and Water Industry.

HIGHLIGHTS OF THE VNG FOUNDATION IN 2022

COMMITMENT AWARD 2022

September 2022 marked the first occasion of the *Verbundnetz der Wärme* awarding prizes in the five commitment areas of Knowledge & Learning, Nature & Climate, Health & Sports, Participation & Integration, and Culture & History. Each of the awards in the above categories was endowed with EUR 5,000. The award winners were five non-profit associations and initiatives from Eastern Germany.

VNG FOUNDATION SPONSORS LEIPZIG FUTURE PRIZE

The Leipzig Future Award 2022 ceremony took place was held on 28 November 2022. The event was supported by the VNG Foundation, the Leipzig Group, WEV – Westsächsische Entsorgungs- und Verwertungsgesellschaft mbH and Sparkasse Leipzig and was organised by Forum Nachhaltiges Leipzig on behalf of the City of Leipzig.

STUDY “VOLUNTEERING IN EASTERN GERMANY”

The VNG Foundation conducted a study on the topic of “Volunteering in Eastern Germany” and presented it at the German Foundation Day in Leipzig. The study confirmed the fundamental importance of volunteering for cohesion in society and for the common good. It also provided some interesting insights: Volunteering creates stability for society in many ways, but requires more flexible structures. For example, even though young people are very interested in volunteering, they would prefer to get involved in community service on a temporary, project-based basis or through short-term memberships than through long-term memberships. This represents a significant opportunity to remove hurdles which stand in the way of recruiting young volunteers, for example through project-related work which do not require memberships or by working with other associations that have a similar focus.

Volunteering steps in to help in a number of problem areas in our society to create a better sense of togetherness. Voluntary work continues to face significant challenges in terms of funding as the bureaucratic processes involved in funding programmes frequently get in the way of people’s enthusiasm for volunteering.

¹⁴ For further information, go to → www.vng-art.de

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The results were presented at a number of events, including the 2022 German Foundation Day. VNG plans to update the study in 2023.

ENERGY ROUND TABLE

The VNG voluntary initiative *Verbundnetz der Wärme (VdW)* is planning a project in partnership with Wittenberg schools on the subject of energy. The purpose of the project is to launch a needs-based programme to promote energy education and to provide material and financial support. In Wittenberg, a project day on the topic of energy is being planned which will involve as many year eight pupils as possible. This project was drawn up by a round table with representatives from school administrations, students and the mayor of Wittenberg which the VNG Foundation held in the summer of 2022.

NEW PATHS FOR THE VERBUNDNETZ DER WÄRME

VdW made the transition from a networking platform to an interactive engagement platform in 2022, giving associations and non-profit institutions an opportunity to get involved in the five areas of Knowledge & Learning, Nature & Climate, Health & Sports, Participation & Integration, and Culture & History and receive funding. The newly designed website¹⁵ is the central information platform for



the VdW and also a communication platform for its volunteer members. The plan to realign the VdW was developed by VNG AG and a number of members at the beginning of 2022.

AID FOR UKRAINE

As part of a Group-wide campaign, ONTRAS and VNG collected sleeping bags, sleeping mats and blankets for the Ukrainian transmission system operator Naftogaz in mid-March. With an additional donation of EUR 5,000 each, both companies were able to purchase further equipment that will benefit Naftogaz. The VNG Foundation has also set up an aid fund to support Ukraine aid projects. This fund will support educational, sports and recreational projects for refugees in the central German region.

¹⁵ Further information available at → www.verbundnetz-der-waerme.de

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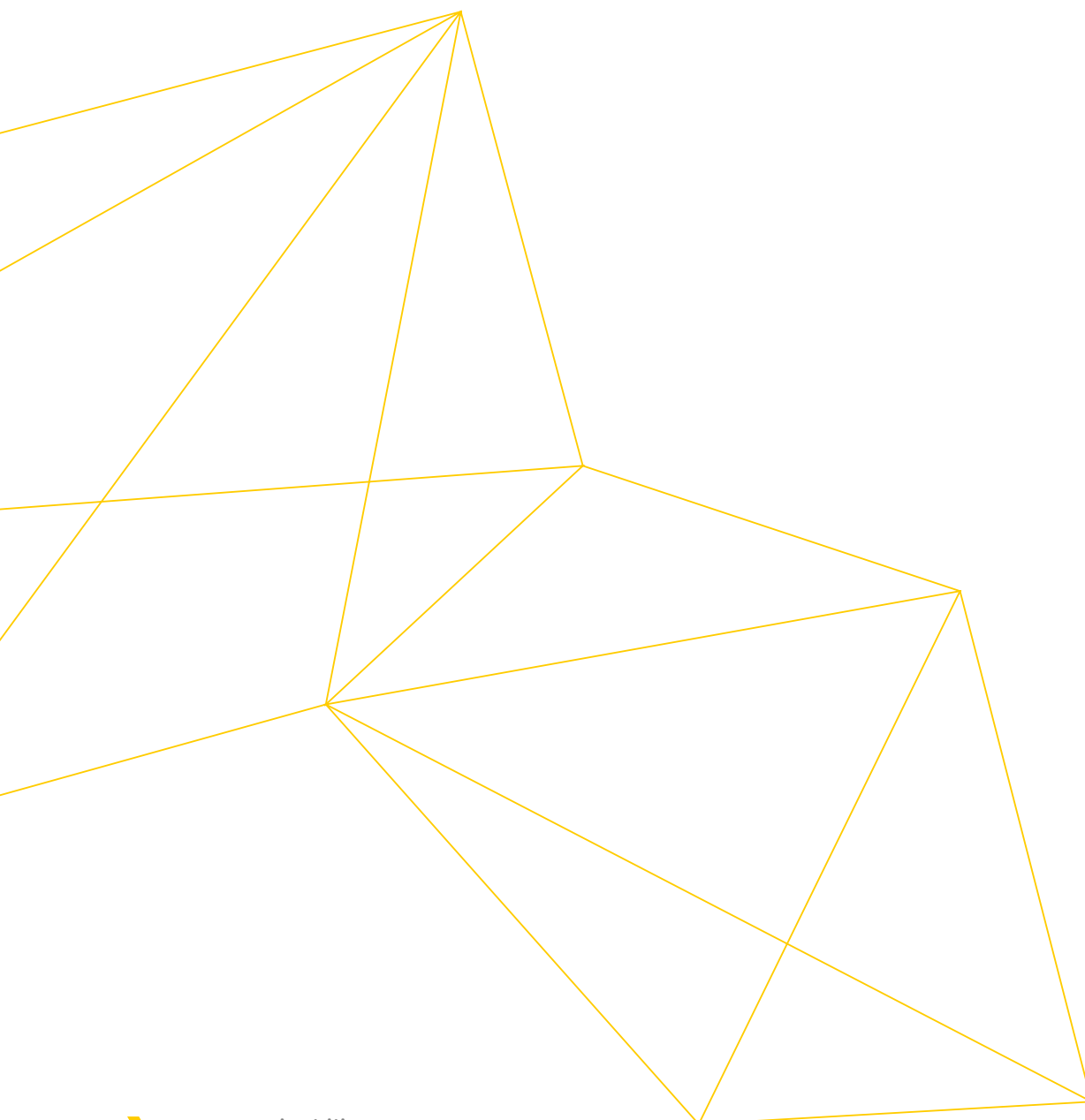
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Transparent communication and stakeholder dialogues

Transparent communication, and constructive and open dialogue with internal and external stakeholders are extremely important to VNG. VNG also takes care to present all of its activities in a manner that is consistent with unbundling requirements.

VNG is convinced that open and constructive dialogue with stakeholders helps us to quickly identify key developments and issues – for materiality analyses and other purposes – and to incorporate these into our strategic and business orientation. This approach also allows us to identify stakeholder requirements and needs to be identified at an early stage and develop joint solutions.

For VNG, dialogue and communication are therefore important building blocks for establishing and maintaining good long-term partnerships. It also engages in a constructive manner with its stakeholders to create the conditions needed to live up to its mandate as efficiently, reliably and sustainably as possible, with a particular focus on security of supply, the energy transition and structural change.

VNG uses a variety of formats to engage with stakeholders, including trade fairs, congresses and specialist conferences on specific topics. We also

make extensive and consistent use of internal and external Group communication.

OUR MANAGEMENT APPROACH

Our communication with stakeholders is based around the needs of different target groups and assigned to the relevant specialist areas/ departments or independent companies in accordance with legal requirements. Inquiries from investors, analysts or auditors, for example, are handled by the responsible commercial departments, while media inquiries are answered by the Group Communications department or the communications managers of Group companies. The Executive Board and management are involved in positioning and strategic decisions, such as the coordination and approval of press publications, annual reports, brochures or corporate films.

Meetings are held regularly with specialist departments (in particular Communications, Legal, Policy, Strategy, Human Resources and Finance). Employees of the Group companies responsible for specialist areas meet on a regular basis to exchange information in line with unbundling requirements. In this way, VNG ensures that no information is lost and that knowledge is shared within the Group.

EMERGENCY, CRISIS AND PROJECT COMMUNICATION

VNG uses dialogue formats and communication channels to avoid acceptance risks and delays in implementing projects, corporate issues and construction measures.

An emergency and crisis system is implemented both in the business units and on a Group-wide basis to handle disruptions, emergencies and crises. ONTRAS acts autonomously as an independent transmission system operator. To the extent permitted by unbundling law, information is provided to the Chairman of the Supervisory Board of ONTRAS in situations that affect ONTRAS, if applicable.

COMMITMENTS AND GUIDELINES

VNG conducts stakeholder dialogues with a focus on diligence, integrity, reliability and trustworthiness. VNG AG and its subsidiaries are subject to various obligations in their communication. The most significant requirements in this area are the unbundling and equal treatment requirements under the Energy Industry Act (“EnWG”), the obligation to enter political activities in the lobbying registers of the EU and the German Bundestag, and the obligation to publish an annual report.

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STAKEHOLDER DIALOGUES AT A GLANCE

VNG’s stakeholders include customers, business partners and shareholders, as well as representatives from the political sphere, public authorities, suppliers, investors, service providers and its own employees. A summary is provided below of the most important stakeholders, their significance for VNG, and a sample of the dialogue formats which we use.

EMPLOYEES

VNG has approximately 1,600 employees in Germany and the rest of Europe. Our workforce is crucial to our success as a business. VNG is implementing the VNG 2030* strategy together with teamVNG. VNG creates the framework for a positive, future-oriented corporate culture through transparent communication based on the credo “Inform – Involve – Empower” and by engaging in dialogue at eye level.

We use a variety of communication channels and formats to facilitate trustworthy communication with our employees. These include quarterly town hall meetings with the VNG AG Executive Board, Group-wide events with internal and external speakers, annual employee appraisals, Group-wide employee surveys, works meetings, internal communities, a Group intranet,

internal newsletters and info screens. Formats can also be used in line with unbundling requirements by employees of ONTRAS and its subsidiaries. VNG subsidiaries also have separate communication formats for their employees.

CUSTOMERS

The operating companies in particular use a variety of formats to enter into dialogue with customers. These include trade fairs, congresses and specialist conferences as well as themed dialogues. Communication tends to focus on the topics of prices, products, services and cooperation projects in the field of decarbonisation.

We accept ideas, suggestions and contributions from potential customers, clients and partners and attempt to incorporate them into the product development process. Codes of conduct provide guidance on how to deal with customers in a fair and legally compliant manner. This includes communication practices.

Customer satisfaction is measured on a regular basis with customer satisfaction surveys or by contacting customers directly.

INVESTORS

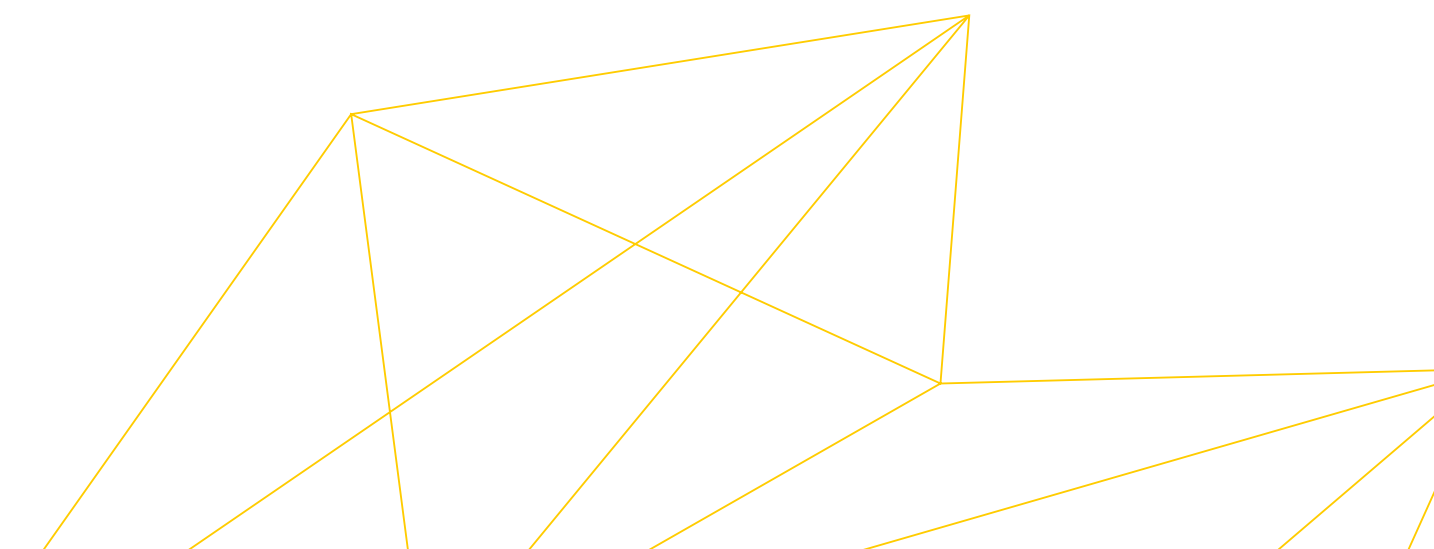
The Executive Board of VNG AG, (in particular the Director for Finance/Human Resources) and the

employees in the specialist departments of VNG AG who work with banks and investors maintain regular contact with this target group. The most important communication formats include a bank or investor call, the half-yearly report, the annual report and the dissemination of media information. Regular Executive Board and Supervisory Board meetings, jours fixes and other formats are used to facilitate dialogue with shareholders and the Supervisory Board.

UNIVERSITIES AND RESEARCH INSTITUTIONS

VNG has partnered with universities, technical colleges and scientific institutions for decades by providing practical lectures and accompanying studies. VNG also supports student excursions and helps provide facilities for work on master’s, diploma and doctoral theses. The VNG Foundation supported young students at the University of Leipzig and at the HTWK Leipzig by awarding them German national scholarships. Universities, students and VNG all benefit equally from these partnerships in the areas of knowledge transfer, recruiting and networking.¹⁶

¹⁶ See also → [Social Commitment](#).



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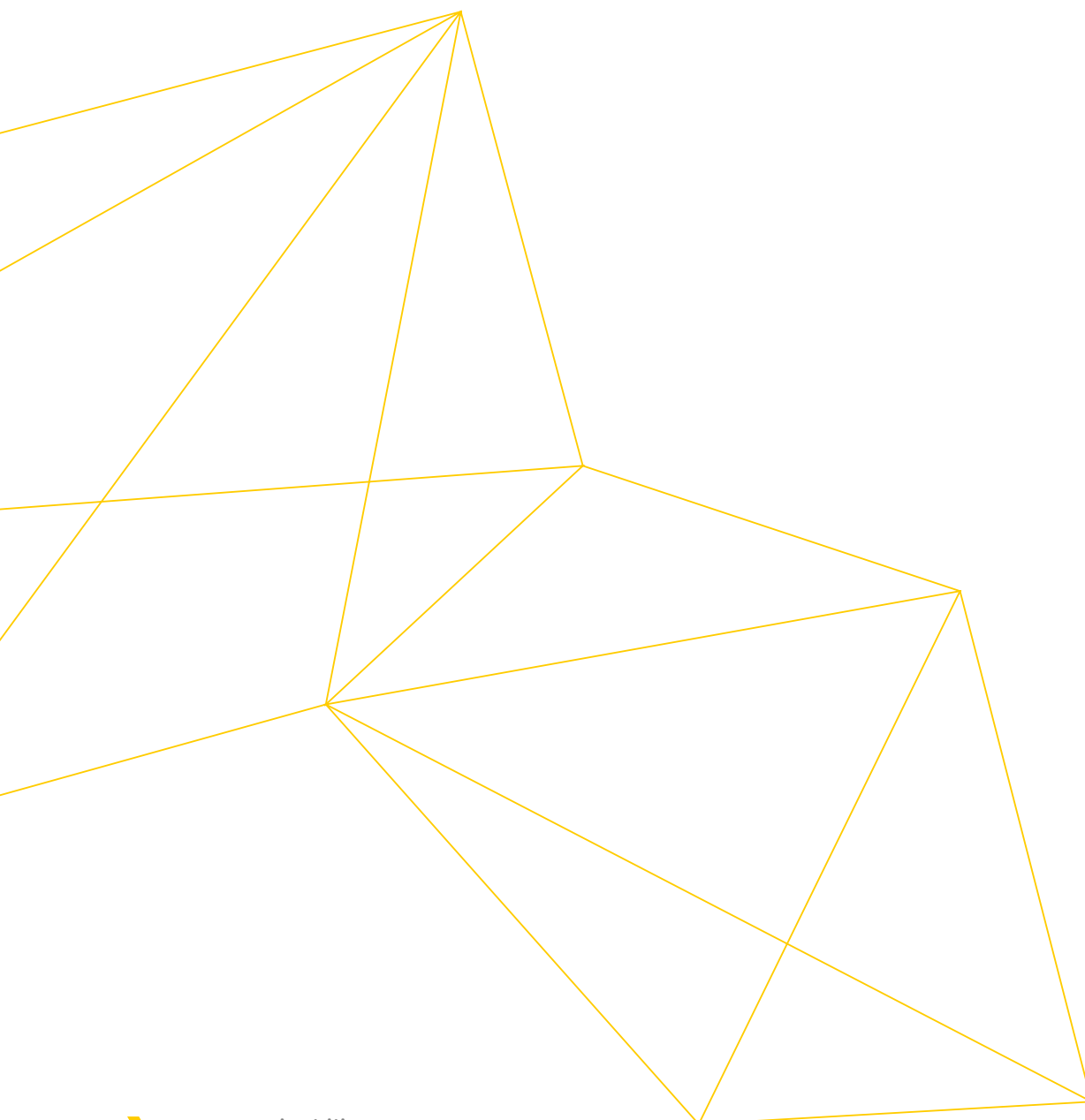
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POLITICS

VNG AG and its subsidiaries are also involved in the political process. VNG sets out its positions and views both in dialogue with representatives of the executive and legislative branches and in its work through associations.

With its extensive expertise in the fields of supply security, hydrogen, biogas, gas infrastructure and gas trading, VNG engages frequently with a wide range of political stakeholders at a regional, national and European level.

VNG prioritises transparency in its interactions with energy policy-makers. For this reason, VNG and its relevant subsidiaries are entered in the lobbying registers of the EU and the German Bundestag. VNG has stipulated that no donations will be made to political parties and related organisations, office holders or candidates for public office. This is codified in separate company and Group-wide guidelines and regulations.

AUTHORITIES

VNG AG and its subsidiaries are in close contact with the relevant authorities, both on a general basis and locally at the individual sites. These include mining authorities, regulatory authorities, building authorities and environmental authorities. This dialogue with authorities ensures that statutory

notification obligations and deadlines are met and that statutory transparency and publication obligations are implemented.

ASSOCIATIONS AND INTEREST GROUPS

VNG AG and its subsidiaries are active in a number of initiatives, associations and organisations, both within and outside the industry. VNG also holds a position on the relevant committees of some associations, the majority of which are industry-specific. In others, VNG is involved in projects or participates in working groups.

The most important memberships of VNG and its subsidiaries included in the report are listed below in alphabetical order.

- ▶ BDEW – Bundesverband der Energie- und Wasserwirtschaft e.V. (German Association of Energy and Water Industries)
- ▶ Biogasrat* e.V. (Biogas Council)
- ▶ Deutsch-Norwegische Freundschaftsgesellschaft e.V. (German-Norwegian Friendship Society)
- ▶ German-Norwegian Chamber of Commerce
- ▶ DVGW – Deutscher Verein des Gas- und Wasserfaches e.V. (German Gas and Water Association)
- ▶ EFET – European Federation of Energy Traders

- ▶ Eurogas
- ▶ Europäische Metropolregion Mitteldeutschland e.V. (European Metropolitan Region Central Germany)
- ▶ Fachverband Biogas e.V. (Biogas Association)
- ▶ FNB Gas – Vereinigung der Fernleitungsnetzbetreiber Gas e.V. (Association of Gas Transmission System Operators)
- ▶ Förderverein des Verbandes kommunaler Unternehmen e.V. (Sponsoring Association of the Association of Municipal Enterprises)
- ▶ Freunde und Förderer der TU Bergakademie Freiberg e.V. (Friends and Sponsors of the Freiberg TU Mining Academy)
- ▶ Freunde und Förderer der Universität Leipzig e.V. (Friends and Sponsors of the University of Leipzig)
- ▶ Leipzig Chamber of Trades
- ▶ INES – Initiative Energien Speichern e.V. (Energy Saving Initiative)
- ▶ Ost-Ausschuss der Deutschen Wirtschaft e.V. (Committee for Eastern European Economic Relations)
- ▶ Stifterverband für die Deutsche Wissenschaft e.V. (Donors' Association for the Promotion of Sciences and Humanities in Germany)
- ▶ Wittenberg-Zentrum für Globale Ethik e.V. (Wittenberg Centre for Global Ethics)
- ▶ Zukunft Gas e.V. (Future Gas)

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MEDIA

VNG continuously monitors issues in the public eye by screening media coverage on a daily basis and tracking important topics on social media channels. Media analyses are also carried out.

