Introduction
Board of Management Report
Everyone’s sustainable energy. Instead of sustainable energy for everyone. We changed our mission in 2017. As a major transformation is taking place in the energy world. The old, omniscient energy monopolists that delivered fossil fuel kilowatt hours, joules and cubic metres to their ‘connections’ no longer exist. Instead, people have become the central focal point as they are increasingly taking control of their own energy supply. Although it is only a small change in wording, there is a world of difference between ‘everyone’s’ and ‘for everyone’. A world that we contribute to with innovative products and services.

Of course, the energy transition is all about the transition from fossil energy sources to sustainable and renewable sources such as wind, solar and geothermal energy. About people who produce, use, store and share their own energy. About sustainable solutions for mobility issues, sustainable heat, and alternative energy systems in offices and homes, smart street lights in our towns and cities and electrification of the industrial demand for heat. Given the large role that innovation plays in the energy transition, new developments will certainly take place in the future which we currently have no idea of, but that will be important for everyone’s energy. That is why we invest in innovative companies in the Netherlands and abroad, such as Jedlix, LichtBlick, Next Kraftwerke, ONZO, Peeeks, Quby and Triggi (with the new brand name Olisto).

Also as result of digitalisation, people are taking control of their own smart sustainable energy web as smart suppliers as well as smart users. Similar to the development of the internet, all sorts of energy hubs are being connected to each other in, on and around homes, in districts, in the city, in the whole country. Connecting the small production capacity at home, but also the large sustainable production facilities at sea and on land. Directing energy flows is shifting from a centralised to a decentralised system. In order to ensure that this democratic system can work properly, the storage of electricity has to be taken a big step further, so that energy is also available for customers when sustainable energy supplies are insufficient.

For years, there has only been one way forward for Eneco Group: taking the lead in the transition. In doing so, we continue to focus on our customers: the services and products that they need have to be available to them. This applies for consumers for; for example, their heating and lighting, but also for companies that require a lot of energy for their operations. One of our solutions for industrial customers is to link their energy demand to a sustainable production facility. Examples included wind turbines specifically for the Dutch railways company NS and Royal Schiphol Group and connecting our biomass power station to AkzoNobel to supply sustainable electricity.
Eneco Group is rapidly developing into an energy service company that is in close contact with its customers and helps its customers to become more sustainable with innovative products and services. We can only make the fascinating journey to this sustainable destination together with our partners. With our retail and commercial customers, suppliers, partners in society, the companies in which we participate, our shareholders and certainly our employees in the Netherlands, Belgium, Germany, the United Kingdom and France. Together, we are the Eneco Group and we deliver on our mission.

Our internal transition is running more or less parallel to the energy transition. Over ten years ago, we were one of the first energy companies to opt for a sustainable and innovative course. We have been able to make good and substantial progress again in 2017. Our financial results are excellent. We are also proud of important achievements, such as the acquisition of a 50% interest in the German IT and energy company LichtBlick, the acquisition of Eni Belgium, the 25% interest that Renault acquired in our company Jedlix, our role in the Smart City developments in Scheveningen and three new services that were added to the platform of the smart thermostat Toon, including the Waste Checker (Verspillingschecker). Customer satisfaction remained high (7.6) and the alignment of our employees with the strategic objectives of the company remained high as well (78%). You can read more about this in this annual report.

The changes in the energy market are tumbling over each other. This demands quick decisions that are taken on a more decentralised level within our organisation. This is why we changed the structure at the top of the company after the unbundling of Eneco Holding in Eneco Group and Stedin Group. A Strategic Board has been established with specific focus areas (transformation, growth, customers, operational excellence, finance and human resources).

A consultation process among shareholding municipalities was started mid-2017 regarding their future shareholdingship. It became clear at the end of October that a majority of the municipalities wished to privatise Eneco Group. Eneco Group’s position has been clear from the beginning. We understand that the majority of our shareholders wish to privatise Eneco Group and we would like to work together with the remaining and departing shareholders to arrive at an optimal outcome for all stakeholders. A return on investment for shareholders that is in line with the market, guarantees for the continuation of our sustainable course, and continuity of the company are central issues for us in this process.

Who will be are new shareholders is of course of vital importance for our ambition to increase the sustainability of the lives of as many people as possible. The energy transitions is continuing at full speed. Eneco Group can and will continue to opt for a leading role, in line with our more clearly defined mission: everyone’s sustainable energy.