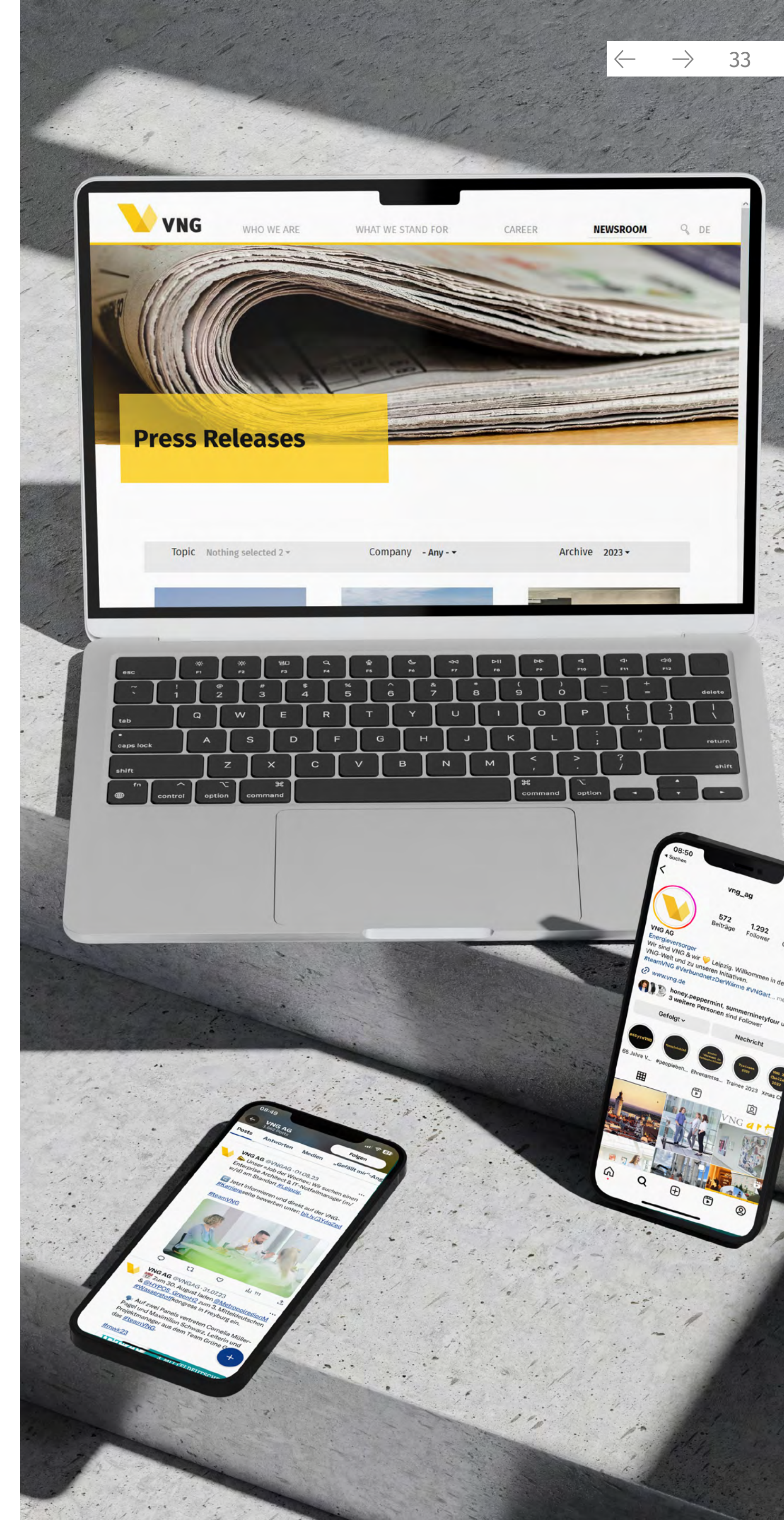
VNG and its subsidiaries regularly issue press releases on current and relevant topics in the areas of finance, strategy, human resources, business development and innovations.

VNG also exchanges information with journalists on a regular basis. VNG's media activities are complemented by the company's active presence on social media platforms like LinkedIn, Twitter¹⁷ and Instagram. Additional information about VNG is also published on the companies' respective websites.

LOCAL POPULATION

VNG has its roots in Eastern Germany, where it has been active for 65 years: with gas transport pipelines, gas storage facilities, gas trading customers and, more recently, a large number of biogas facilities. VNG feels closely connected to Eastern Germany and the numerous localities where it is based. A large number of the employees have their home here.

That's why VNG is involved in the communities and municipalities in which it operates in a variety of ways. These include sponsorships and donations (to local fire departments and schools, for example)¹⁸, talks with the local population (at open days), and on-site meetings with journalists. In this way, VNG safeguards its interests as well as the interests of all those who place their confidence in VNG at its facilities and welcome it into their communities.



¹⁷ Renamed X in July 2023
¹⁸ See also → [Social commitment](#).

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From agile methods and smart metering systems through to networked energy data management and digital process optimisation, digitalisation is transforming in the energy industry. VNG has also been looking at the opportunities offered by digitalisation for the Group for some time. Furthermore, VNG is pursuing its aim of being involved in shaping a green, digital and gas-based future with its VNG 2030* Group strategy.

In addition to the development of digital business models, another key success factor for sustainable digitalisation is the internal perspective – that is, empowering employees for the digital future and expanding the relevant corporate structures for this purpose. Improving how we analyse and use data will help us to make more efficient and reliable business decisions. Digital communication and collaboration tools also facilitate a more agile approaches to working.

However, increasing digitalisation also increases our dependency on the reliability of IT systems. The demands on IT and cyber security are increasing; at the same time, the demands on employees are increasing due to the density of the information involved and the continuous learning process.



OUR MANAGEMENT APPROACH

IT AND DIGITALISATION STRATEGY

VNG is faced with the task of meeting the many objectives of the Group strategy VNG 2030* the diversity of the business areas and the requirements of an increasingly dynamic market environment. In addition to ensuring resilient business operations in crisis situations, VNG also needs to meet the increasing demand for stringent information security. To achieve this aim, we need high-performance IT systems and a digitalisation strategy that meets the needs of our business going forward. The IT and digitalisation strategy provides a coordinated framework for architecture and system decisions as well as for new IT and digitalisation projects to be initiated.

In addition, VNG H&V's business model is also based on digital and automated processes which are driven by a strong IT department. *Straight Through Processing*, for example, means that data processing in business processes is largely automated – this minimises risk by avoiding the need for manual inputs in the portfolio management process.

COMMITMENTS AND GUIDELINES

VNG complies with the standards and basic security principles of the German Federal Office for Information Security (“BSI”) throughout the Group. This state-of-the-art is indirectly prescribed by, among other things, our duty to exercise proper management, due diligence obligations, performance obligations, monitoring obligations, and technical and organisational measures

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required under the GDPR. VNG also has obligations as a company acting in the interest of the public and duties under the NIS-2 Directive, the purpose of which is to increase the general level of cybersecurity within the EU. VNG also takes into account the ethical framework and risks associated with topics such as artificial intelligence and its use.

At VNG, IT governance provides the framework for how IT works internally.¹⁹ This provides transparency about IT tasks and how the various players within VNG interact. It also defines the rights and obligations of the Group companies with regard to the implementation of and compliance with any requirements. We also implement data protection regulations and Group policies related to the processing and retention of data.

ROLES AND RESPONSIBILITIES FOR IT AND DIGITALISATION

The rapid pace of technological advancements, particularly in the area of digitalisation, has also changed the role of information technology from an infrastructure operator to one of the company's most valuable assets. The key elements of the IT governance system ensure that IT creates added value and that we can manage IT-related risks. Dedicated roles exist within the organisation for this purpose, such as the Information Security Management System Manager

(ISMS Manager) and the IT Compliance Manager. Overall responsibility for IT at VNG AG lies with the Executive Board, which meets its IT and digitalisation responsibilities by collaborating with numerous internal roles and committees. The Group has a team dedicated to coordinating digitalisation issues across the Group.

When operating critical infrastructure, an information security management system (ISMS) that meets the ISO 27001 standard is mandatory. As an operator of critical infrastructure, ONTRAS is accordingly certified; VGS is currently undergoing the certification process. VNG AG has established a central Group ISMS based on this standard, which bindingly defines minimum requirements across all companies²⁰ and processes. The Group ISMS is used to help Group companies to protect themselves against breaches of information security in line with state of the art practices and against attacks with significant damage potential.

Numerous decentralised structures have been established within the Group in order to further develop and implement know-how, topics and applications across divisions and companies. These include inter-company communities and competence centres (CC's) which build up knowledge and advance issues across functions.²¹

ONTRAS.ACADEMY AND ONTRAS.WORKING WORLD INITIATIVES AS PART OF THE IT STRATEGY

ONTRAS has defined digitalisation as a strategic field of action and has formulated its own IT strategy for regulatory reasons. Initiatives such as *ONTRAS.Arbeitswelt* [ONTRAS.Working World] are closely linked to the company's strategic goals. The focus is on topics like agile practices, a shared understanding of values in the context of collaboration, methodological competence and know-how. ONTRAS is also committed to leveraging efficiencies in processes and working methods and accelerating the implementation of projects, while fostering an innovative environment where curiosity, modern working methods and an appropriate learning and mistake culture are encouraged. The *ONTRAS.Academy* levels up our employees' digital skills. This involves a specific search for training activities, with the offer of training options being driven by existing needs.

An internal policy defines how employees handle information, documents and technologies. The IT department submits reports on a regular basis to the two Managing Directors of ONTRAS. The IT and information security officer also report directly to management.

¹⁹ Excluding ONTRAS and its subsidiaries

²⁰ Excluding ONTRAS and its subsidiaries

²¹ For regulatory reasons, ONTRAS is not involved in these communities and competence centres. ONTRAS launched its own initiatives to advance its IT strategy.

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DIGITALISATION NETWORKS AND PARTNERSHIPS

VNG AG is actively involved in a number of communities and committees within the VNG and EnBW Group in order to drive forward improvements in this area and exchange ideas.

VNG and its subsidiaries are also members of associations and societies related this area, including the Wittenberg Centre for Global Ethics and TDWI, an international platform dedicated to data, business intelligence and analytics. VNG AG also works with local universities, including the HTWK Leipzig, the University of Leipzig and the TU Freiberg. ONTRAS is a member of the gas industry working group of UP KRITIS, a public-private partnership between operators of critical infrastructures, their associations and the responsible government agencies. ONTRAS also lays an active role in working groups involving the five major German transmission system operators.

PROGRESS AND ACTIVITIES IN 2022

Compliance with IT governance requirements is reviewed annually and summarised in a report submitted to the Executive Board. The *Digital Journey* transformation programme drove agile digital transformation at VNG AG and was successfully concluded in 2022. The programme

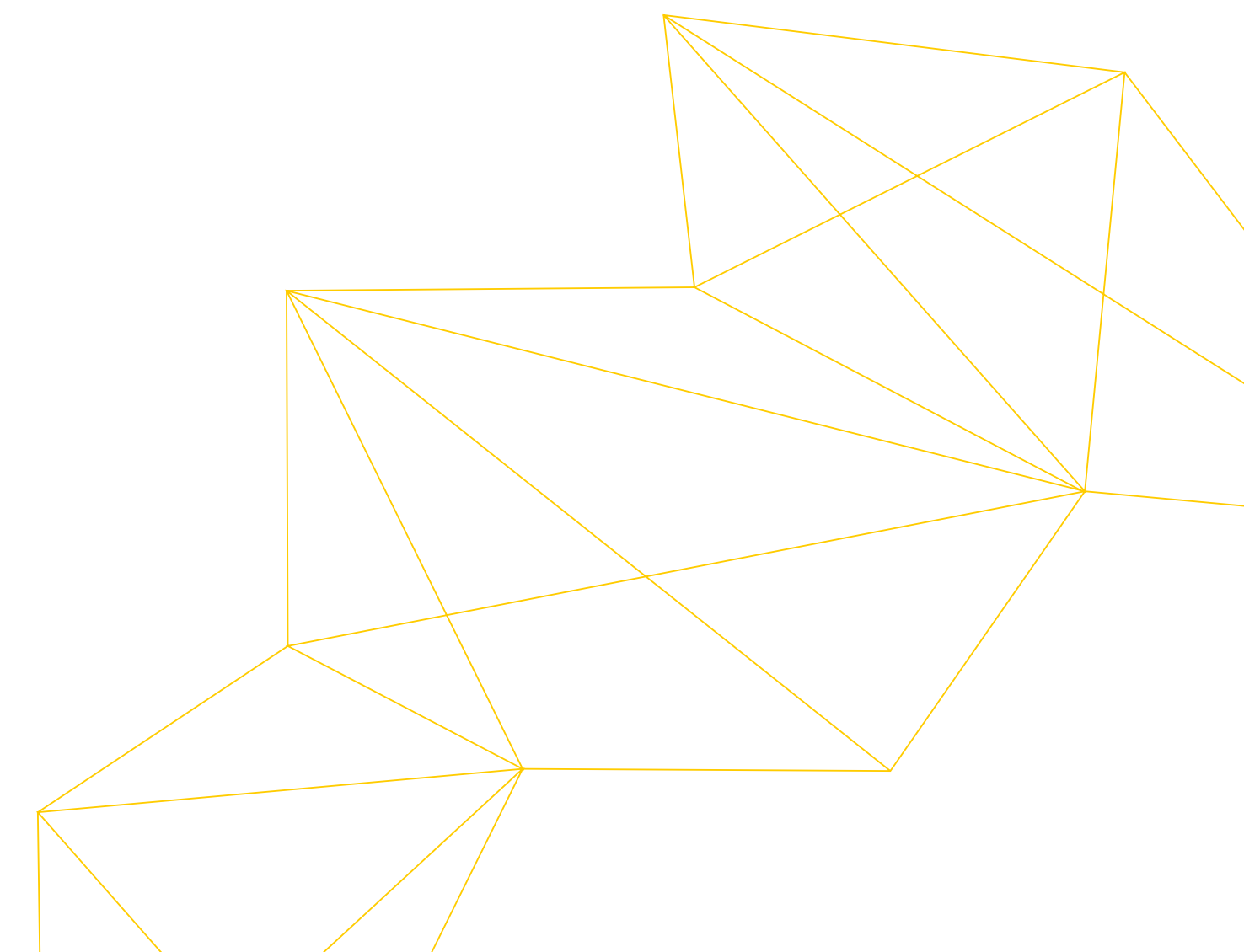
involved setting up IT structures to update the digital workplace. Employees improved their digital and agility skills, and workflows were devised to firmly anchor digitalisation and IT into our organisational structures. VNG AG sees this as an ongoing process. Information security awareness measures, including a phishing campaign, were carried out to raise awareness of information security risks, train employees, and prevent negative effects. Comprehensive information security training is mandatory for all new employees.

A number of important projects were implemented at VNG H&V in the reporting period. These included the further digitalisation of processes in the business portal for an optimised customer experience, the expansion of IT-based networking of evaluation processes, and upgrading system to the state-of-the-art. Paper applications, such as accounts payable applications, purchase requisitions, and employment-related documents, were converted to digital formats. The invoicing process is being digitalised in stages, alongside procurement and other recurring processes, such as supplier self-disclosure.

ONTRAS uses internal and external ISMS audits and ISMS key figures to internally monitor the effectiveness of the management approach and the measures that are taken. The Internal Audit department deals

with topics related to digitalisation, individual target agreements, and the annual assessment of the “digital maturity level at ONTRAS” based on the DRP model.

Key figures are regularly collected within the ISMS; if targets are not met, appropriate measures are planned and implemented. The ISMS as a whole is reviewed and adjusted annually. The adjustments made in 2022 included a new approach for identifying and addressing information security risks. The reporting period also saw a requirements analysis project for a new customer portal, a phishing campaign involving all employees, and technical measures related to office and process IT.



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A commitment to research and development has a vital role to play in VNG’s ability to shift towards renewable and decarbonised gases and actively helps shape the energy transition. VNG focuses on technologies that combine the energy transition and the company’s current core business – natural gas. In this way, it is making an important contribution to climate protection and to achieving the political goal of climate neutrality.

VNG pursues its research and development projects along the entire value chain, and takes an open approach to technology: from production, import and transport to storage, trading and the sale of substitutes for natural gas. These pilot and demonstration projects identify important trends and technological developments at an early stage and generate valuable experience and data for later commercial application. Our research and development efforts focus on renewable and decarbonised hydrogen, CO₂, biogas and biomethane. The overarching goal is to develop a project portfolio that reflects a diversified range of sources for these gases. Thanks to the broad project landscape and strong partnerships, VNG has positioned itself as a pioneer paving the way to a sustainable energy supply that promotes Eastern Germany in particular as an industrial and business location. To this end, VNG is expanding the know-how of its employees in the areas of renewable and decarbonised gases and in tomorrow’s

technologies, in addition to strengthening collaboration with business partners. The projects related to driving business transformation involve a significant amount of investment, various dependencies, (success) risks and regulatory requirements.

OUR MANAGEMENT APPROACH

The relevance of climate-neutral gases is increasing as we strive to establish a functional total energy system in compliance with stricter climate targets. In order to transform VNG in line with the corporate strategy, new technologies and new business models must be developed and made ready for full-scale production by passing through various development phases. These technologies include the production of hydrogen by electrolysis, CO₂ separation and CO₂ storage, and hydrogen transport. VNG’s research and development activities are based around its R&D strategy and the project selection criteria set out therein, as well as on the Group’s VNG 2030* strategy. The projects are also dependent on appropriate regulatory requirements and funding mechanisms to create a robust economic framework.

At VNG AG, technological trends are identified in accordance with the R&D strategy, primarily through standardised technology monitoring and regular exchanges with research institutions. Technical experts

at VNG AG and BALANCE research, evaluate and document new technologies in line with the technical, economic and sustainability criteria of the internal R&D strategy. These criteria include technological maturity, scalability, competitiveness, and future viability in terms of compatibility with the political goal of climate neutrality.

If a technology is a good match with VNG’s business areas and has reached a certain level of technical maturity, a general assessment of the technology is performed. The details and results are recorded in a technology profile, along with other economically and ecologically relevant data. The proposals for the evaluated technologies are presented at regular intervals to the Management Team for a decision. Technologies that we intend to pursue further are handed over to the respective organisational unit; alternatively, they can be developed into a potential business model by individual expert teams.

VNG AG coordinates the project portfolio for research and innovation projects within the VNG Group. Regular exchange and reporting formats are used alongside publications both within the Group and with third parties. Furthermore, VNG AG and other subsidiaries such as BALANCE are integrated into a strong external partner network. Research collaborations are maintained with research institutes such as the German Biomass Research Centre (DBFZ), the DBI Gas Technology Institute,

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the Fraunhofer Institute for Systems and Innovation Research (ISI), the Fraunhofer Institute for Ceramic Technologies and Systems (IKTS), the Fraunhofer Research Institution for Energy Infrastructures and Geothermal Energy (IEG), and the Institute of Energy Economics at the University of Cologne (EWI).

PROGRESS AND ACTIVITIES IN 2022

15 technologies were evaluated during the reporting period as part of the comprehensive technology monitoring process. Five ideas related to VNG’s business areas were approved and are being developed by subject matter experts. In addition, six other technologies were passed on to scientific cooperation partners or deferred for later consideration. The resulting broad project landscape for green gases is presented below. The entire value chain of green hydrogen – from production to storage and transport to marketing – is being implemented on an industrial scale at the *Bad Lauchstädt Energy Park*. The project receives funding from the German Federal Ministry of Economics and Climate Protection (BMWK) as a “production scale laboratory for the energy transition”. ONTRAS and VGS are also involved. VNG H&V is participating in the project as an associated partner. In the year under review, engineering plans, on-site preparatory work and approval processes were driven forward. The regulatory framework

was analysed and the development of a business model was prioritised. The *Bad Lauchstädt Energy Park* has received a great deal of attention from politicians and the media due to its role as a pioneering project. This project will go forward into the implementation stage.

With the *BioHydroGen* project, VNG and its project partners are pursuing the goal of producing hydrogen from raw biogas, primarily for local use in the transport sector. The project is funded by the German Federal Ministry of Economics and Climate Protection (BMWK) as part of the *Hydrogen Technology Offensive* programme.

The test facility will be built at the biogas facility in Gordemitz. Progress was made in the planning work and the approval phase was completed during the reporting period. Another important partner was added to the project in the form of gas burner manufacturer ELCO GmbH.

VNG is a consortium partner in the hydrogen pipeline project *TransHyDE* of the German Federal Ministry of Education and Research (BMBF). The project is funded under the *Hydrogen Republic of Germany* programme. The goal of this project is to research and demonstrate hydrogen transportation options. VNG AG is a project partner in the system analysis subproject. During the reporting period, transportation options for importing

hydrogen were analysed. Focal areas of research were fleshed out, with a focus on hydrogen in steel production, the transition from a decentralised to a centralised hydrogen supply, and the role of ammonia.

The scenarios to be analysed were defined in the project network. The topics of model coupling and system perspective were also addressed.

VNG is also involved in a project to build a CO₂ transport infrastructure together with industry and research partners. The *CapTransCO₂* project is investigating the feasibility of climate-neutral industry in Central Germany by establishing a networked CO₂ transport infrastructure for CCU (*Carbon Capture and Utilisation*) or CCS (*Carbon Capture and Storage*).