Jeroen de Haas

Chief Executive Officer
Eneco Group is a group of companies active in the energy sector. As a group and together with our customers and partners, we work on realising our mission: everyone’s sustainable energy. In this way, people can take control of their own energy supply. With our consistent course, we are leading in the field of sustainability and innovation.

Nationally and internationally, we offer added value to consumers and businesses with our smart products and services. And we deliver a contribution to society by generating and supplying green energy. We are active in the Netherlands, Belgium, Germany, the United Kingdom and France.

Eneco is the online-only energy supplier in the Netherlands. AgroEnergy helps horticulturists purchase sustainable energy for the best possible price.

WoonEnergie helps housing corporations and their tenants to save energy.

Toon is the platform that connects technology and services in the field of energy, safety, comfort and health in the home and for companies.

Participations¹

LichtBlick is a leading supplier of sustainable energy on the German consumer market.

Peeks detects and harnesses flexibility for electricity companies so that energy systems can perform optimally.

Greenchoice, supplier of sustainable energy to companies and households.

Neraldize develops cloud boxes for sustainable heating in homes.

Nextkraftwerke is the operator and service provider of a large Virtual Power Plant, that works as a network of smaller sources.

ONZO is a data analytics software company that has developed a platform that detects and analyses the energy consumption of household appliances based on data generated by smart meters and connected devices such as smart thermostats.

RoamerTech is changing the way of working in the installation world.

Simaxx has developed a platform that gives the owners of buildings insight into the energy performance of their building.

Thermondo is a German start-up specialised in the sale and installation of private heating installations.

Triggi makes smart devices smarter and connects them with other devices, apps and services.

¹ Reference is made to the overview of most important participations in the financial statements.
Eneco Group acquires a 50% interest in the German sustainable IT & energy company LichtBlick.

Unbundling of Eneco Holding N.V. in Eneco Groep N.V. and Stedin Holding N.V.

First delivery of bio-steam to AkzoNobel/Chemiepark Delfzijl from Eneco’s biomass power plant Bio Golden Raand.

Eneco Group acquires an interest in smart data company ONZO, which analyses the energy consumption of household appliances using data generated by smart meters.

Eneco Group and Mitsubishi Corporation conclude a collaboration agreement for the construction of Europe’s largest battery, under the name EnspireME.

Eneco Group acquires a minority interest of 34% in Next Kraftwerke, operator of one of the largest virtual power plants in Europe.

Agro Energy wins the Hendrik Lorentz Award together with data science specialist CQM for the innovative manner in which data science is used in the service BiedOptimaal.

Eneco and Google announce that Google will be purchasing all the energy of Sunport Delfzijl for the coming ten years for its Google data centre.

Eneco becomes the owner of Eni Belgium and becomes the third player on the Belgian energy market in terms of volume.
15 August
Eneco and Royal Schiphol Group N.V. announce that the airports of Schiphol Group will operate completely on green wind energy produced by Eneco as from 2018.

1 October
The Spanish energy company Viesgo starts offering the smart thermostat Toon to its 720,000 customers, following the partnership between Viesgo and Quby, the developer of Toon.

10 October
Groupe Renault acquires a 25% interest in Jedlix, the Eneco Group start-up specialised in smart and sustainable charging of electric vehicles.

2 November
Eneco Group acquires the wind activities of De Wolff Verenigde bedrijven, which expands the portfolio with 17 wind parks and various wind activities that are still under development.

23 October
Eneco and Oxxio rise strongly in the annual Survey Sustainability of Electricity Providers of Greenpeace, the Dutch Consumer Association, Nature & Environment and WISE. Eneco rose from 7.0 to 7.9 and is the only big energy company that achieves a more than sufficient score and maintains its position in the category ‘frontrunners’. Oxxio rose from 4.3 to 6.1.

24 October
In a comparable Greenpeace survey in Belgium, Eneco achieved a very good score of 18 out of 20, ‘an example to follow’, according to the compilers of the report.

24 October
The first Solar Hub (ZonneHub) is taken into use in Etten-Leur. This is a cooperation between Eneco and Rabobank West-Brabant Noord. 170 solar panels have been installed on top of the bank’s office building.

13 November
The Municipality of The Hague and Eneco Group sign a collaboration agreement for the realisation of Living Lab Scheveningen, a smart city concept with smart lampposts as hubs.