The project is funded under the 7th Energy Research Programme of the German Federal Government. VNG’s role in the project is to assess the technical and legal feasibility of a CO₂ transport infrastructure, including intermediate storage in order to prevent the CO₂ produced during fossil fuel combustion processes from being released into the atmosphere. In the reporting period, a number of prospective routes were planned for a future CO₂ pipeline network, plastic-based pipeline materials were selected for assessment, and talks were held with CO₂ emitters in the steel and

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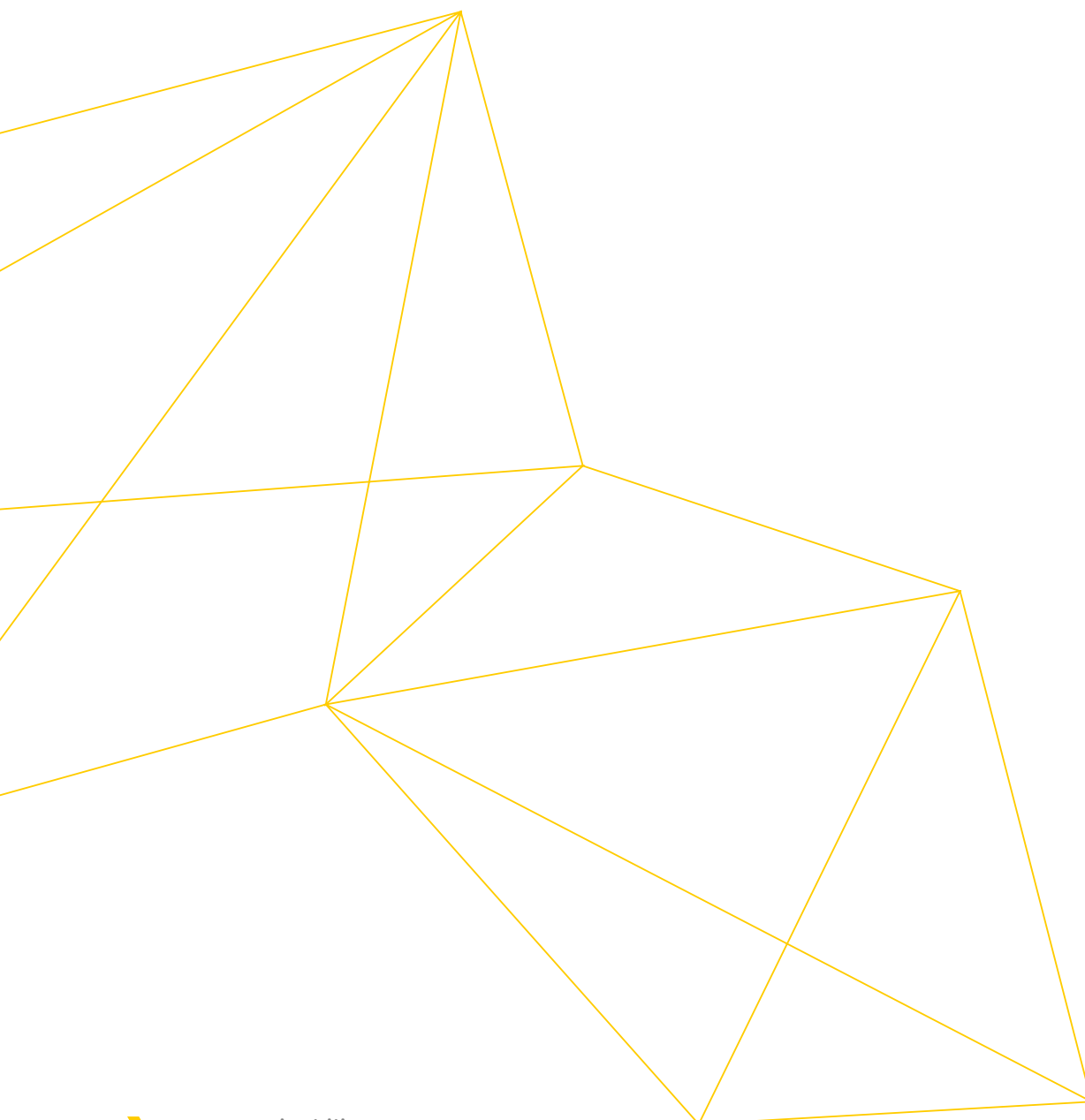
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cement industries along the possible transport routes. A regulatory audit was commissioned to analyse the German legal framework.

STUDIES

In addition to the ongoing projects described above, VNG has commissioned and worked on a number of studies to provide detailed information about specific topics, with a focus on analysing potential regional supply and demand as well as technological analyses. INFRACON Infrastruktur Service GmbH & Co. KG, a subsidiary of ONTRAS, was involved in the “Central Germany Hydrogen Network” study, which was completed in the reporting period. The study proposed routes for a hydrogen network in central Germany based on a survey of sources and consumers.

Correlations between the supply of renewable electricity, perspective hydrogen imports and the respective demand for hydrogen storage were identified as part of a study on hydrogen storage. A market study including a design for a plant for the commercialisation of biogenic CO₂ was completed. The study assessed potential sales markets and business models and created a plant concept. The *LHytHouse* project commissioned a feasibility study for scaling up the electrolyzer at the *Bad Lauchstädt Energy Park* by 170 megawatts to a total of 200 megawatts.



In 2022, VNG AG started a study entitled “Bad Lauchstädt Energy Park – Regulatory Analysis” together with ONTRAS, Terawatt, UNIPER and DBI, at the *Bad Lauchstädt Energy Park* regulatory sandbox. Finally, at the end of 2022, as part of the update of the *VNG 2030+* Group strategy, VNG AG ramped up its analysis of the economic feasibility of domestic hydrogen production based on electrolysis technology. VNG AG is aiming to develop an electrolysis strategy that provides a detailed forecast of VNG’s future position in the German hydrogen market. A roadmap shows how the roll-out of domestic green hydrogen production can be accelerated beyond 2030.

Extensive networking and the implementation of further studies also have important roles to play to ensure that projects are properly identified and developed.

FUNDING INITIATIVES

VNG AG is a member of the Advisory Board of the *Heat Transition Promotion Initiative* and the *Hydrogen Promotion Initiative* of the Energy Economics Institute at the University of Cologne (EWI). The goal of the initiatives is to identify new research areas and network

with stakeholders in the field. Through its subsidiaries VGS and ONTRAS, VNG is active in the *HYPOS network* (Hydrogen Power Storage & Solutions East Germany e. V.) which is moving forward the establishment of a green hydrogen economy in Central Germany. In addition, the VNG subsidiary ONTRAS is active in the *Energy Saxony* energy cluster, which aims to promote the sustainable development and marketing of future technologies in the fields of energy, electromobility and digitalisation.

H2GLOBAL

Since its establishment in 2021, VNG H&V has been a member of the non-profit H2Global Foundation, which spans several sectors of the economy. Its purpose is to implement the H2Global funding concept and ensure that the funding conditions set by the BMWK and other departments of the German government for the production and use of hydrogen are met, with the overarching goal of bringing together the supply and demand of hydrogen. This approach underlines the commitment regarding the sustainability of a supply of green hydrogen to energy consumers. The foundation is also responsible for the conceptual design, development and implementation of the H2Global funding concept.

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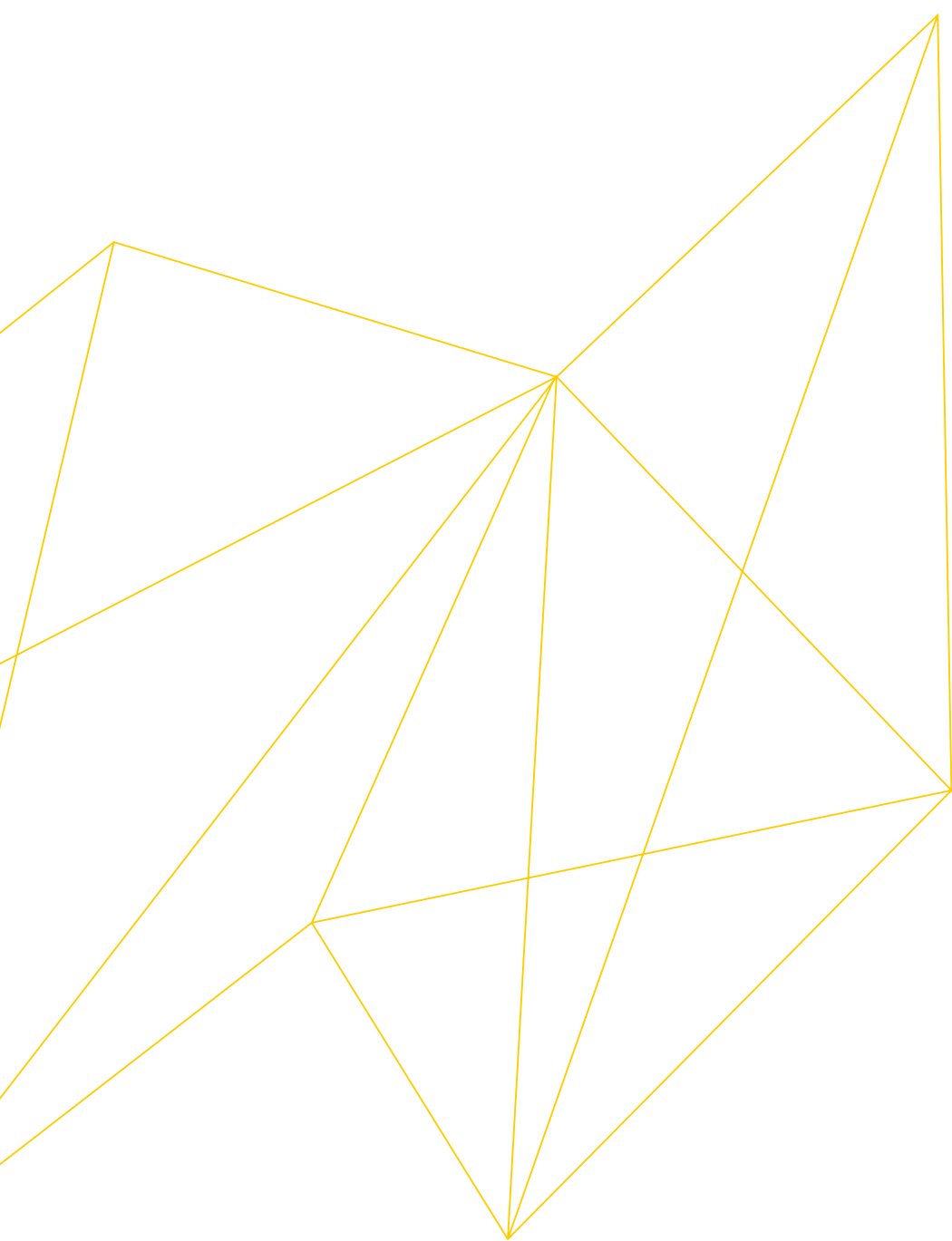
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Greenhouse gas emissions

VNG – one of the largest energy groups in Eastern Germany – is aware of its responsibility in the context of the energy transition. Through its subsidiaries, VNG is involved in the natural gas value chain, from the purchasing and transport stages through to storage and trading. As a result, VNG contributes to the emission of greenhouse gases within these stages of the value chain through its business units. In line with the climate targets of the Paris Climate Agreement and the national goal of achieving climate neutrality by 2045, VNG is resolutely addressing the challenge of gradually decarbonising its natural gas business. Drawing on many years of experience, VNG has become an acknowledged expert capable of meeting the challenge of establishing gas alternatives.

As a Group with major customers such as municipal utilities, distributors and industrial partners, VNG’s business activities have a far-reaching influence in this area. However, the provision of natural gas has an essential role to play in ensuring a secure energy supply, particularly in light of events in 2022. In the medium term, indirect emissions resulting from trading in natural gas will continue to account for a significant share of VNG’s total emissions. In the long term, however, the planned gradual substitution of natural gas with renewable and decarbonised gases will not only support VNG’s own transformation, but

also that of business partners and sectors such as industry and transport. These sectors will then be able to reduce the emissions involved in their own activities and processes by using more climate-friendly gases.

However, greenhouse gas emissions are not generated solely by the combustion of natural gas. The entire value chain process – from exploration to customer application – generates greenhouse gases that must be considered and evaluated as in total contributing to the *carbon footprint*.

Sources of direct emissions at VNG include the use of natural gas-powered compressor plants for the reliable and continuous operation of gas transport networks and storage facilities. These compensate for pressure losses, enable the flow of gas in the pipelines and the injection and extraction of natural gas. Methane losses such as those which occur during repair-related blow-outs account for additional emissions. These emissions are monitored and minimised by means of technical and organisational measures.

With the biogas production of BALANCE, a business field has been and is being established that offers the possibility of reducing VNG’s emissions through the use of biomethane from renewable raw materials and

residual materials. Biomethane is a climate-neutral alternative to natural gas which is either fed into the natural gas grid or used locally to economically generate electricity and heat.

The availability of biomethane is directly related to climate conditions. For example, drought or severe fluctuations in precipitation can lead to crop failures. This makes it necessary to use substitute substrates, which are usually much more cost-intensive and have a lower energy yield.

VNG’s bottom line is still largely dependent on its natural gas business. However, the expertise which VNG has accumulated over the years – adapted to renewable and decarbonised gases – offers the leverage we need to reduce greenhouse gas emissions and mitigate the consequences of climate change. That being said, transitioning to new business activities presents VNG with a set of financial, technical and legal challenges. The transformation of the business model requires considerable investment and entails financial risks for the Group. It is therefore particularly important that politicians create a legal framework and provide sufficient support mechanisms to facilitate this transformation. Within this context, VNG can actively promote the transport, storage and marketing of renewable and decarbonised gases.

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OUR MANAGEMENT APPROACH

VNG is adapting the targets of its main shareholder EnBW and gradually pursuing the diversification of its business in connection with its strategy for reducing greenhouse gas emissions. EnBW has set itself the goal of achieving climate neutrality by 2035 at the latest. It joined the *Science Based Targets Initiative* (SBTi) in October 2021, and is committed to the verification and development of its science-based climate protection targets. EnBW has established reduction targets for all greenhouse gas emission categories until 2035 in line with the Paris climate change targets. This relates primarily to Scope 3 emissions, the majority of which come from the gas trading business of VNG H&V – the largest trading and sales company in the EnBW Group – and its subsidiaries. By implementing these targets, VNG can make a significant contribution to reducing overall greenhouse gas emissions.

VNG’s overarching strategy is to optimize energy consumption and reduce its own emissions (Scope 1) with the help of audits and management systems. ONTRAS and BALANCE use an energy management system to increase their energy efficiency in accordance with ISO 50001. VGS and ONTRAS also have an integrated management system and an environmental management system in line with ISO 14001. VNG AG and

all other relevant subsidiaries are currently audited according to ISO 16247-1.

The subsidiaries of VNG AG are currently responsible for their individual sustainability activities and their efforts to reduce their emissions. The establishment of a sustainability management function at VNG AG in 2021 created a central coordination opportunity that provides the framework for VNG’s sustainability efforts. Since 2017, environmental key figures, such as the greenhouse gas emissions of VNG AG and its subsidiaries, have been collected, collated and reported to EnBW on an annual basis in addition to social and economic key figures. EnBW includes this data in its annual financial and sustainability report.

TARGETS AND MEASURES AT THE COMPANIES

The subsidiaries of VNG AG are pursuing a large number of activities in order to reduce their greenhouse gas emissions and actively contribute to climate action.

► **VNG H&V**

The overarching goal of reducing Scope 3 emissions will be one of VNG H&V’s core tasks in the coming years. That is why sales priorities are being set on new, decarbonised gases and the organisation is being adapted to facilitate this transformation

process. This adjustment was initiated with the Green Team and is being implemented across the entire retail chain – from procurement to product and portfolio management to sales.

Certified biomethane²² and climate-neutral natural gas through recognised certificates are already firmly established products in our portfolio. VNG H&V also offers its customers a service designed to help them meet their obligations under the Fuel Emissions Trading Act (BEHG).

► **BALANCE**

Biogas is storable and can be used for base load. This means that it is not dependent on the wind or sun and can be provided almost anywhere at any time. Biogas production only produces as much CO₂ as the plants absorbed during their growth. Biogas from residual materials is CO₂-negative.

Making the energy supply as climate-friendly as possible means using as much residual material as possible. The facilities used for this are constantly being optimised.

BALANCE is certified according to REDcert and SURE (*Sustainable Resources Verification Scheme*) in this area.

²² VNG H&V is certified according to REDcert and SURE (*Sustainable Resources Verification Scheme*). REDcert verifies the sustainability of products produced from biomass as well as biofuels. SURE documents whether the required sustainability criteria are met in the generation of electricity and heat from biomass.

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BALANCE is also using its energy management system to set targets for energy consumption, energy production, and – via a specific energy performance indicator – for each of its 40 biogas facilities. The overall target was achieved as part of the ISO 50001 energy management system and certified with the 2021 energy report.

▶ VGS

Reducing CO₂ emissions is another key focus area of VGS. The storage facilities are operated at the request of the storage clients. Emissions are thus strongly dependent on the extent to which customers need to store and withdraw their natural gas stored at VGS facilities. VGS is committed to continuously optimising its facilities and how they are used in order to reduce emissions. This can be done by merging two storage facilities into one storage zone or upgrading the facilities with new technology. In addition, all customers can store gas in a climate-neutral manner, as VGS offsets the CO₂ emissions of the entire storage process with various CO₂ compensation measures, promoting climate protection projects. VGS customers can also store biomethane and even source the energy needed to store and withdraw gas into and from underground storage facilities entirely from biomethane.

VGS is also gradually upgrading the technology used for storage operation using low-emission technologies.

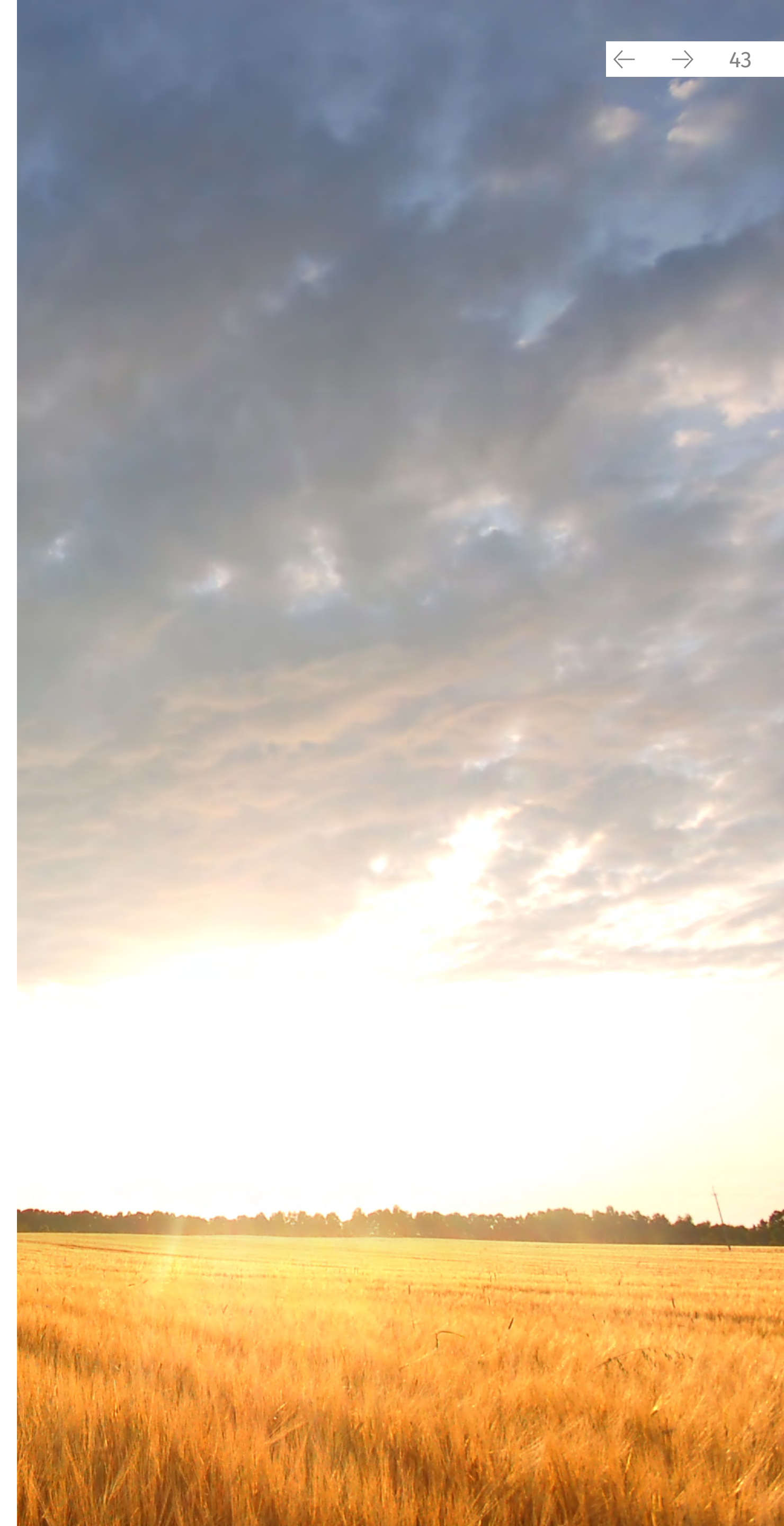
Storage facilities are being dismantled in an environmentally and climate friendly manner, and the areas they occupied are being restored to nature.

▶ ONTRAS

ONTRAS has a goal of making its gas transport services climate-neutral by 2045, and has set itself targets to achieve every 5 years.

ONTRAS has been covering 100 percent of its total electrical energy requirements with green power since 2017. In 2021 and 2022, biomethane accounted for ten percent of the fuel used for compressor station operations. Additional reductions in electricity and heat consumption could be achieved at ONTRAS' main administration building in 2022. Adapting the control technology made it possible to save an average of around 175,000 kilowatt hours of electricity and around 75,000 kilowatt hours of heat over the last three years. ONTRAS aims to reduce the electricity consumption at its administrative sites by ten percent within ten years.

The “Cyclone tube process in Nesselgrund” pilot project went online in May 2022. The project takes the innovative approach of eliminating the use of gas for preheating and making the plant's energy consumption climate-neutral. This has been almost entirely achieved at the Nesselgrund site. In conjunction with three other



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facilities, this made it possible to reduce natural gas consumption by around 380 megawatt hours in the period from May 2022 to March 2023 compared with the same period in the previous year.

INITIATIVES AND MEMBERSHIPS

VNG is committed to reducing its greenhouse gases in all areas. Improvements in this area are currently being driven primarily by the close exchange with EnBW and the SBTi commitment. In addition, BALANCE is involved in the German Biogas Association, the German Bioenergy Association, and the Biogas Council*. The process of reducing the methane losses of the operating companies ONTRAS and VGS is documented within the framework of their membership in the *Oil and Gas Methane Partnership* (OGMP) – an initiative of the Climate and Clean Air Coalition (CCAC) under the United Nations Environment Programme (UN Environment Programme). Methane emissions will be significantly reduced through the use of innovative technical measures. A measurement programme to determine methane slip was launched in 2021 by the transmission system operators with the participation of ONTRAS and yielded significantly lower values than previously reported in the National Inventory Report. These have already been included in the current National Greenhouse Gas Inventory Report for 2022. In addition, VNG is gaining valuable input about future-oriented measures and

activities to reduce greenhouse gas emissions through its involvement in the *Future Gas* initiative, the BDEW and Eurogas.

GREENHOUSE GAS EMISSIONS OF VNG

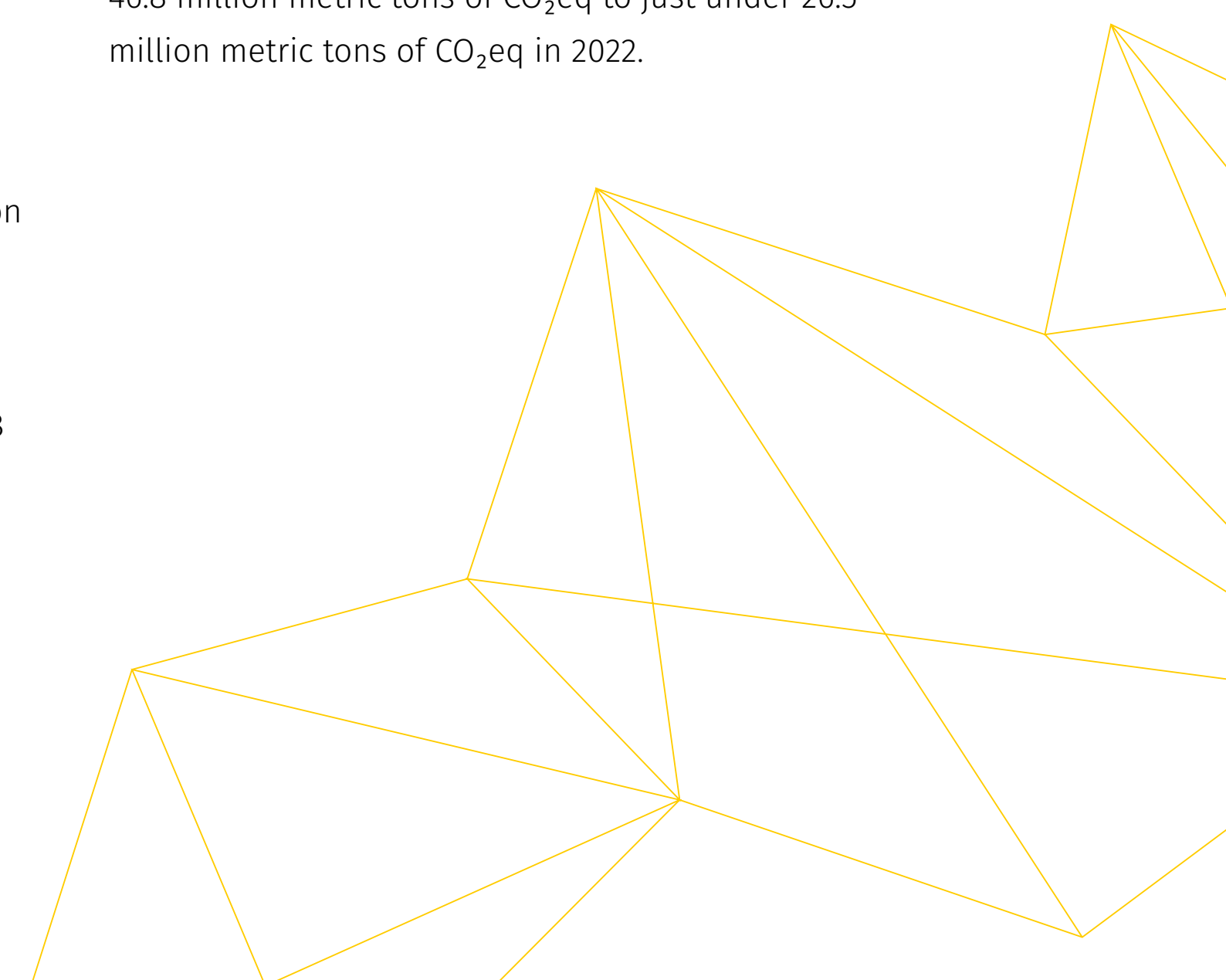
The direct and indirect emissions from VNG’s own business activities and the indirect emissions from VNG’s upstream and downstream value chain are documented in accordance with the *Greenhouse Gas Protocol*. Key figures related to greenhouse gas emissions are documented as part of EnBW’s reporting process.²³

The majority of direct (Scope 1) emissions are caused by the operation of the technical gas infrastructure, particularly the natural gas consumed by the compressor plants of the gas storage and transmission pipelines. Emissions resulting from fossil energy consumption in VNG’s business premises and its vehicle fleet are low by comparison. Compared to the previous year, Scope 1 emissions were down nearly 38 percent in 2022.

A key lever here was the use of mobile compressor units, which emit less natural gas during venting operations. Efficiency measures at the ONTRAS administration building and elsewhere have also reduced emissions from buildings.

VNG’s indirect (Scope 2) emissions mainly relate to the load-dependent operation of gas transfer stations and electric compressor stations.

A significant share of VNG’s total emissions are caused by gas sales outside the Group’s own business activities in the upstream and downstream value chain. The changes in the natural gas market are also reflected in our Scope 3 emissions. The limited availability of natural gas and the resulting price increases had a major impact on the decline in gas sales. As a result, Scope 3 emissions fell from around 46.8 million metric tons of CO₂eq to just under 26.5 million metric tons of CO₂eq in 2022.



²³ See → [Annex » Key figures](#)

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Greenhouse gas emissions²⁴

Scope 1 emissions

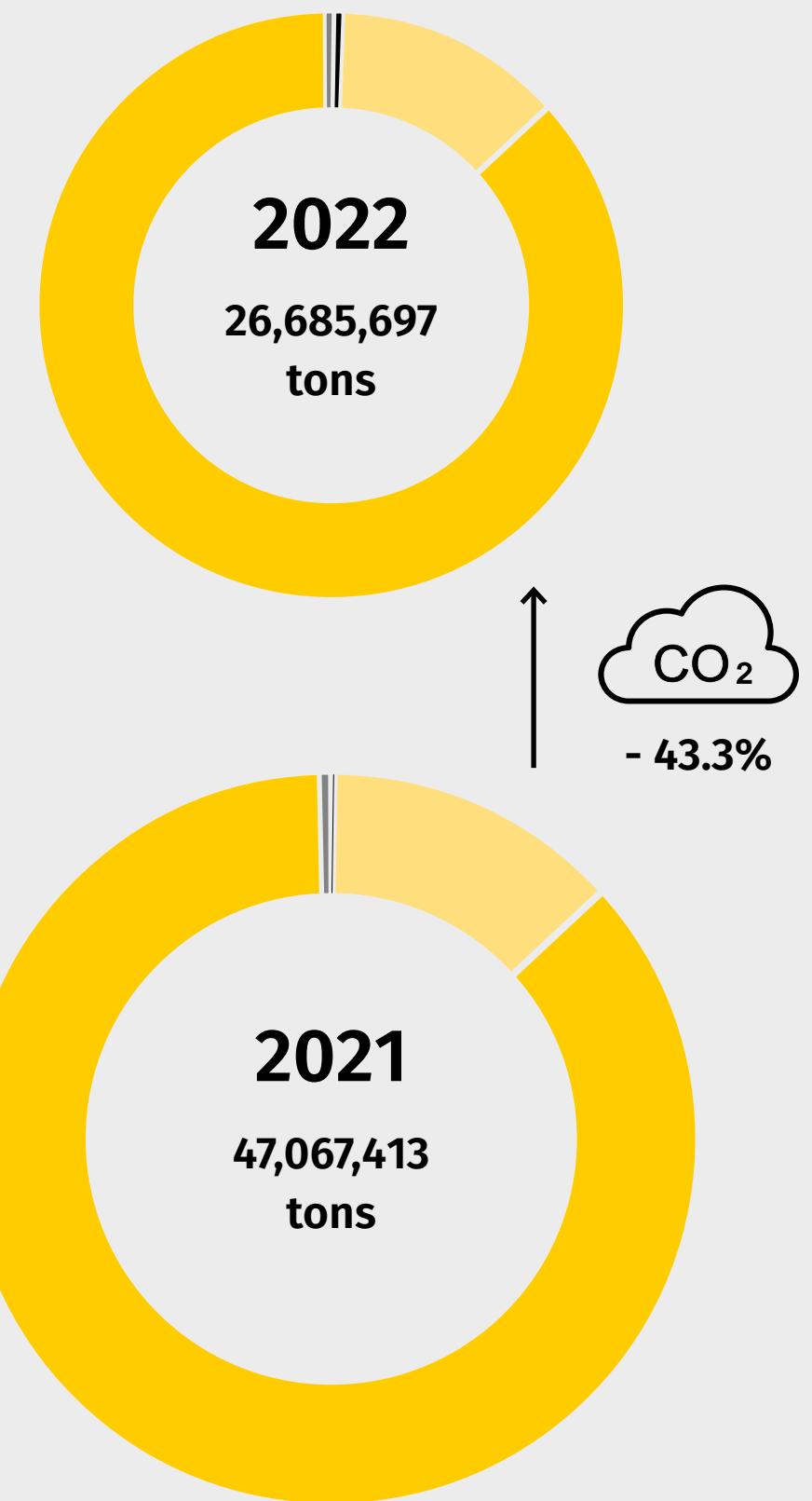
in tons	2022	2021
Direct emissions (Scope 1)	123,266	197,252
Power and heat generation	-	-
Operation of gas pipelines and plants	116,128	189,804
Buildings	4,058	4,681
Vehicles	2,880	2,767
Other	200	-

Scope 2 emissions

in tons	2022	2021
Indirect emissions (Scope 2)	33,734	29,117
Power consumption gas plants	33,511	28,758
Buildings	224	360

Scope 3 emissions

in tons	2022	2021
Indirect emissions (Scope 3)	26,528,697	46,841,044
Upstream emissions	3,370,256	5,944,858
Upstream chain gas consumption gas plants	9,203	7,342
Upstream chain gas sales	3,360,901	5,937,465
Business trips	152	51
Downstream emissions	23,158,441	40,896,186
Gas sales by customers	23,158,441	40,896,186



- Direct emissions (Scope 1)
- Indirect emissions (Scope 2)
- Indirect emissions (Scope 3) – upstream emissions
- Indirect emissions (Scope 3) – downstream emissions

²⁴ See → Annex » Key figures

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PROGRESS AND ACTIVITIES IN 2022

Hydrogen now has a significant role to play as a climate-friendly and promising fuel due to the ongoing transformation of the energy markets and VNG’s increasing focus on decarbonised business. VNG is committed to participating in the entire value chain generation of hydrogen, from transport and storage through to trading and distribution. In order to accelerate its entry into the hydrogen market, VNG is pushing ahead with the Agenda *H₂-Readiness* ensure that preparatory measures are taken within these business areas and that initial pilot projects are implemented by 2025. Additional substantial growth is planned, particularly in the biogas segment.

The *Bad Lauchstädt Energy Park* project, which is receiving financial support from the BMWK as part of the Reallabore der Energiewende (Real Life Laboratory for the Energy Transition) funding programme, deserves a special mention. In the future, the entire value chain of green hydrogen – from production to storage and transport to marketing – will be implemented

on an industrial scale at the *Bad Lauchstädt Energy Park*. ONTRAS, VGS, VNG H&V, and other industry and research partners are involved in the project alongside VNG AG. The pilot project, which will be realised and implemented from 2023, will have a significant impact on the transformation process at VNG and represents a major step towards a decarbonised business.

BALANCE is currently driving the *GHG-biogas facility Analysis*²⁵ project forward in collaboration with external partners. A site-specific greenhouse gas analysis is being carried out at two plants to identify any potential for savings, particularly in the value chain and in sales. The project will also prepare use to meet future regulatory requirements. The entire greenhouse gas chain will be documented, starting with the cultivation and extraction of substrates, through transport to the processing and use of biomethane.

BALANCE marketed 26.4 gigawatt hours of sustainable gas from residual production to the transportation sector in 2022. This saved around 18,000 metric tons of CO₂ in the transport sector.

²⁵ GHG-BGF = greenhouse gas emissions – biogas facility



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INFO: METHANE IN THE VALUE CHAIN

It is not just the combustion of natural gas that produces emissions that affect the climate – any unburned methane (CH₄) that escapes also has a greenhouse effect that is around 30 times greater than CO₂ in the atmosphere. Approximately two thirds of global methane emissions are of anthropogenic origin, a third of which is attributable to fossil fuels such as coal, oil and natural gas.²⁶ VNG is therefore committed to reducing even minor technical losses of methane to a minimum.

By signing a *Memorandum of Understanding with the voluntary Oil and Gas Methane Partnership 2.0* (OGMP 2.0) initiative, ONTRAS, VGS and BALANCE, along with around 100 other companies worldwide, have committed themselves to measuring their methane emissions much more accurately and extensively than hitherto and to reducing them in a verifiable manner. This will identify areas in which emissions can be reduced and allow us to prioritise effective methane reduction measures.

Transmission system operators like ONTRAS are committed to halving their methane emissions compared to 2015. In practical terms, this can be implemented by using mobile compressors and



other measures. Mobile compressors are used in the maintenance and servicing of long-distance gas pipelines to recompress gas, removing the need for processes that are harmful to the climate, such as blowing off.

The OGMP initiative believes there is potential for German gas storage facilities to reduce methane by 45 percent by 2025 compared to the reference year 2020.

ONTRAS conducted measurements at stations and facilities in 2022 as part of its OGMP membership; the findings were then used to reduce methane emissions. Measures in this area include intelligent network control, avoidance of exhaust, assessing the integrity of the network, eliminating weak points, and the continuous modernisation of network technology. Specialised technical devices and equipment are used in order to avoid methane emissions during maintenance and repair work on the pipelines.

Methane losses can also occur during the extraction and transportation of natural gas. Data on methane emissions is difficult to pin down, especially for the upstream chain of gas procurement, due to the variety of calculation models in use.

As a result of the termination or expiry of VNG H&V's Russian procurement contracts on 1 January 2023²⁷, the Group only has direct procurement contracts with Norway and the Netherlands. Compared to those of Russian origin, these supplies generate little or no methane losses.²⁸

When trading natural gas on the exchange or spot markets, the wide variety of procurement processes does not make it possible to clearly allocate upstream methane losses.

²⁶ Climate and Clean Air Coalition, ccacoalition.org/en/slcps/methane.

²⁷ See also → [Governance >> Procurement](#)

²⁸ EnergyComment, commissioned by Deutsche Umwelthilfe e. V., www.duh.de/fileadmin/user_upload/download/Pressemitteilungen/Methanemissionen-DUH-Bukold-24jan23.pdf.

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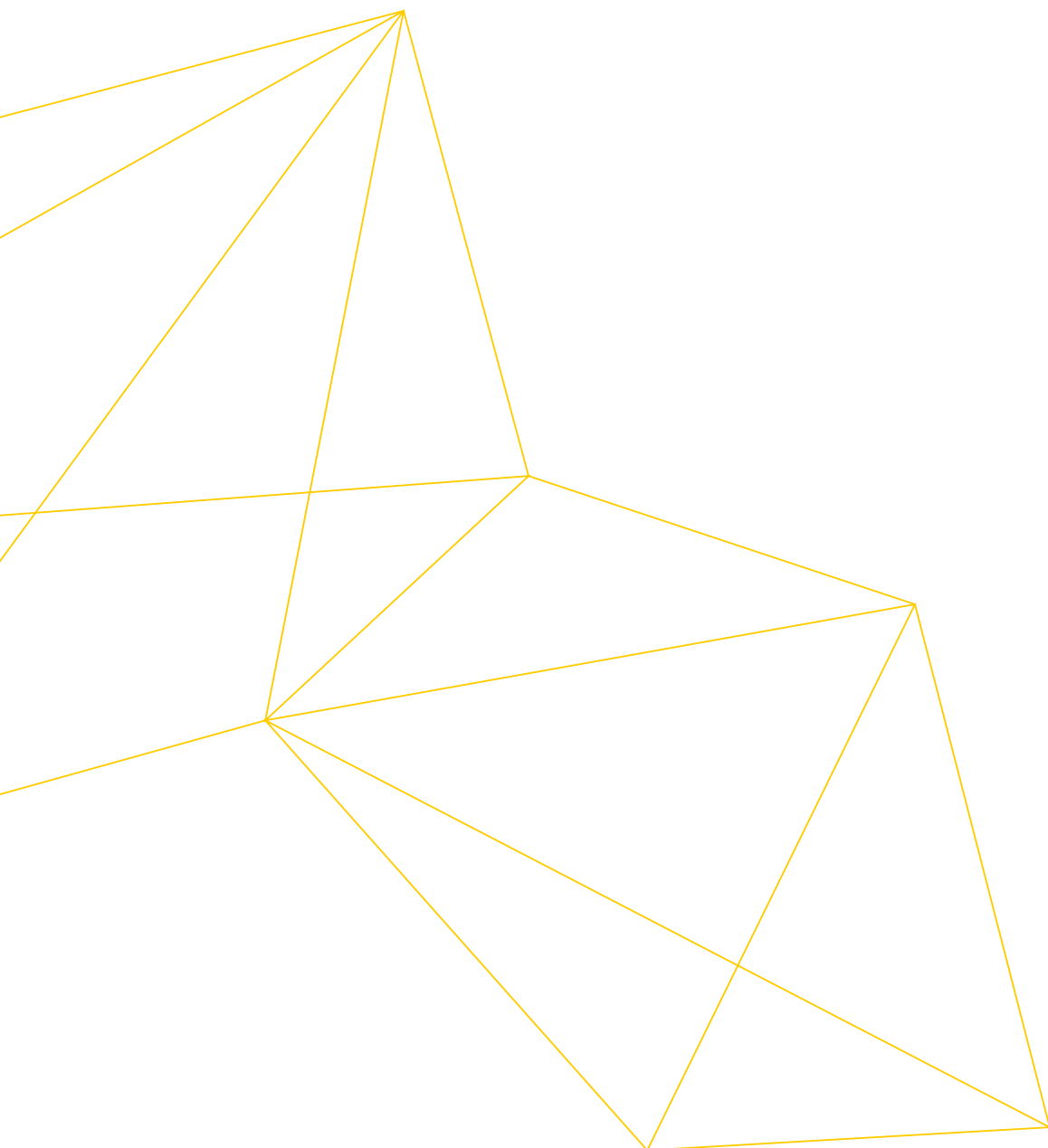
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Use of resources and waste minimisation

VNG is committed to conserving natural resources in the course of its business activities and to minimise the amount of waste that it produces. We aim to keep the negative impact that we have on humans, animals and the environment as low as possible. The use of resources and the minimisation of waste are particularly important factors in the direct value chain for our subsidiaries, i.e. the transport and storage of natural gas and in the production of biomethane.



Because VNG’s business areas are so varied, it requires a wide range of different materials. This means that a large amount of different types of waste and residual materials are also produced. The majority of the resources consumed by VNG relate to the operation and maintenance of technical facilities and the

construction and dismantling of ONTRAS gas storage facilities and gas transport pipelines. In addition to non-hazardous waste, such as scrap metal, hazardous waste like used oil may also be generated.

VGS and ONTRAS focus on quality and durability when selecting materials for technical equipment, in addition to recyclability. This plays a critical role in securing the gas supply while also minimising our environmental impact. Renewable raw materials are mainly used in the operation of BALANCE’s biogas facilities. That is why BALANCE focuses on responsible substrate management adapted to regional conditions and the proper recycling of digestates for reuse as organic fertiliser.

Within the gas value chain, natural gas production has a particularly significant impact when it comes to waste minimisation and resource consumption. VNG therefore pays attention to how gas producers address the responsible use of resources when selecting its business partners. VNG performs sustainability assessments for business partners of a significant size which takes environmental protection criteria into account.

VNG has built up an extensive infrastructure over many years – the majority of which is made up of gas transport pipelines and gas storage facilities – and has invested a considerable amount of material

resources. We are considering how this infrastructure could remain in use as the process of decarbonisation continues. Whenever infrastructure needs to be dismantled, such as gas storage facilities, this is done in as environmentally friendly a manner as possible and the sites are subsequently returned to nature.

OUR MANAGEMENT APPROACH

At VNG, the focus of activities in this area varies depending on their impact on resource consumption and waste minimisation. In general, however, the minimisation of waste and the responsible handling and efficient use of resources are core objectives for VNG. In addition to providing us with opportunities to leverage economic potential by reducing procurement and disposal costs, these targets will also allow VNG to significantly reduce its negative impact on the environment, such as soil contamination.

VNG has internalised the principle of “avoidance before recycling and disposal”. This means constantly optimising processes and procedures so that waste is kept to a minimum. This goes hand-in-hand with the continuous reduction of the consumption of raw materials and energy. In order to complete material cycles, VNG therefore consistently feeds recyclable waste into the appropriate material recycling cycles.

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The responsible VNG companies arrange for non-recyclable waste to be disposed of safely in compliance with legal requirements.

To monitor VNG’s environmental performance, resource consumption and waste volumes are regularly recorded as part of the annual financial statements. Due to the variety of different influences in this area, the companies are currently responsible for the use of resources and waste minimisation on a decentralised basis. The data is then consolidated by VNG AG.

The infrastructure projects for gas storage facilities and gas transport pipelines have a particularly significant impact on resource consumption and waste generation at VNG. ISO 14001-certified environmental management systems ensure that the use of resources and waste management are constantly addressed and monitored at VGS and ONTRAS so that our environmental performance along the life cycle of materials can be continuously improved. The environmental management system also implements legal requirements, particularly the Recycling Management Act (“KRWG”). In addition to the environmental management system, VGS and ONTRAS have internal rules that govern the handling of waste and processes relating to waste. These regulations

are referred to as the Waste Manual at VGS and the Environmental Guideline at ONTRAS.

WASTE MANAGEMENT AT VGS

At VGS, the waste management officer is responsible for supporting and monitoring processes related to resource use and waste minimisation. They also provide training for employees at VGS in this area on a regular basis. The Waste Management Officer is a staff function at VGS and is therefore directly linked to the management, to whom they reports regularly on these issues. The parties responsible for the compliant disposal of waste continue to be defined at the various VGS storage sites.

As a waste producer, VGS is responsible for organising waste disposal. In accordance with internal guidelines, only certified waste management companies are entrusted with disposal duties by VGS. In gas storage facility decommissioning projects, external service providers can monitor waste disposal. Regular reports are provided during construction meetings so that adequate records are kept of hazardous waste, Hazardous and non-hazardous waste is documented digitally by VGS and is included in the consolidated key figures recording by VNG. Service providers involved in VGS construction projects must meet contractually agreed safety

requirements to ensure the proper handling of waste by participating service providers.

WASTE DISPOSAL AT ONTRAS

Waste disposal is usually organised by ONTRAS itself. The guidelines for waste disposal are approved by management. Compliance with legal requirements, such as risk assessments or plant standards, is incorporated during the planning stage and continuously monitored during implementation by our own employees or a commissioned construction supervisor. In accordance with internal policies, only certified waste management companies are contracted to provide disposal services.

ONTRAS jointly develops relevant specifications for the waste sector together with industry partners, including other transmission system operators. Contractors also contribute to this development process.

VNG ADMINISTRATIVE BUILDINGS

All waste is separated at VNG’s administrative buildings. An adequate number of waste containers are available at each VNG site so that all VNG employees can separation waste in line with legal requirements. Internal conduct policies require all VNG employees to use resources sparingly and to avoid or minimise waste. Regular training measures and annual briefings are provided to support them in this area.

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Waste volumes and resource consumption at VNG’s central business premises (VNG headquarters) are recorded and evaluated by VNG AG’s building management. Facility management is the responsibility of the Member of the Executive Board, Infrastructure/Technical Affairs. Individual measures design to reduce resource consumption at the central site are drawn up on an ad hoc basis following a joint consultation process.

PROGRESS AND ACTIVITIES IN 2022

VNG uses the consolidated key figures related to resource consumption and waste generation as a basis for measuring the effectiveness of individual measures in the respective companies. A number of measures have been successfully implemented at the Group companies in recent years.

RESOURCE-EFFICIENT USE OF PAPER AT VNG’S CENTRAL BUSINESS BUILDING

VNG H&V launched a paper reduction initiative in 2020. The use of paper at VNG’s central business building has already been reduced significantly by switching a wide range of printed materials to 100 percent recycled paper and eliminating physical copies of invoices whenever possible. This process is also being supported by the consistent integration of digital

processes into VNG’s business operations. A digitalised approval process for documents requiring signatures was initiated by VNG H&V and introduced at VNG in 2021. This process is paying off by preserving our natural resources.

STORAGE DECOMMISSIONING PROJECTS AND LONG-LIFE STEEL FOR GAS TRANSPORT

Waste reduction has been a significant challenge at VGS in recent years due to the decommissioning of the Buchholz and Kirchheilingen underground storage facilities. The amount of waste that is disposed of varies widely between the project phases required to decommission and dismantle underground storage facilities. For this reason, it was not possible to manage this issue using targets like recycling quotas.

For ONTRAS, the sustainable use of resources mainly means conserving steel, which is a key resource. This is made possible with strategic grid planning for secure and future-oriented decarbonised grid development. Continuous improvements in condition analysis and cathodic corrosion protection increases the service life of pipelines and valves and reduces the need for repairs.



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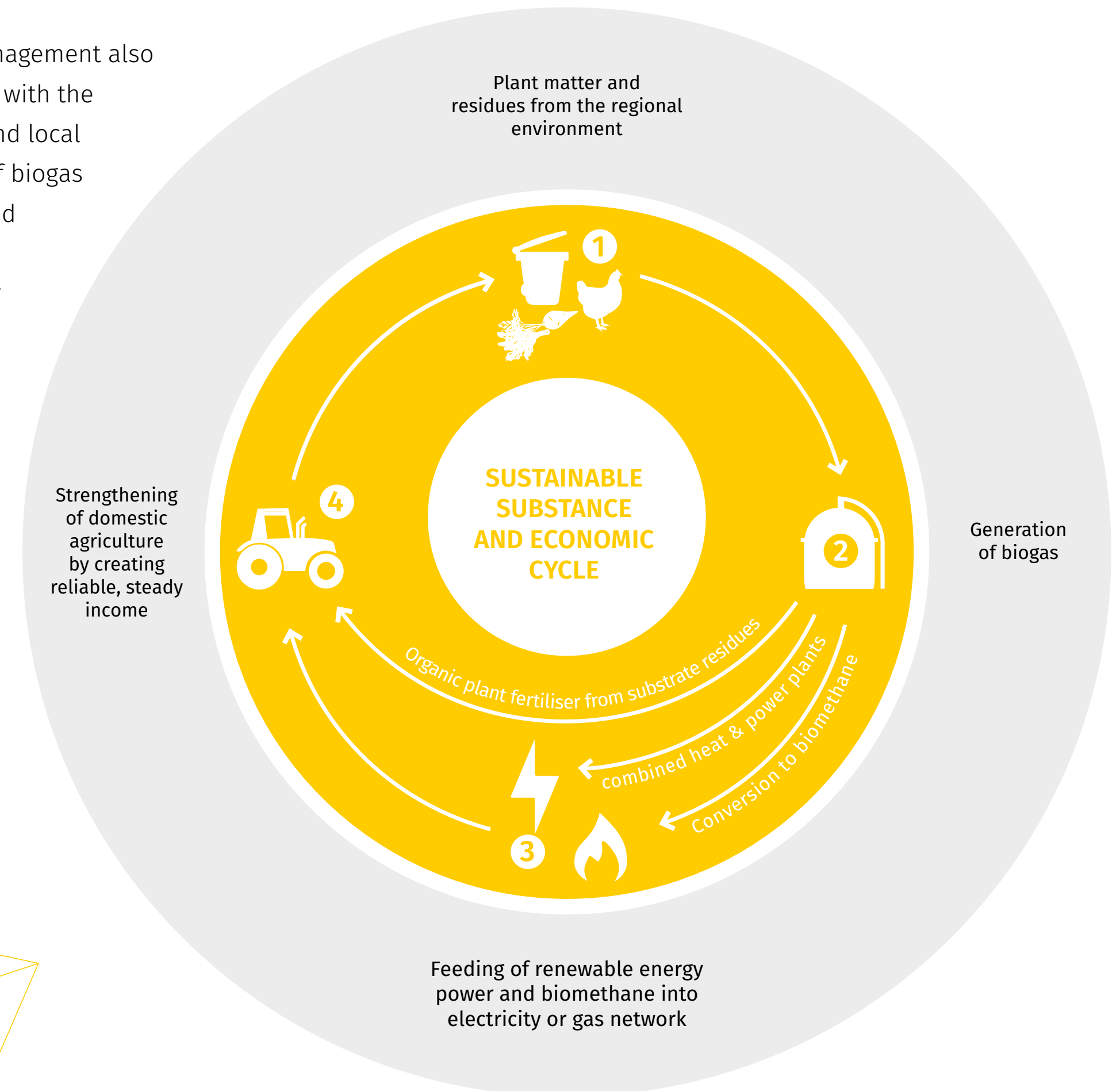
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STRENGTHENING THE CIRCULAR ECONOMY WITH BIOMASS FROM BALANCE

By continuously producing biogas, BALANCE has not only been contributing to the provision of climate-neutral energy for the last few years; it is also facilitating the development of regional material and economic cycles.

Energy production happens behind the scenes: The plant's fermenters are fed with a substrate mixture consisting of plant materials such as green maize and whole-plant silage as well as residues such as dry chicken manure from surrounding farms. The biogas produced is fed into adjacent combined heat and power plants to generate electricity; the waste heat produced can then be fed into heating networks. Twelve BALANCE systems feed processed biomethane into the network of ONTRAS Gastransport GmbH. The residues from the fermenters are also reused: The substrate inputs that are not converted into biogas – around 80 percent – are later returned to the fields as organic fertiliser.

Sustainable substrate management also includes a close exchange with the respective communities and local farmers. The production of biogas strengthens rural areas and provides economic and ecological added value for farmers. Adding value in the region and fostering close local partnerships are key priorities for BALANCE.



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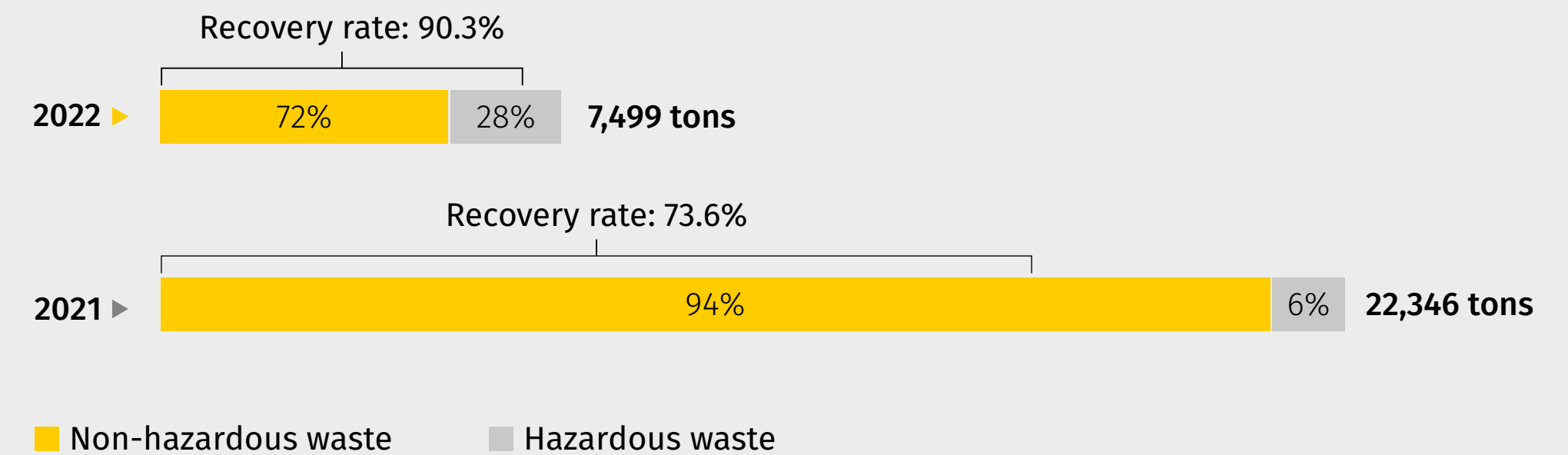
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KEY FIGURES

In 2022, the total amount of waste recorded at VNG was 7,499 tons. Of this amount, 2,072 tons were hazardous waste, with the remaining 5,427 tons being non-hazardous waste.

Compared to 2021's figure of 22,346 tons, the total amount of waste decreased significantly. The decrease is mainly due to the fact that less waste was generated by VGS's storage decommissioning projects. As a result, the recycling rate in 2022 could also be increased considerably.

► Waste volumes



in tons	2022	2021
Total waste	7,499	22,346
Non-hazardous waste	5,427	20,967
Recovery	5,166	16,137
Disposal	261	4,830
Hazardous waste	2,072	1,379
Recovery	1,606	299
Disposal	466	1,080
Recycling rate (%)	90.3	73.6

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Natural gas provides around a quarter of the energy required in Germany and is thus strongly intertwined with the German economy. Half of Germany's households use natural gas for heating; 1.8 million commercial and industrial companies use the energy carrier to produce heat and electricity for their processes or use natural gas directly as a raw material in their products, for example in the chemical industry. Due to the key position of natural gas, a secure and reliable gas supply is a valuable asset, both in terms of a competitive economy and a functioning society. This was particularly evident in 2022, when the secure supply of natural gas was threatened to an unprecedented extent as a result of the Russian war of aggression against Ukraine and the associated termination of long-standing supply relationships.

VNG supplies around 400 industrial customers, distributors and municipal utilities with natural gas and biomethane through VNG H&V – making it a key player in Germany's gas supply. In this respect, VNG H&V is primarily dependent on the contracted gas supplies of its trading partners. Gas shortfalls have to be made up for in the short term using cost-intensive replacement purchases on the exchange. This can have a serious impact on the energy supply and the economy. VNG therefore strives to make a positive contribution to security of supply by taking various

measures and preparatory steps so that it can compensate for any supply shortfalls in the event of an emergency. On the procurement side in particular, VNG relies on various suppliers and different trading points. It also uses trades on the exchange in order to guarantee a secure gas supply. The importance of diversified trade relations came into particular focus last year due to the loss of Russian gas supplies.

Furthermore, the underground gas storage facilities of VGS and the independent transmission system operator ONTRAS constitute an essential part of Germany's gas infrastructure.

VNG is also dedicated to developing decarbonised business models in the field of biogas as well as decarbonised and climate-neutral gases to meet its responsibility of supplying customers with energy in the future. In this context, VNG intends to draw on its broad portfolio of technology options in order to be able to continue to guarantee security of supply at every stage of the gas value chain on a continuous basis. However, the geopolitical risks relating to gas imports will remain in effect, even in a future climate-neutral gas market.

OUR MANAGEMENT APPROACH

Diversity is VNG's strength – by acting together, we are in a position to provide a broad portfolio of services that covers most of the gas value chain and make a significant contribution to maintaining security of supply.

With a pipeline length of approximately 7,700 km, the modern and sophisticated ONTRAS gas network is an integral part of the German and larger European gas transport system. In addition to transporting gas over long distances, this grid is used to connect VGS gas storage facilities.

VGS has four underground gas storage facilities with a total storage capacity of 2.2 billion cubic metres. This makes VGS one of the largest gas storage operators in Germany. The large VGS storage capacities are primarily used to balance out seasonal and short-term fluctuations in gas demand. In the summer, when the general demand for gas decreases, the gas storage tanks can be filled. In winter, when demand is higher, the gas can then be withdrawn from the storage and delivered to end consumers. Together with the large VGS storage capacities and ONTRAS transport pipelines, these form the backbone of a secure and reliable gas supply.

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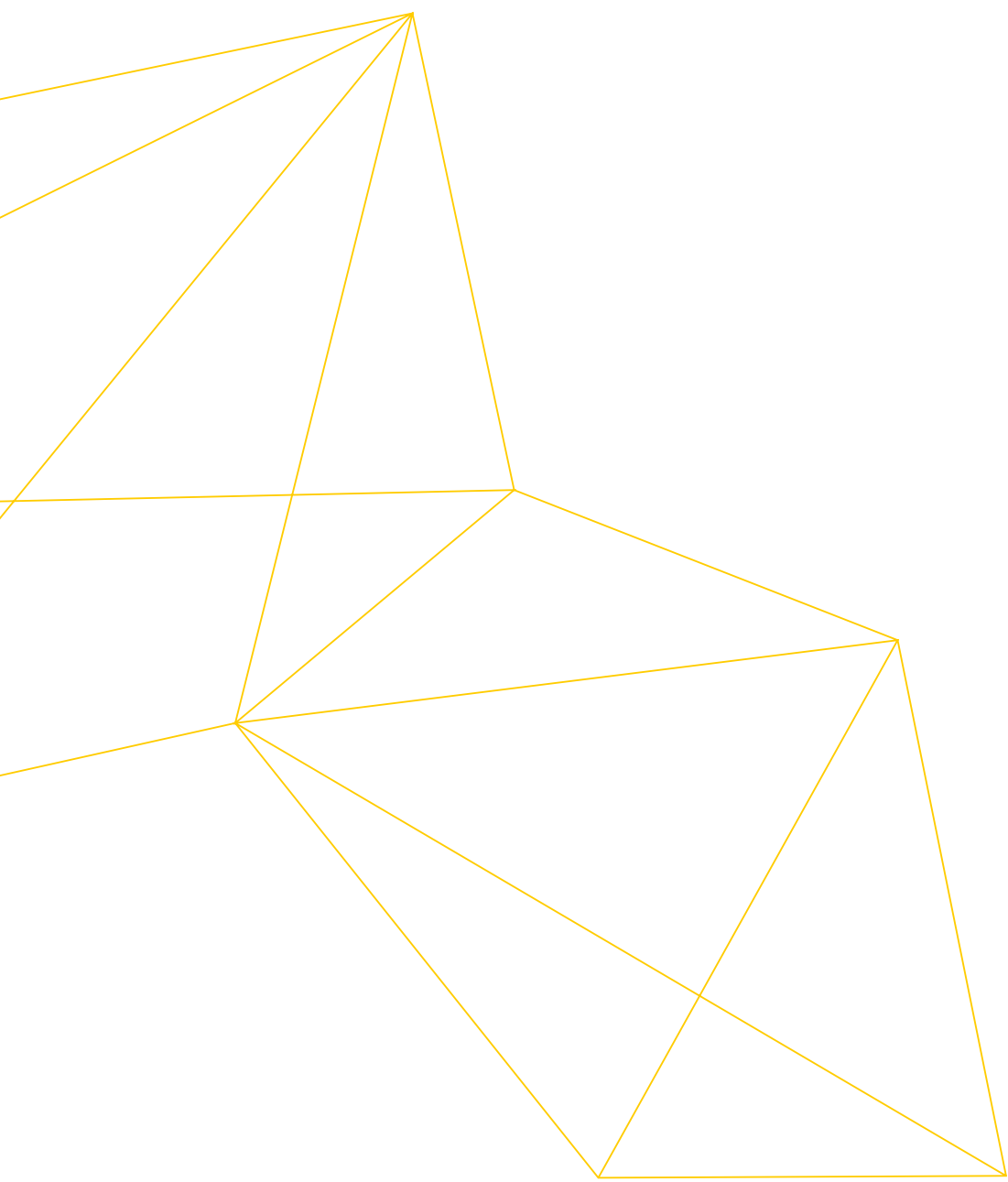
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VNG’s goal is to ensure the constant availability and operational readiness of its own gas infrastructure. For this purpose, modern methods of maintenance and servicing are applied and continuously developed.

In the trading sector, VNG succeeds in supplying natural gas securely and in line with contracts, primarily through gas procurement close to the sources of supply, reliable trading logistics and integrated portfolio and risk management. A broad-based gas procurement portfolio is a fundamental prerequisite in this regard. Building on the existing network and our many years of experience, the aim is to expand our proven supply partnerships with Norway and elsewhere, while also developing relationships with new suppliers. In addition to pipeline-bound gas imports, LNG deals can be used as alternatives.

As a major player in gas supply and an operator of critical infrastructure, VNG is subject to legal framework conditions for secure energy supply, such as the Energy Industry Act (“EnWG”) and the Energy Security Act (“EnSiG”). VNG also acts within the framework of the *Prevention plan gas* and the *Gas Emergency Plan* of the German federal government to handle supply crises. One of the consequences of last year was the adjustment of filling level requirements

under the Gas Storage Act. The underground gas storage facilities are operated on the basis of the Federal Mining Act. The approving authority is the competent state mining office. Immission control authorities and energy supervisory authorities are responsible for ensuring the reliable operation of the ONTRAS transmission system.

The companies have internal regulations and contingency plans which come into effect in the event of an incident with serious consequences for plant safety and security of supply and are coordinated with the relevant local authorities and emergency services. These contingency plans provide for regular escalation up to company management and, if necessary, to the Group management. Communication and work processes at ONTRAS involve not only the executive team, but also the management of the crisis team, network operations, dispatching and capacity marketing of ONTRAS. At VGS, contingency plans are coordinated with the responsible mining authority.

The annual plans for the maintenance and repair of the technical equipment are discussed and approved with the respective management. The technical safety management system for the gas transport and gas storage facilities of ONTRAS and VGS are reviewed on

a regular basis by the German Technical and Scientific Association for Gas and Water (DVGW). Key business departments for securing supply, such as Asset Management or Portfolio Management, report directly to the Executive Board.

In line with unbundling requirements, the VNG Executive Board reports on the most important activities relating to security of supply at the regular Supervisory Board meetings. The Executive Board and the Supervisory Board worked together particularly closely in 2022. VNG AG was in regular contact with its shareholders, banks and politicians, particularly in order to organise the increased need for funds in the trading sector as a result of the war in Ukraine.

VNG is also involved in various national and international committees and trade associations that promote the issue of ensuring security of supply. Particularly noteworthy in this regard at the transport level is the continuous exchange between ONTRAS and the upstream and downstream network operators and the market area manager Trading Hub Europe (THE).

In addition, ONTRAS is a member of the *European Hydrogen Backbone* (EHB) initiative, which aims to promote security of supply in a future European hydrogen market.

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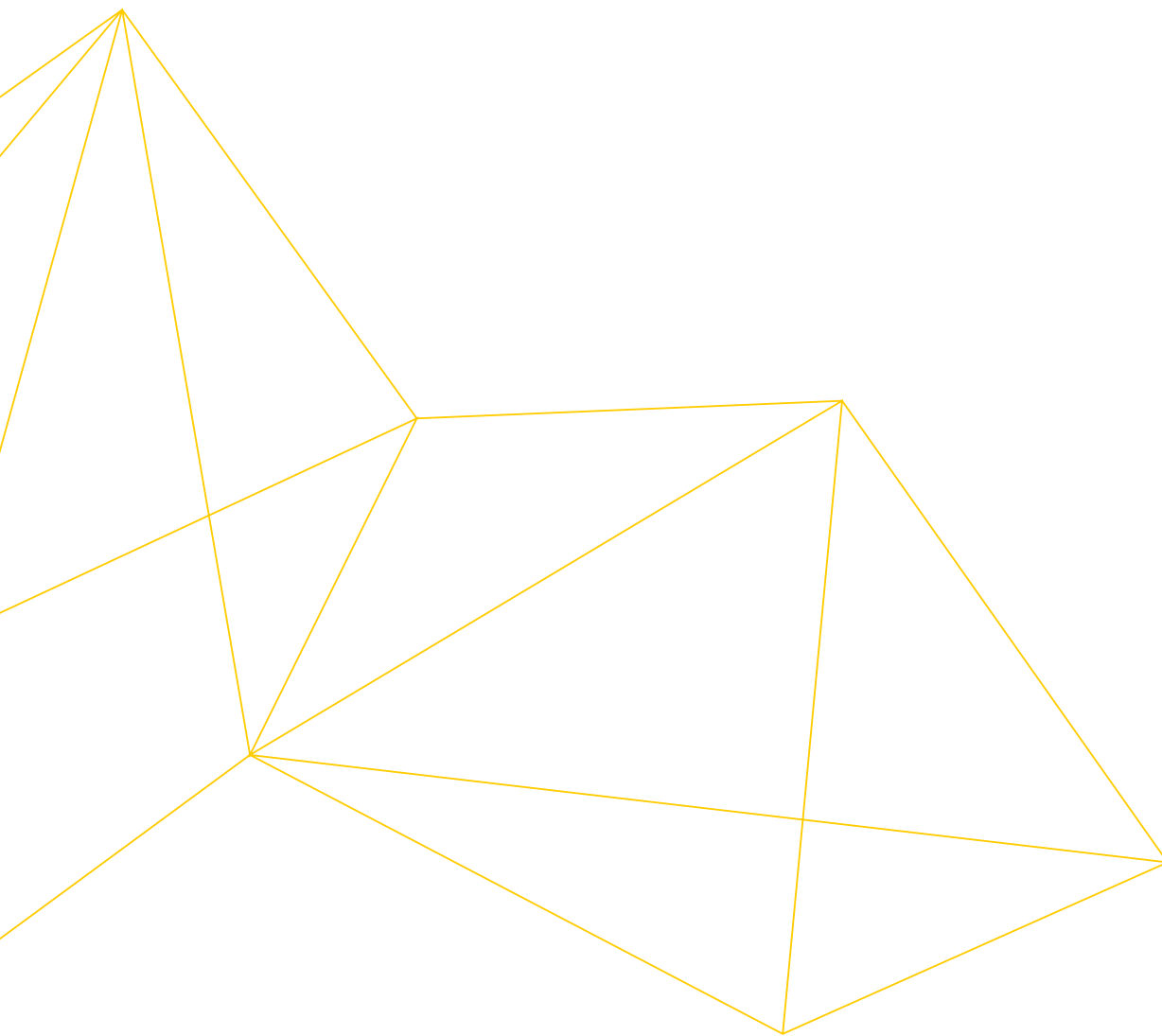
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VGS is a member of the *Initiative Energien Speichern e. V.* (INES) and is actively involved in initiatives relating to the current and future security of the supply of natural gas and the transformation towards hydrogen storage.²⁹

PROGRESS AND ACTIVITIES IN 2022

The total cut-off in supplies of Russian natural gas in mid-2022 was a challenge of historic proportions for Germany and many Central and Eastern European countries. As a gas trader, VNG was directly affected by the supply disruptions through VNG H&V. VNG's natural gas procurement has hitherto been based mainly on two long-term import contracts for Russian gas from upstream suppliers amounting to just under 100 terawatt hours per year. VNG terminated these contracts as gas supplies fell short of the agreed volumes.

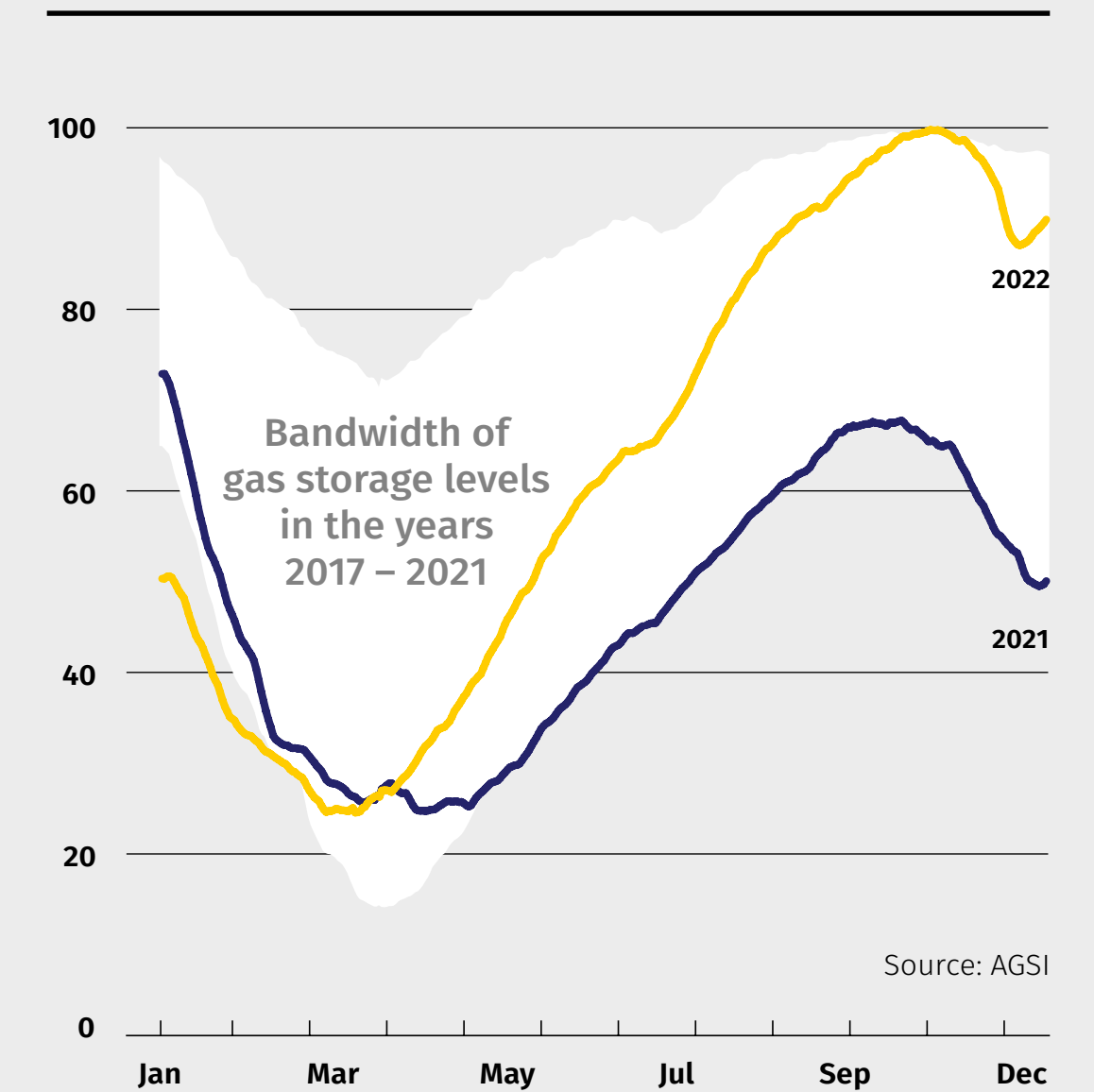
At the same time, the turbulence in the past year was an opportunity for VNG to realign its natural gas trading portfolio. VNG drew on its longstanding trading relationships with Norwegian and Dutch sources to make up for shortfalls. In 2022, long-term import agreements provided around 13 terawatt hours from Norway. However, a significant proportion of trading volumes had to be procured at short notice on the spot and forward markets at very high prices in order to meet supply obligations. The expansion of trading

partnerships at VNG will be advanced with the aim of diversifying VNG's trading portfolio so that we can fulfil our mandate of ensuring security of supply. Opportunities for purchasing liquefied natural gas (LNG) will also be exploited to a greater extent than before. Talks with other potential trading partners, including those based in the Middle East and North Africa, were intensified for this purpose in 2022.

The details of any supply partnerships and trading volumes will be specified in the coming financial year. In addition to natural gas, we are also focusing on the import of green gases (hydrogen, ammonia). In the future, storage and transport options will also be given a higher priority in the procurement portfolio. These are used to hedge contractual trading volumes to ensure security of supply when market conditions are challenging.

VGS's underground gas storage offering played a key role in VNG successfully implementing the policy measures to fill storage capacity last year, putting Germany on a sound footing for the 2022/23 winter heating season. All VGS gas storage facilities were able to meet the regulatory fill level requirement of 90 percent by 1 November 2022 after starting the storage year on 1 April 2022 at a fill level of approximately 27 percent.

Development of the gas storage levels in %



Source: AGSI

²⁹ Other initiatives, memberships and working groups in which VNG participates are covered in → [Transparent communication and stakeholder dialogues](#)

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Security of supply

Looking back, it is clear that VNG lived up to its mandate to ensure the safety of supply despite the volatility and instability of 2022. The diversification of the trading portfolio was a key driver in this respect, in addition to the trouble-free and safe operation of the gas transmission pipelines and gas storage facilities.

The increasing integration of decarbonised or climate-neutral gases into the energy system is not just a response to VNG’s decarbonisation objective; it also represents an essential step forwards for us as we strive to guarantee security of supply in Europe and Germany in the future. For this reason, VGS and ONTRAS intend to make existing storage facilities and suitable gas pipelines available for the technological use of hydrogen (H₂ readiness) and to build new ones. VNG is setting important milestones in this respect with wide-ranging innovation projects³⁰ such as the *Bad Lauchstädt Energy Park*. Another example is the *HYPOS* innovation project, which has begun work on a future hydrogen storage facility on schedule and will contribute to a secure, sustainable and economical energy supply, ONTRAS is also a key player in the *European Hydrogen Backbone* project, the aim of which is to create an initial hydrogen network with a length of around 900 kilometres in Eastern Germany

by 2030. ONTRAS already makes it possible to gradually add climate-neutral gases by feeding biogas into 23 plants and hydrogen or synthetic methane into the natural gas grid in two power-to-gas plants.

VNG H&V concluded an agreement with Total Eren last year to import green ammonia from Chile so that it can be sold on the German or wider European market from 2028 onwards. Biogas is also coming into focus in light of current geopolitical developments. Since climate-friendly biogas can be produced and used regionally, it also reduces dependence on gas imports. VNG is committed to expanding its plant portfolio through its subsidiary BALANCE. The ambitious growth of the biogas sector is expected to stay steady over the coming years. BALANCE’s 40 biogas facilities can now supply around 51,000 households with renewable electricity and 53,000 households with biomethane. In addition to helping VNG to ensure a reliable gas supply, these investments make the company a key employer, especially in rural areas. By involving regional service providers and suppliers, these investments support the local economy. Investment flows in projects along the green gas value chain will secure jobs at decentralised locations over the long term.

³⁰ A detailed overview of the current project landscape can be found in → [Research and Development](#)



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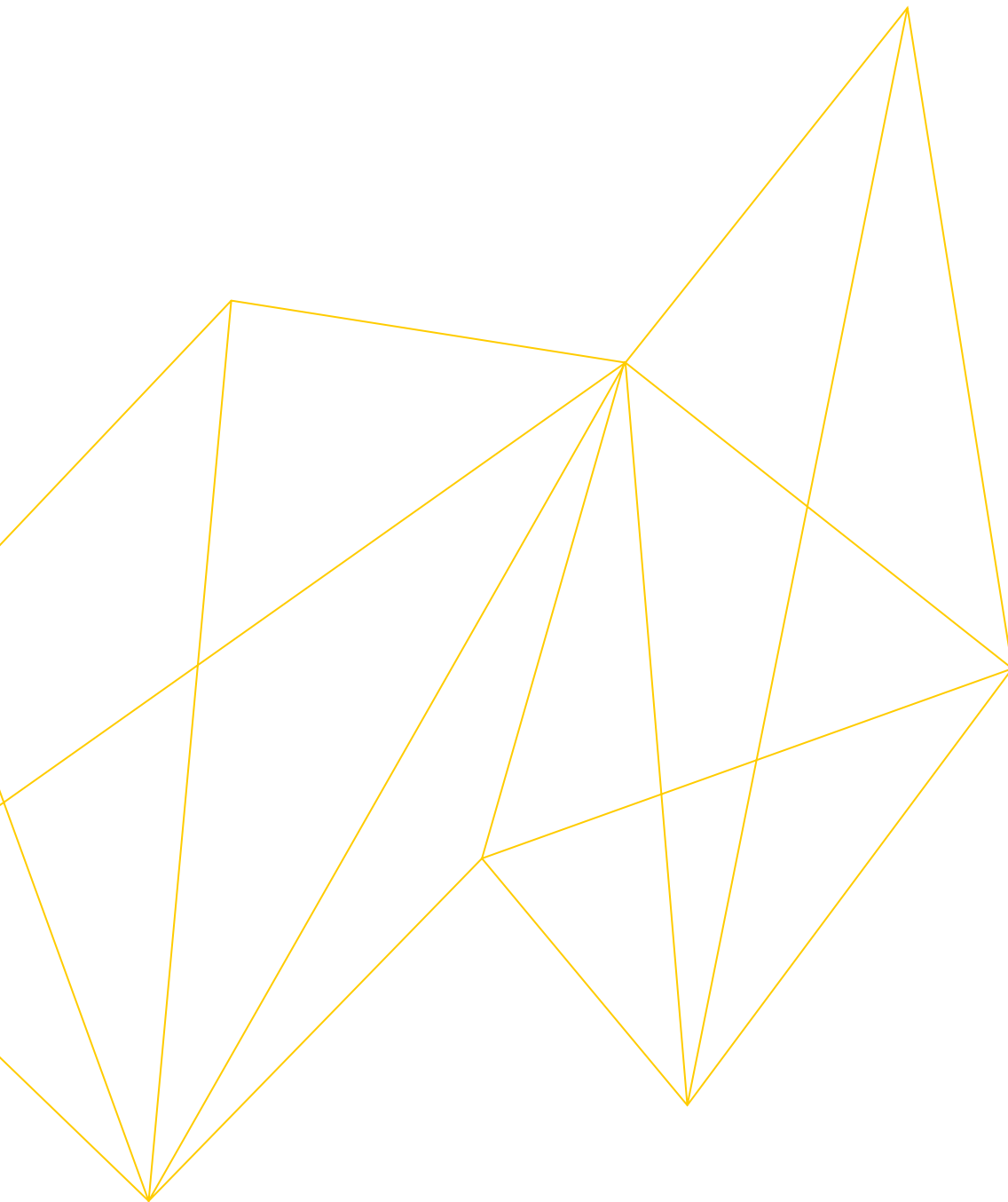
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Occupational safety and health promotion

Occupational safety and health promotion are vital for the success of the VNG Group, as people are the most important asset we have in terms of the economic and safe operation of plants and work processes. For this reason, and with a clear sense of responsibility for its employees, VNG has made the protection and promotion of employee health its number one aim as a company.

In addition to the risk of injuries from occupational accidents – particularly for the workforce at the plant sites and on construction sites – there is a long-term risk of potential health hazards for employees due to spending long hours in a sedentary position and working on computers. Potential health and safety impacts affect both the company’s own employees and those in the value chain.

OUR MANAGEMENT APPROACH

VNG aims is to foster a modern, friendly and, above all, safe working environment for its employees. We want to prevent accidents and work-related illnesses while constantly improving our efforts in the area of health promotion and occupational safety for our employees. These risks are countered by providing various offers and measures related to occupational safety and health promotion and by requiring employees to attend training sessions on these topics.

The possibilities of mobile working are having a positive impact, as they help employees to maintain a healthy work-life balance.

Modern occupational safety equipment is provided for every company in the VNG Group in order to achieve the above objective. Furthermore, various preventive benefits are provided by VNG companies, including health check-ups, vaccinations (for example flu vaccinations), subsidies for glasses for people working with screens, active short breaks as well as mobile physiotherapy on the company premises (paid for by employees) and supplementary company health insurance.

To ensure the safety of our employees, we hold regular training courses and carry out workplace, site and construction site inspections on an ongoing basis. At VGS and ONTRAS, for example, these measures are components of the integrated management systems in accordance with the requirements of ISO 9001, ISO 14001 and ISO 45001.

VNG’s Code of Conduct sets out the principles which ensure the health and safety of our employees. It lays out how we expect our employees to fully comply with all applicable legislation while continuously striving to avoid negative effects of Group activities on health. Constant improvements in the working environment

and extensive preventive measures are used to for maintain the health, performance and job satisfaction of employees.

OCCUPATIONAL SAFETY AND HEALTH PROMOTION IN THE COMPANIES

In addition to the aforementioned VNG principles for health and safety, the individual companies have established internal policies and company agreements on occupational health and safety, preventive occupational medicine, non-smoker protection, company reintegration management and the COVID pandemic.

Each VNG company is responsible for managing its own occupational safety and health promotion issues. In most cases, a *Health Safety Environment* (HSE) manager or an HSE organisational unit is established that reports directly to the management of the respective company. In some cases, contracts exist with external service providers which provide support. Occupational health and safety committees are established in companies with more than 20 employees and meet on a regular basis.

These committees includes representatives from management and the Works Council, the safety specialist, the company doctor, safety officers and HSE employees.

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In addition to legal requirements, the companies operating gas systems are also subject to the DVGW rules and regulations, which form the basis for all activities in the gas and water industry. It includes technical rules and provides certainty about our conduct and legal position. Last but not least, safe operation of the plants is also a prerequisite for the safety of our employees. As an operator of gas storage facilities, VGS is also subject to the Federal Mining Act and the Major Accidents Ordinance. VGS complies with all related obligations in the area of occupational health and safety and health promotion.

For VNG, an important parameter for assessing occupational safety is LTIF (*Lost Time Injury Frequency*)³¹. A monthly accident report for the VNG Group is submitted to the Executive Board of VNG AG. The management of ONTRAS submits reports about accidents to its Supervisory Board on a regular basis, primarily in meetings, and provides key figures for VNG AG once a year.

The HSE contacts at VNG AG, VNG H&V, VGS and BALANCE meet for a regular jour fixe to discuss current issues in the companies and ways of working together. Within the VNG Group, VNG AG constitutes the interface to EnBW.

Regular reports on the topics of occupational health and safety and health promotion are provided at the meetings of the Supervisory Board of VNG AG. These includes regular reports about accidents (LTIF). In the years 2020 to 2022, the coronavirus pandemic was included in the reporting to the Supervisory Board.

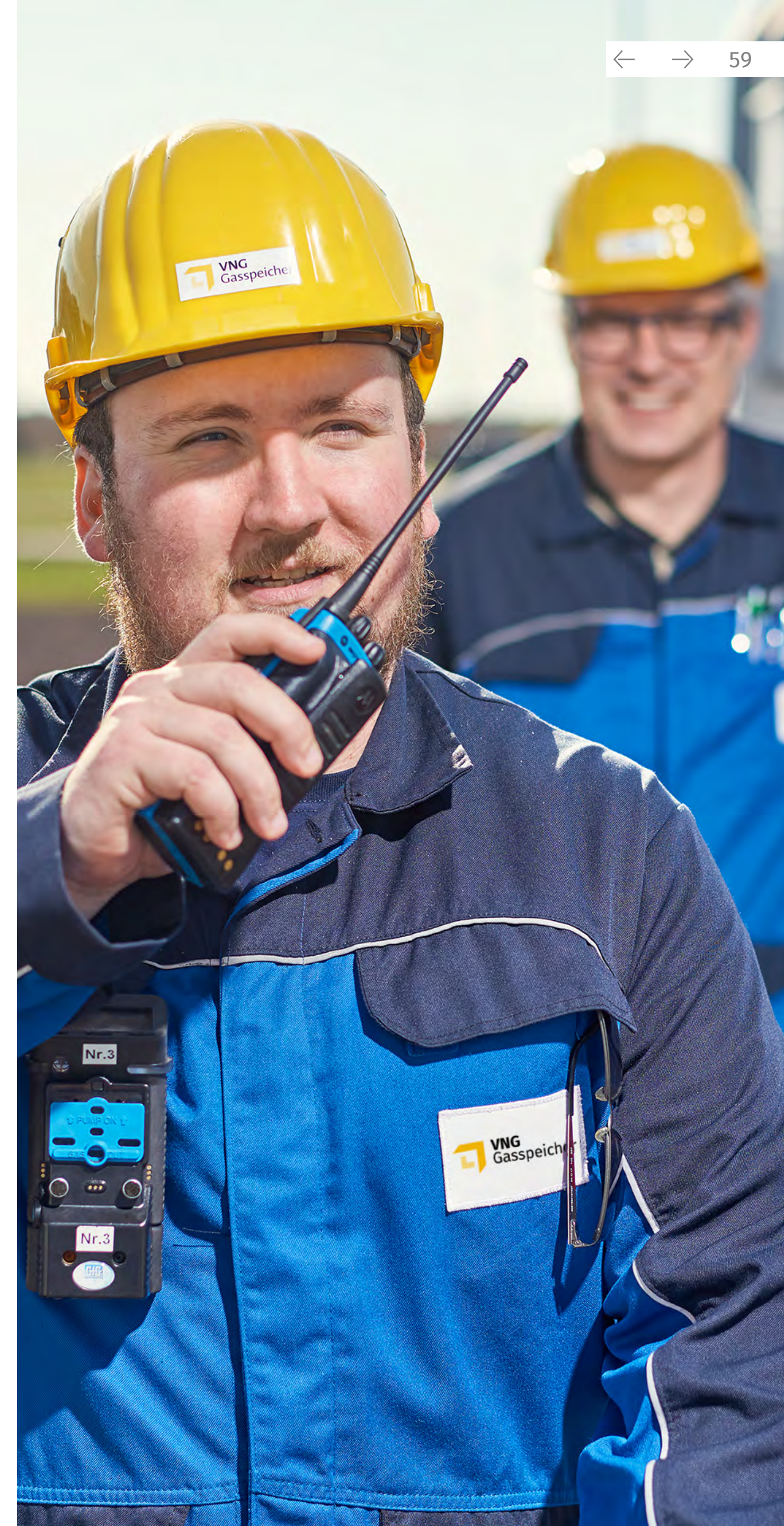
Through their membership in the DVGW, companies that operate infrastructure, such as VGS, are in constant contact with other companies that operate gas infrastructure or gas storage facilities.

The *Achtsame.ONTRAS* initiative [Mindful.ONTRAS] gives employees and external parties such as safety and health coordinators or construction companies an opportunity to work on topics related to accident prevention and safety culture.

ONTRAS is also a member of the Verband Sichere Transport- und Verteilnetze / KRITIS e. V. (VST) and the Centre of Safety Excellence (CSE), where it is actively involved in working on occupational safety issues.

BALANCE is a member of the German Biogas Association, which meets on a regular basis to discuss plant safety in working groups.

³¹ The LTIF indicator is used to measure the accident rate. It measures the frequency of accidents in relation to the number of hours worked.



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MANAGEMENT SYSTEMS

Integrated management systems have been in place at VGS and ONTRAS for many years. In addition to meeting the requirements of ISO 9001 (quality management) and ISO 14001 (environmental management), these systems also take the requirements of the ISO 45001 standard (management systems for occupational health and safety) into account. Surveillance audits were carried out in 2022 to assess existing certifications.

In addition to external audits, internal audits are also carried out regularly at VGS and ONTRAS. As operators of gas infrastructure, VGS and ONTRAS have also been audited by DVGW experts in accordance with the requirements of DVGW Code of Practice G 1000 (Technical Safety Management).

All employees at VGS, ONTRAS and GDMcom are covered within the scope of the existing ISO 45001 certification of VNG's consolidated companies. This represents around 42 percent of all employees of the VNG Group included in the scope of consolidation (as of 31 December 2022). BALANCE intends to achieve ISO 45001 certification in the coming years.

VNG AG, VNG H&V, VGS and ONTRAS have also been successfully certified by berufundfamilie Service GmbH.

HAZARDS AND ACCIDENT REPORTS

The companies assess the degree of risk involved in each case on the basis of regular risk assessments for various activities and workplaces. The preventive measures derived from these assessments include the provision of appropriate personal protective equipment, the development of operating instructions or additional safety instructions to ensure occupational safety.

Accidents are recorded using standardised processes which differ from company to company. These include the initial accident report and – depending on the nature of the accident – the accident analysis with the involvement of the respective safety specialist. The measures which are defined are discussed and implemented with the responsible persons involved. The implemented measures are monitored, especially in the event of an occupational accident at a gas facility. The companies have a range of different internal regulations in place to govern this process. Employees are also encouraged to report unsafe situations within the framework of a well-established safety culture. At VGS and VNG AG, for example, this is anchored in the accident reporting guideline. If any unsafe situations or accidents occur, employees need not fear any negative repercussions.

At a Group level, all workplace accidents and commuting accidents are reported to the Executive Board of VNG AG on a monthly basis.³²

Our suppliers and service providers are selected on the basis of company-specific occupational health and safety criteria and subjected to a supplier assessment so that we can make sure that they meet the necessary standard. Service providers acting on behalf of VGS, for example, must confirm their specified safety requirements for companies in writing. We also evaluate the accident history of contracted service companies in the course of their activities for VGS. As part of the supplier assessments, VGS also evaluates the service providers' compliance with safety and environmental standards after the service has been rendered.

HEALTHCARE

The German Act on Preventive Occupational Medicine (ArbMedVV) was implemented at VNG AG, VNG H&V and VGS together with the Works Council in the company agreement on occupational medicine. In addition to regular occupational health examinations to identify potential health hazards in the workplace, employees are also offered protective vaccinations and more extensive preventive examinations. An external occupational health service is commissioned to provide preventive occupational healthcare.

³² Excluding ONTRAS and its subsidiaries.

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INVOLVEMENT OF EMPLOYEES

The involvement of employees in occupational health and safety and health promotion is facilitated by occupational health and safety committees at the respective companies and ensured with regular training. Employees are encouraged to bring problems and suggestions to the attention of the responsible individuals in their respective companies at any time.

In order to maintain and improve the level of knowledge of the employees, annual as well as ad hoc training is provided – either online or face-to-face, depending on the subject matter. The content primarily covers issues such as occupational health and safety and fire protection, as well as internal regulations. Special training is provided regarding the hazards associated with different jobs, particularly in the operating divisions. Appropriate emergency organisations are also trained to handle incidents which have a direct impact on the company and its operations, on persons, the environment or facilities. Repeated drills are held with external partners – including local fire departments, authorities and the police – to make sure that the emergency organisations are fit for purpose. Regular training sessions are held for assigned personnel, such as first responders and evacuation assistants.

³³ The offers of the VNG training campus are not available to the employees of ONTRAS and its subsidiaries in line with unbundling legislation. ONTRAS has its own training management platform in the form of the ONTRAS Academy that ensures employees have access to training and development opportunities.



In addition to mandatory training, the online training tool *VNG Training Campus*³³ offers a wide range of other optional training options for employees, particularly on preventive health care and topics such as burnout, first aid, brain training and mental fitness, maternity cover, resilience, good sleep and stress management.

Promoting the health of our employees is a top priority for VNG. The company’s occupational health management system and numerous benefit programmes make an important contribution to keeping our employees healthy.

PROGRESS AND ACTIVITIES IN 2022

Compliance with the standards is reviewed by the companies on a regular basis. LTIF is the main parameter

used when assessing the effectiveness of occupational health and safety measures. VNG aims for the LTIF of the VNG Group to be the same as the previous year or better each year. This target was achieved in 2022: At 0.4, the LTIF was significantly lower than in the previous year (2.0). In addition to the reduction in LTIF-related occupational accidents, the VNG Group also recorded fewer minor occupational accidents – this was a very good overall outcome, and shows that the measures taken to date have proven their worth and that new projects are having a positive impact. An analysis of the safety culture at several companies was carried out in recent years with the help of an external service provider.

The measures derived from the findings brought about significant improvements – both in the understanding of the need for occupational health and safety, and

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in how it is organised. New elements, particularly at operating companies, include the introduction of pre-job safety briefings and the implementation of behaviour-based safety inspections. Once again, a wide range of occupational safety activities were carried out within the VNG Group in the year under review to maintain and raise standards.

At VGS, for example, the quality of our management systems and organisational structures is of central importance. Since obtaining certification for its Integrated Quality, Environmental, Safety, and Health Management System in the 2014 financial year, the company has undergone annual evaluations. These not only affirm the high quality of its work processes and the effectiveness of its Integrated Management System but also recognise its ongoing commitment to continuous improvement. This audit gives VGS the opportunity to regularly demonstrate that its Integrated Management System is in compliance with the requirements of ISO 9001, ISO 14001 and ISO 45001.

Another important measure was implemented at BALANCE. With the help of an external auditor, a survey of the current state of occupational safety at the company was carried out in 2022. The aim was to identify possible starting points for optimising the

occupational safety culture and supporting its further development. A number of measures were successfully initiated off the back of these investigations: from advanced workshops for managers and employees on “Putting safety into practice!” through to *last minute risk analysis* and the implementation of behaviour-oriented safety inspections.

ONTRAS intensified its cooperation with its building contractors within the context of the *Achtsame*. ONTRAS initiative with the aim of increasing occupational safety on construction sites and continuously improving the safety culture. A construction site regulation was developed that applies to all ONTRAS construction sites. It sets a standard for occupational safety and standardises safety documentation on construction sites.

The PlusCard 2023 is being introduced at VNG AG as a further health measure. This additional company health insurance is already available to employees at a variety of VNG companies.

As 2022 was also marked by the coronavirus pandemic, a focus of our occupational safety and health promotion efforts was on optimising and adapting appropriate measures to protect employees from coronavirus.

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In times of increasing automation and digitalisation, the knowledge and personal skills of employees play a crucial role in our ability to remain competitive, customer-oriented and attractive to talent. Ongoing education and training opportunities ensure that the skills and abilities of employees are kept up to date so that the VNG Group can continue to develop on a financially sound basis and secure or gain market share by launching innovative products and services.

Continuous learning and personal development are multi-faceted measures that can take place on a large or small scale. In addition to providing VNG with the know-how it needs to adapt to current innovations and allowing employees to realise their ambitions, a commitment to a positive culture of learning and constant development are the best way to prepare for an uncertain future. The key word here is empowerment for individuals in different roles as well as teams and the overall organisation.

VNG provides training and development opportunities which significantly support the personal, professional and methodological development of its employees. In addition to this entrepreneurial view, the VNG Group’s training and development programmes offer each employee individual development opportunities that can be tailored precisely to the work environment or personal strengths and areas needing development.

OUR MANAGEMENT APPROACH

OVERARCHING ORGANISATION AND RESPONSIBILITIES

Responsibilities for training and development activities are pooled in the Human Resources & Organisation department of VNG AG³⁴, which acts as a service provider within the VNG Group. Within the HR department, Human Resources and Organisational Development is responsible for coordinating, implementing and evaluating training and development activities. Training measures are planned and implemented in close coordination with the HR business partners and the contact persons in the divisions and subsidiaries.

Due to unbundling regulations, staff development at ONTRAS is handled by a separate HR department and implemented with independent development concepts. The Executive Board of VNG AG and the management of the Group companies are informed about strategic training projects and programmes and are involved in their design. The quarterly Group-wide *management dialogues* and the weekly Executive Board meetings are used to share information and reach decisions. Annual employee surveys in the individual companies measure the success of this management approach. The most important indicator determined by the surveys is the

People Engagement Index (PEI) – for VNG AG, VNG H&V, for BALANCE and VGS – or the *Employee Commitment Index (MCI)* – for ONTRAS.

As a responsible and legally compliant business, VNG follows all laws, ordinances and regulations related to education and training. Vocational training is subject to the Vocational Training Act (“BBlG”) as amended. Issues related to the co-determination of occupational training measures are handled on the basis of the Works Constitution Act (“BetrVG”). The corporate governance statement pursuant to § 289f HGB (German Commercial Code) sets out the company’s intentions regarding personnel development measures aimed at increasing the proportion of women in management positions. This goal is also taken into account in the personnel development projects, for example by providing additional counselling and personal development coaching services for women.

ACTIVELY SHAPING PERSONAL DEVELOPMENT

Training and development opportunities also strengthen employee loyalty and make VNG a more attractive employer. Taking these interrelationships into account, the VNG Group has implemented an extensive range of measures and investments in recent years to foster a learning culture.

³⁴ Excluding ONTRAS and its subsidiaries.

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These include the ability to learn remotely through the expansion of e-learning offerings and the design of *blended learning formats*.

The competencies considered critical to success from a talent management and strategic human resources planning perspective are also defined for VNG AG, BALANCE, VNG H&V and VGS. These represent a key focus area of the training and development strategy and are reflected in the essential training offerings. These include skills such as *digital literacy* (including *data literacy*), artificial intelligence, project management and self-organisation, as well as soft skills, such as openness to change, a sense of responsibility, efficiency, cooperation and ability to express enthusiasm.

VNG AG’s human resources and organisational development efforts help the employees of VNG AG, VNG H&V, BALANCE and VGS to actively shape their personal development in a tailored manner. Learning and development are part of VNG’s corporate DNA. Managers at every levels of the hierarchy play an important role by advising their teams about the development opportunities which are available and the competencies and skills they should focus on. In the long term, VNG wants its managers to see themselves as talent managers so that strategic HR

development goals can be more closely linked to operational HR development requirements. The Human Resources department has drawn up a management development programme that provides managers with the tools they need to perform this role. The content includes models, tools and practical examples which empower managers to act as role models in order to improve the performance and motivation levels of their teams.

ONTRAS is pursuing a similar course in its management approach, with the added feature of exchanging with other gas transmission system operators (*transmission system operators – TSO*) like example Terranets BW and TransnetBW. In parallel to VNG, ONTRAS clearly emphasises the need for continuous development in a professional environment. That’s why its corporate values are so categorical: “We are learning and developing”. Learning and development are defined as curiosity, the opportunity for trial and error, and collaborative interdisciplinary learning.

Special attention is also paid to VNG’s young professionals, i.e. trainees, apprentices and students on dual study programmes. This target group is supported by a special onboarding programme, mentoring and further training opportunities. Over the

past few years, the group of young professionals has become a key component of the recruitment strategy. In the reporting year, the selection process for young professionals was revised and adapted to reflect the changing requirements of this target group. The *Traineeship 2.0* project made trainee positions within VNG AG and individual subsidiaries more attractive by improving the onboarding process, expanding the mentoring programme and providing additional seminar offerings.³⁵

STRENGTHENING THE VNG-WIDE LEARNING CULTURE

Throughout 2022, particular emphasis was given to expanding the e-learning offerings of the *VNG Training Campus*³⁶. A rise in internal and ad hoc communication led to a significant increase in the number of users and the number of training programmes which were accessed.

VNG has invested in training management software solutions to make access to training and development opportunities straightforward and efficient. It is working closely with EnBW, which has set trend-setting standards with its *Lernwerk* Learning Experience Platform (LXP). The planned acquisition of this LXP will facilitate improvements in skills and competence management, which in turn will lead to a tailored range of development opportunities being available.

³⁵ ONTRAS and its subsidiaries have their own trainee programme.

³⁶ The offers of the VNG training campus are not available to the employees of ONTRAS and its subsidiaries in line with unbundling legislation. ONTRAS has its own training management platform in the form of the ONTRAS Academy that ensures employees have access to training and development opportunities.

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A new approach to seminar management has improved the attendee experience – from a straightforward seminar booking process through to automated certificate creation workflows. Increasing digitalisation also makes it easier to determine the success of education and training programmes. In the future, key indicators such as training hours per employee or training costs per area will be readily available from software databases. Digitised training feedback facilitates ongoing quality control and the evaluation of external service providers.

New forms of work such as remote working in hybrid or virtual teams require new competencies, particularly in the field of information and communication technology and in its application. These skills and abilities have a key role to play in the Group’s transformation process. As part of the *Digital Journey* transformation project, VNG AG developed the training concepts which were needed to make this happen and established cross-divisional competence centres. These centres use internal seminars to pass on their expertise in areas like the *Microsoft Power Platform* to VNG employees.³⁷

VNG³⁸ employees have access to a wide range of training and development opportunities which can be requested from Human Resources via the company intranet. This programme offers a wide range of professional, methodological and personal training courses, workshops,



coaching offers and seminars. The competence centres referred to above offer training in project and process management and innovation methods. The *Innovation Methods* competence centre has developed a complementary modular training programme. ONTRAS and its subsidiaries are taking a similar approach by strengthening internal training opportunities that draw on expertise within the organisation. In-house training programmes offered by employees have become well-established over the past few years.

A new leadership development programme for VNG AG, VNG H&V, BALANCE and VGS is currently in the design

phase and will be available in 2023. Managers are already being offered the opportunity to participate in EnBW programs such as *FPlus*, *CareerCompass* and *MoveOn*.

PARTNERSHIPS AND NETWORKS

Regular exchanges take place with those responsible for training and development at EnBW and its other shareholdings (e.g. Energiedienst, Düsseldorf municipal utilities) via the *Strategic HR Network* and other forums. Focal points for HR measures in this area are agreed, trends are assessed and strategic initiatives are discussed. Meetings are held regularly at twice yearly intervals.

³⁷ Excluding ONTRAS and its subsidiaries.

³⁸ Excluding ONTRAS and its subsidiaries.

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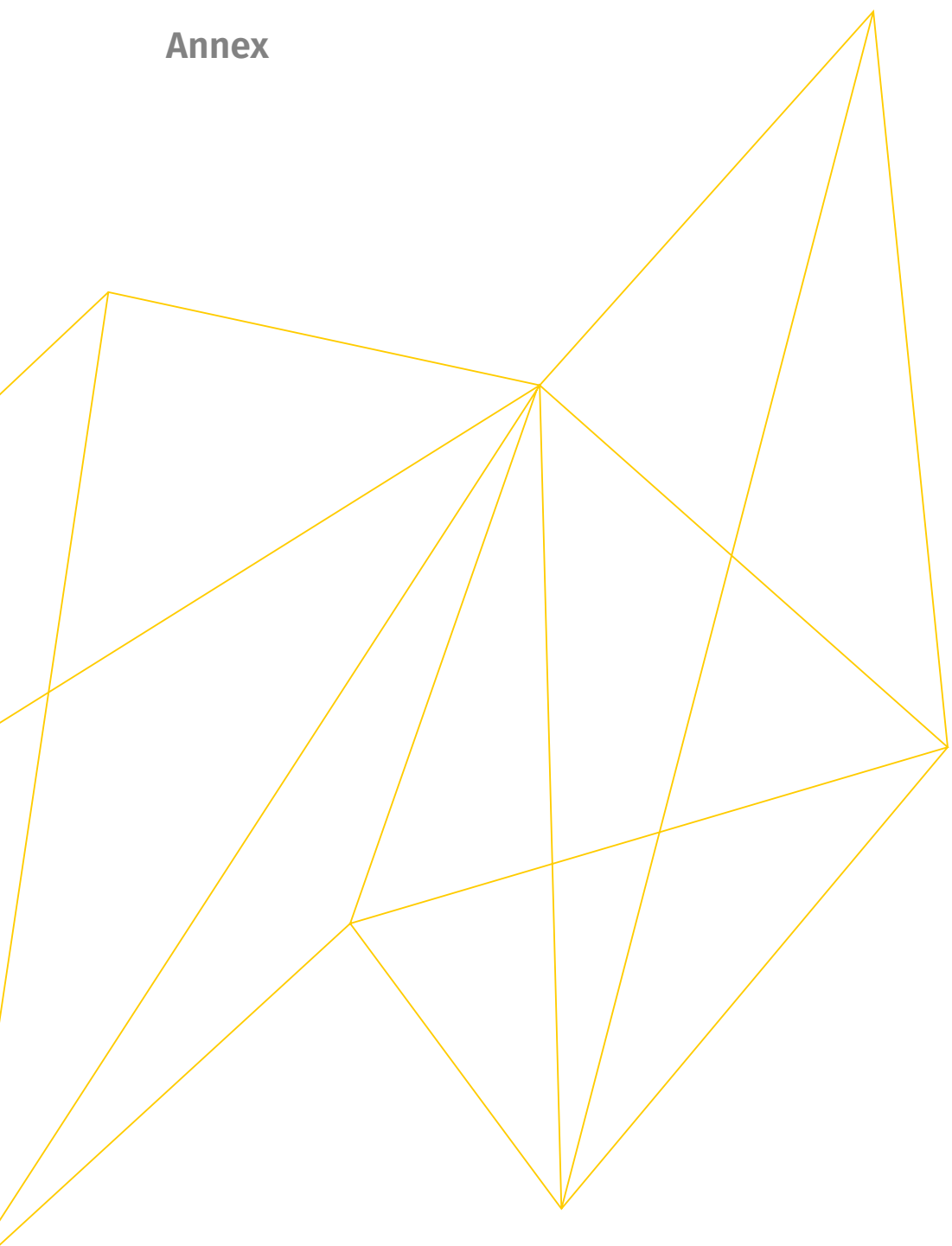
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The participation of VNG AG in the User Group *Strategic Human Resources Management* of the Leipzig Energy Forums, a commercial network platform for companies in the energy industry, ensures that knowledge is exchanged at a regional level. VNG participated in the working meetings of the User Group with presentations and discussions. In addition, the entire VNG Group has long-standing ties with universities in the Central Germany region, including renowned, internationally oriented academic institutions such as the HHL Leipzig Graduate School of Management. Several employees of VNG AG’s Human Resources department are also members of human resources associations, societies and networks. These include the German Association for Personnel Management (DGFP) and the Federal Association of Personnel Managers (BPM). These competence networks ensure the ongoing improvement and further development of VNG’s internal personnel development and training concepts measures. ONTRAS is also a member of the BPM.

PROGRESS AND ACTIVITIES IN 2022

Various quantitative and qualitative measurement methods are used to assess whether the strategic HR initiatives, training programmes and HR development offerings are having a sustainable impact on the relevant target areas. These include annual employee

surveys and customer satisfaction surveys. The latter determine the satisfaction of internal stakeholders or clients of the HR department. The annual *EnMAB* employee survey found that 70 percent of those surveyed within the VNG Group³⁹ agree with the statement “I have good training and development opportunities” in 2022. Structured *EnMAB follow-up measures* enable areas and departments that identify a need for action to define the key points on which they need to focus.

As part of the strategic human resources planning talks held in May and June 2022, VNG AG executives discussed the status of skill development programmes in their areas of responsibility across departments. The Human Resources department presented the results to the management teams of the other companies in the VNG Group as part of the quarterly *management dialogues*. At the individual level, annual performance reviews serve to align expectations between managers and employees. The agreements are documented and serve as the basis for a development plan and a detailed agreement on objectives.

Suggestions and wishes from employees can be addressed anonymously by including comments in the *EnMAB* employee survey, during the *EnMAB follow-*

up measures that take place at a team level, or in the annual employee appraisal interviews. In addition to these channels, it is also possible to submit questions, either by name or anonymously, to the management and specialist departments at *teamVNG events*. Similarly, works meetings have established themselves as a communication channel for facilitating exchange between management and employees.

ONTRAS and its subsidiaries have a separate *Annual Training Planning* process for the annual requirement planning of training and further education measures. This process also documents the training and education measures which are completed.

The year 2022 was characterised by the restructuring and further development of the HR and organisational development portfolio. HR development, which had previously been more involved in strategic HR projects, now focused more on providing a varied range of continuing education and training courses. This included putting together a training catalogue and the identification of framework contract partners from the training and continuing education sector. Roles and responsibilities were defined in greater detail within the responsible department, and a particular emphasis was placed on organisational development,

³⁹ Excluding ONTRAS and its subsidiaries.

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leadership development, training management and the employee experience. Specialised training was provided for managers related to resilience training and coaching. The human resources management approach made it possible to adapt our services, concepts, and personnel/organisational development offerings to changing conditions. It became apparent that communication between managers and HR needed to be improved. This insight led to the creation of an intranet platform for executives that provides news, documents and training offers for the target group. A leadership meeting in September 2022 was the first opportunity for VNG executives to meet face to face since the start of the coronavirus pandemic. The meeting also provided a chance to address expectations and ideas related to HR activities and the Executive Board in workshops and discussion sessions. These networking and exchange formats will be continued and expanded to empower managers to promote employee development and talent management.

In addition to the initiatives and projects mentioned above, three projects should be highlighted that will have a direct impact on employee development. The *Next Work* project was launched in May 2021 to trial the working methods and technologies of the future. Under the guiding principle “Agile, sustainable and

flexible, we are shaping an attractive future – together with our employees, customers and partners”, VNG is evaluating four different areas: people, space, technology and services – in preparation for the new working environment that will come into effect in 2027. The work culture of the VNG Group has changed with the emergence of new forms of collaboration, such as hybrid working, working in virtual teams, “work from home” and “work from anywhere” concepts. The companies and divisions have each found their own individual answers to these questions, all of which are taken into account by the *Next Work* project. The aim is to adapt the corporate culture to the new working models in a way that is appropriate for all employee groups. *Next Work* provides information events, workshops and advice about how to redesign work environments. In 2020, VNG launched the *Neuland* programme (Terra Incognita programme) to drive transformation and innovation by pooling resources across the Group in cross-functional teams on an ad hoc basis. In 2022, two campus teams worked on ground-breaking innovation and transformation-related issues. During the reporting period, they worked on innovative solutions for municipal heat planning and on the development of a set of key competencies. Within the agile teams, a learning space was also created to improve competence within the Group and apply modern working methods.



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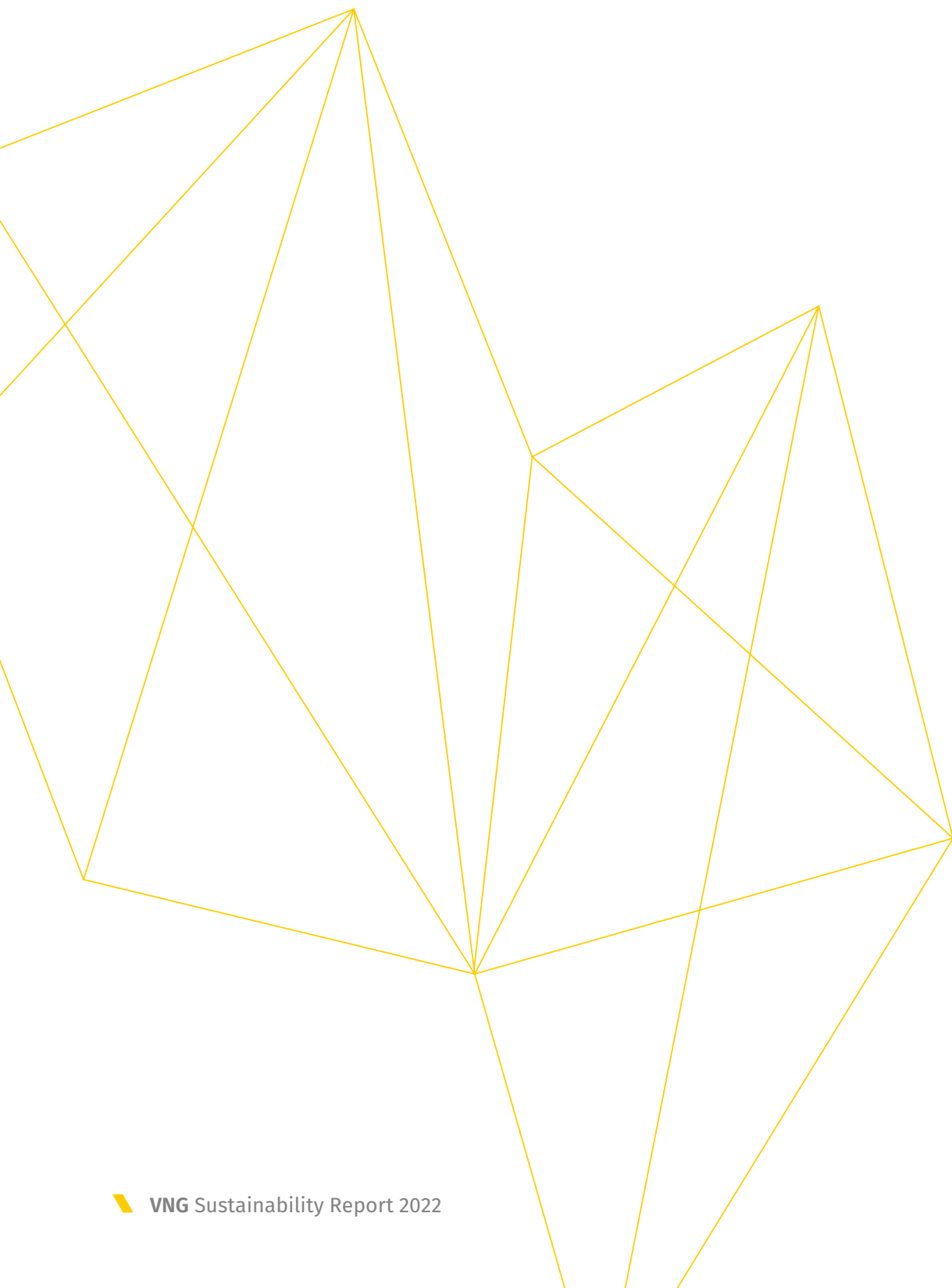
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Diversity and equal opportunities

As an international group of companies active throughout Europe, VNG is particularly committed to equal opportunities and diversity. The VNG Group’s Code of Conduct states: “We respect and encourage individuality, creative potential, diversity and equal opportunities.” Fairness and respect play a vital role in preventing discrimination against people and groups within the company. VNG is a proponent of achieving a healthy life work-life balance – an approach which indirectly makes it more attractive as an employer. We also foster a highly professional and discrimination-free working environment. As a major company based in Eastern Germany, VNG also sees itself as an important player within discourses on society as a whole, including the topics of equal opportunities and diversity. VNG aims to act as a role model for other companies and institutions in this regard.

OUR MANAGEMENT APPROACH

VNG’s corporate culture is based on values such as partnership, openness and responsibility which form the basis for the corporate mission statement and the VNG Code of Conduct. VNG promotes and demands equal opportunities, non-discrimination, inclusion and diversity. The applicable legal regulations are monitored by a dedicated compliance organisation.

The Compliance Officers, Inclusion Officers and Human Resources department ensure compliance with external and internal requirements. Equal Opportunity Officers have been appointed in the respective companies and are obliged to investigate any complaint they receive in line with all applicable legal requirements – especially those related to data protection and compliance – and while respecting the personal rights of the complainant. Equal Opportunity Officers inform the appropriate HR department about their findings and assist in developing proposals or measures to improve the situation that gave rise to the complaint. We provide new employees with the information that they need during the onboarding process.

In a spirit of partnership and constructive cooperation, we take on board the suggestions and comments of employee representatives related to equal treatment, participation and inclusion. Internal policies on social support and remuneration frequently take the form of works agreements between the Works Council and the employer, and follow the defined principles of equal treatment. In addition, VNG is working intensively on an even broader holistic approach to *Diversity, Equity and Inclusion* (DEI – Diversity, Equity and Inclusion) so that it maintains its reputation as a modern employer both internally and externally. ONTRAS and its subsidiaries

pursue an independent approach to equal opportunities and diversity, the primary aim of which is to strengthen the corporate culture which is already in place. The annual employee survey reflects the high level of employee satisfaction with the state of play. In recent years, ONTRAS and its subsidiaries have been among the top ten percent of all companies surveyed in Germany, with an employee commitment index of over 70.

On the basis of the *Act on the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector* and VNG’s own values, the Executive Board of VNG AG had set the following targets for VNG AG to achieve in 2022: Women should occupy at least ten percent of positions on the first management level, and 30 percent of positions on the second management level. Both of these targets were achieved in 2022. On 31 December 2022, 14.3 percent of positions on the first management level and 33.3 percent of positions on the second management level were held by women. The Executive Board supports the increase in the proportion of women in management positions and is in favour of expanding VNG’s own management development programmes for women. It also aims to ensure that women make up a sufficient proportion of the talent pools at senior management levels by implementing measures like coaching or mentoring

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programmes. The Executive Board provides the Supervisory Board of VNG AG with regular updates about the progress that has been made in identifying and developing potential female candidates for Executive Board positions.

VNG AG, VNG H&V, VGS and ONTRAS have been certified as family-friendly employers since 2009. VNG enables its employees to achieve a good work-life balance through a wide range of measures and takes care to ensure that its HR policies are appropriate for employees with families and at different phases in their life. The HR policies implemented by companies and business units focus on measures to support women looking to take the next step in their careers. VNG is planning to expand the tools used for this purpose, such as personnel development measures, relationship networks and mentoring schemes for all management levels. VNG is also involved in EnBW's women's network so that it can learn about its initiatives, projects and best practices.

PROGRESS AND ACTIVITIES IN 2022

In 2022, VNG AG, VNG H&V, VGS and ONTRAS were recertified by the external service provider berufundfamilie Service GmbH, which reviews companies' HR policies to determine how amenable they are towards employees with families and

employees at different phases in their life. The audit confirmed that VNG was successfully implementing this human resources policy by:

- facilitating flexible and mobile working as well as part-time working for all employee categories
- providing extensive support to help employees balance their work and private lives through the mediation and advisory services of the family service
- raising awareness of family issues among managers and embedding them into the management mission statement and in special workshops for managers. The company management was informed about the results of the audit. Recertification is planned for 2025. The *EnMAB* 2022 employee survey of VNG AG, VNG H&V, BALANCE and VGS revealed that 68 percent of respondents agreed with statement "I experience equal opportunities for all in the EnBW Group or an associated company". This puts the VNG Group⁴⁰ below the external benchmark (74 percent). The statement "I am treated with dignity and respect" received the second highest agreement rate of the entire survey; 84 percent of respondents agreed with the statement compared to the external benchmark of 80 percent. The *EnMAB follow-up workshops* are addressing these results at both a team and divisional level, and joint

goals and measures are being developed. This was the occasion to intensify the exchange with EnBW and to get to know how they approach their DEI strategy.

The establishment of the sustainability organisation has also helped to raise the profile and visibility of the issue of equal opportunities and diversity. VNG AG's Human Resources department has identified this issue as a strategic field of action going forward. A project team is currently developing goals and measures to raise awareness of the importance of diversity and inclusion among employees and managers. Information and training offerings are in the design phase, with some already available.

⁴⁰ Excluding ONTRAS and its subsidiaries.



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GREENHOUSE GAS EMISSIONS¹

Metric tons of CO ₂ equivalent	2022	2021
Direct emissions (Scope 1)	123,266	197,252
Power and heat generation	–	–
Operation of gas pipelines and facilities ²	116,128	189,804
Buildings	4,058	4,681
Vehicles	2,880	2,767
Other ³	200	–

Metric tons of CO ₂ equivalent	2022	2021
Indirect (Scope 2) emissions⁴	33,734	29,117
Power consumption gas plants	33,511	28,758
Buildings	224	360

Metric tons of CO ₂ equivalent	2022	2021
Indirect emissions (Scope 3)	26,528,697	46,841,044
Upstream emissions	3,370,256	5,944,858
Upstream chain gas consumption gas plants	9,203	7,342
Upstream chain gas sales	3,360,901	5,937,465
Business trips	152	51
Downstream emissions	23,158,441	40,896,186
Gas sales by customers	23,158,441	40,896,186

¹ These figures are largely based on EnBW's calculation methodology, which accounts for and reports the CO₂ footprint in accordance with the *Greenhouse Gas Protocol*. More detailed information can be found on page 99 of the → [Integrated Annual Report of EnBW](#).

² OGMP level 1 or higher.

³ Includes fuel consumption of non-vehicles, for example, emergency generators.

⁴ Market-based approach.

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WASTE VOLUMES

in tons	2022	2021
Total waste	7,499	22,346
Non-hazardous waste	5,427	20,967
Recovery	5,166	16,137
Disposal	261	4,830
Hazardous waste	2,072	1,379
Recovery	1,606	299
Disposal	466	1,080
Recycling rate (%)	90.3	73.6

ACCIDENT STATISTICS

	2022	2021
LTIF (Lost Time Injury Frequency)⁵	0.4	2.0

SOCIAL^{6,7}

in persons	2022
Total employees	1,433
Gender structure	
of which male	885
of which female	548
of which diverse	–
Age structure	
Up to 25	35
26–35	297
36–45	534
46–55	312
Over 55	255
Proportion of women in management positions⁸	
first level (%)	17.2
second level (%)	28.8
third level (%)	28.6

⁵ Number of accidents with downtime (1 day or more) per 1 million working hours.

⁶ The collection of key employee figures broken down by gender and age is currently carried out separately from the consolidated data collection process related to the VNG Annual Report. In contrast to the annual report, this figure does not include employees on a long-term leave of absence, working students or employees of the ONTRAS subsidiary GEOMAGIC GmbH. In future sustainability reports, key figures will be collated in the same way as the figures used for the VNG Annual Report.

⁷ Key figures were documented for the first time in 2022, so no figures are available for previous years.

⁸ First management level: Division Manager/Authorised Representative; second management level: Department Head; third level: Team Leader.

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STATEMENT OF USE

VNG prepared the information provided in this GRI content index for the period 1 January 2022 – 31 December 2022 in accordance with the GRI Standards.

GRI 1: Foundation 2021

GRI STANDARD	SPECIFICATION	LOCATION
GENERAL INFORMATION		
The organisation and its reporting practices		
GRI 2 – Material Topics 2021	2-1 Organisational details	→ VNG at a glance
	2-2 Entities included in the organisation’s sustainability reporting	→ VNG at a glance
	2-3 Reporting period, frequency and contact point	→ VNG at a glance
	2-5 External assurance	→ VNG at a glance
Activities and workers		
GRI 2 – Material Topics 2021	2-6 Activities, value chain and other business relationships	→ VNG at a glance
	2-7 Employees	→ Key figures
Governance		
GRI 2 – Material Topics 2021	2-9 Governance structure and composition	→ Sustainability at VNG
	2-13 Delegation of responsibility for managing impacts	→ Sustainability at VNG
	2-15 Conflicts of interest	→ Compliance
	2-16 Communication of critical concerns	→ Compliance

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Strategy, policies and practices		
	2-22 Statement on sustainable development strategy	→ Introduction
	2-23 Policy commitments	→ Compliance
GRI 2 – Material Topics 2021	2-24 Embedding policy commitments	→ Compliance
	2-26 Mechanisms for seeking advice and raising concerns	→ Compliance
	2-28 Membership of associations and special interest groups	→ Transparent communication and stakeholder dialogues
Stakeholder engagement		
GRI 2 – Material Topics 2021	2-29 Approach to stakeholder engagement	→ Transparent communication and stakeholder dialogues
Material topics		
GRI 3 – Material Topics 2021	3-1 Process to determine material topics	→ Sustainability at VNG
	3-2 List of material topics	→ Sustainability at VNG
GOVERNANCE		
Compliance		
GRI 3 – Material Topics 2021	3-3 Management of material topics	→ Compliance
GRI 205 – Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	→ Compliance

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Procurement		
GRI 3 – Material Topics 2021	3-3 Management of material topics	→ Procurement
Social commitment		
GRI 3 – Material Topics 2021	3-3 Management of material topics	→ Social commitment
GRI 203 – Indirect economic impacts 2016	203-1 Infrastructure investments and services supported	→ Social commitment
Transparent communication and stakeholder dialogues		
GRI 3 – Material Topics 2021	3-3 Management of material topics	→ Transparent communication and stakeholder dialogues
GRI 413 – Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programmes	→ Transparent communication and stakeholder dialogues
GRI 415 – Public Policy 2016	415-1 Political contributions	→ Transparent communication and stakeholder dialogues
Digitalisation		
GRI 3 – Material Topics 2021	3-3 Management of material topics	→ Digitisation
Research and development		
GRI 3 – Material Topics 2021	3-3 Management of material topics	→ Research and development

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GRI STANDARD	SPECIFICATION	LOCATION
ENVIRONMENT		
Greenhouse gas emissions		
GRI 3 – Material Topics 2021	3-3 Management of material topics	→ Greenhouse gas emissions
GRI 201 – Economic performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	→ Greenhouse gas emissions
GRI 305 – Emissions 2016	305-1 Direct (Scope 1) GHG emissions	→ Greenhouse gas emissions
	305-2 Energy indirect (Scope 2) GHG emissions	→ Greenhouse gas emissions
	305-3 Other indirect (Scope 3) GHG emissions	→ Greenhouse gas emissions
Use of resources and waste		
GRI 3 – Material Topics 2021	3-3 Management of material topics	→ Use of resources and Waste minimisation
GRI 306 – Waste 2020	306-3 Waste generated	→ Use of resources and Waste minimisation
	306-4 Waste diverted from disposal	→ Use of resources and Waste minimisation
	306-5 Waste directed to disposal	→ Use of resources and Waste minimisation
Security of supply		
GRI 3 – Material Topics 2021	3-3 Management of material topics	→ Use of resources and Waste minimisation
SOCIAL AFFAIRS		
Occupational safety and health promotion		

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GRI STANDARD	SPECIFICATION	LOCATION
GRI 3 – Material Topics 2021	3-3 Management of material topics	→ Occupational safety and health promotion
	403-1 Occupational health and safety management system	→ Occupational safety and health promotion
	403-2 Hazard identification, risk assessment, and incident investigation	→ Occupational safety and health promotion
	403-3 Occupational health services	→ Occupational safety and health promotion
	403-4 Worker participation, consultation and communication on occupational health and safety	→ Occupational safety and health promotion
	403-5 Worker training on occupational health and safety	→ Occupational safety and health promotion
GRI 403 – Occupational health and safety 2018	403-6 Promotion of employee health	→ Occupational safety and health promotion
	Employee development	
GRI 3 – Material Topics 2021	3-3 Management of material topics	→ Employee development
GRI 404 – Training and Education 2016	404-2 Programs for upgrading employee skills and transition assistance programmes	→ Employee development
Diversity and equal opportunities		
GRI 3 – Material Topics 2021	3-3 Management of material topics	→ Diversity and equal opportunities
GRI 405 – Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	→ Diversity and equal opportunities

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ArbMedVV	Act on Preventive Occupational Medicine	Fraunhofer ISI	Fraunhofer Institute for Systems and Innovation Research
BBIG	Vocational Training Act	G 1000	DVGW Code of Practice (Technical Safety Management)
BDEW	German Association of Energy and Water Industries	GDPR	General Data Protection Regulation
BEHG	Fuel Emissions Trading Act	GRI	Global Reporting Initiative
BMWK	Federal Ministry of Economics and Climate Protection	HinSchG	Whistleblower Protection Act
BPM	Federal Association of Personnel Managers	HSE	Health, Safety and Environment
BSI	Federal Office for Information Security	HYPOS	Hydrogen Power Storage & Solutions East Germany
CC	Competence Centre	INES	Save Energy Initiative
CCAC	Climate and Clean Air Coalition	ISMS	Information Security Management System
CCS	Carbon Capture and Storage	ISO 14001	Environmental management system standard
CCU	Carbon Capture and Utilisation	ISO 45001	Occupational health and safety management system standard
CMS	Compliance Management System	ISO 9001	Quality management system standard
CSE	Centre of Safety Excellence	KrWG	Recycling Management Act
CSR	Corporate Social Responsibility	KYC	Know Your Customer
DBFZ	German Biomass Research Centre	LNG	Liquid Natural Gas
DEHSt	German Emissions Trading Authority	LTIF	Lost Time Injury Frequency
DEI	Diversity, Equity and Inclusion	LXP	Learning Experience Platform
DGFP	German Society for Personnel Management	MCI	Employee Commitment Index
DVGW	German Technical and Scientific Association for Gas and Water	MVO	Monitoring Regulation
EBL	Bad Lauchstädt Energy Park	OGMP	Oil and Gas Methane Partnership
EEG	Renewable Energies Act	PEI	People Engagement Index
EHB	European Hydrogen Backbone	SBTi	Science Based Targets initiative
EnSiG	Energy Security Act	SektVO	Sector Regulation
EnWG	Energy Industry Act	SURE	Sustainable Resources Verification Scheme
EWI	Institute of Energy Economics at the University of Cologne	THE	Trading Hub Europe
Fraunhofer IEG	Fraunhofer Research Institution for Energy Infrastructures and Geothermal Energy	TSO	Transmission System Operator
Fraunhofer IKTS	Fraunhofer Institute for Ceramic Technologies and Systems	UBI	Company acting in the interest of the public
		VST	Association for Secure Transport and Distribution Networks / KRITIS

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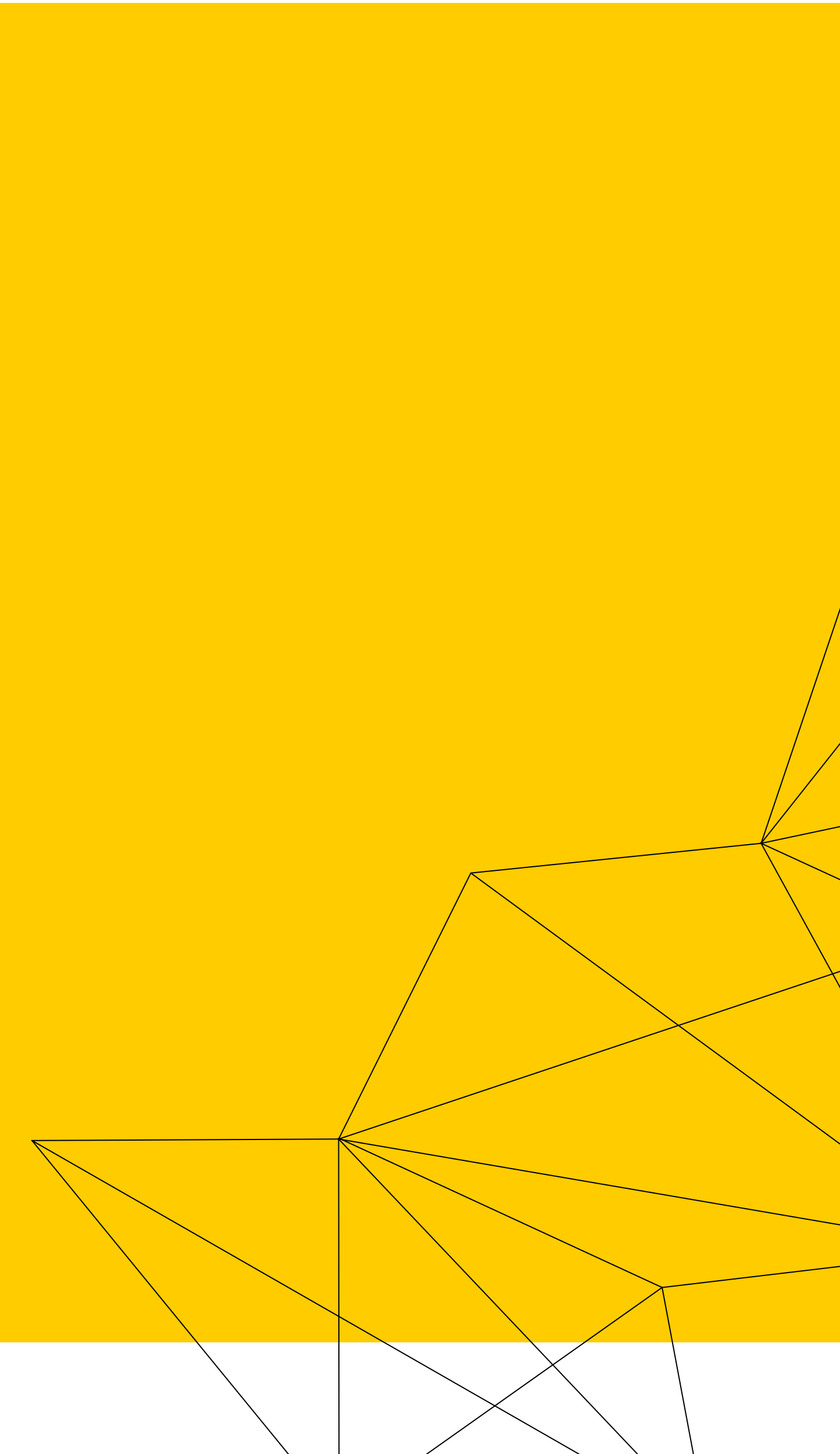
Stakeholder Reporting GmbH & Co. KG | www.stakeholder-reporting.com | Starting with the materiality analysis, Stakeholder Reporting facilitated the entire process of preparing the Sustainability Report of VNG AG. This also includes checking the content of the Report for conformity with the standards of the Global Reporting Initiative (GRI).

Realisation

MARKOV&MARKOV | www.markov-markov.de

Photos

Torsten Proß – Jeibmann Fotografik, Eric Kemnitz (p. 11, 51), Freepik (p. 16, 33, 44, 47), Ines Escherich (p. 28), Unsplash (p. 48), Max Niemann (p. 68)





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