12 December
Introduction of the Waste Checker, a new service offered by Toon and Eneco, that enables customers to easily detect and remedy energy wastage at home.
Overview of the main results

Strategic KPIs

1. The non-financial strategic KPIs 2017 do not include the larger acquisitions.
2. Reference is made to the section One Planet results for more information.
3. Eneco in the Netherlands and Belgium (excluding Eni). A customer can conclude various contracts for products and/or services.
4. The Eneco label in the Netherlands.
5. We switched to a different measuring method in 2017. As a result, the actual score in 2016 is not comparable.
6. The RIF is a number in which the safety performance of a company is expressed as the ratio between the number of accidents at work to the actual productive hours multiplied by 200,000 during one year.
## Financial key figures

(amounts from financial statements 2017; in € 1 million)

<table>
<thead>
<tr>
<th>Results</th>
<th>Total revenues</th>
<th>Capital</th>
<th>Ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>3,355</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>2,746</td>
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### Operating profit (EBIT)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
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<tbody>
<tr>
<td>2017</td>
<td>158</td>
<td>106</td>
</tr>
<tr>
<td>2016</td>
<td>106</td>
<td>103</td>
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### Gross Margin

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
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<tbody>
<tr>
<td>2017</td>
<td>1,052</td>
<td>931</td>
</tr>
<tr>
<td>2016</td>
<td>931</td>
<td>356</td>
</tr>
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</table>

### Operating income before depreciation (EBITDA)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
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<tbody>
<tr>
<td>2017</td>
<td>428</td>
<td>356</td>
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<tr>
<td>2016</td>
<td>356</td>
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### Operating income before depreciation (EBIT)

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<td>158</td>
<td>106</td>
</tr>
<tr>
<td>2016</td>
<td>106</td>
<td>103</td>
</tr>
</tbody>
</table>

### Profit after tax from continuing operations

<table>
<thead>
<tr>
<th></th>
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<th>2016</th>
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<tr>
<td>2017</td>
<td>127</td>
<td>103</td>
</tr>
<tr>
<td>2016</td>
<td>103</td>
<td>103</td>
</tr>
</tbody>
</table>

### Cash flow from operating activities

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<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
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<tbody>
<tr>
<td>2017</td>
<td>736</td>
<td>293</td>
</tr>
<tr>
<td>2016</td>
<td>293</td>
<td>103</td>
</tr>
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</table>

### Group equity

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
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<tbody>
<tr>
<td>2017</td>
<td>2,869</td>
<td>3,121</td>
</tr>
<tr>
<td>2016</td>
<td>3,121</td>
<td>1,052</td>
</tr>
</tbody>
</table>

### Group equity/total assets

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
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<tbody>
<tr>
<td>2017</td>
<td>50.7%</td>
<td>61.5%</td>
</tr>
<tr>
<td>2016</td>
<td>61.5%</td>
<td>61.5%</td>
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### Interest-bearing debt

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
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<tbody>
<tr>
<td>2017</td>
<td>735</td>
<td>415</td>
</tr>
<tr>
<td>2016</td>
<td>415</td>
<td>103</td>
</tr>
</tbody>
</table>

### Return on Capital Employed

1. The ROCE is measured as the operating profit (EBIT) after deduction of tax, divided by the average capital employed, corrected for 2016 positions with the grid operating company Stedin prior to the unbundling.

### Interest coverage ratio

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>19.5</td>
<td>–89.0</td>
</tr>
<tr>
<td>2016</td>
<td>–89.0</td>
<td>–89.0</td>
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</tbody>
</table>

### Group equity

<table>
<thead>
<tr>
<th></th>
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<th>2016</th>
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</tr>
<tr>
<td>2016</td>
<td>3,121</td>
<td>1,052</td>
</tr>
</tbody>
</table>

### Balance sheet total

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<thead>
<tr>
<th></th>
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<th>2016</th>
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</thead>
<tbody>
<tr>
<td>2017</td>
<td>5,656</td>
<td>5,073</td>
</tr>
<tr>
<td>2016</td>
<td>5,073</td>
<td>3,073</td>
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</table>

### Credit Rating

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
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<tbody>
<tr>
<td>2017</td>
<td>BBB+</td>
<td>BBB+</td>
</tr>
<tr>
<td>2016</td>
<td>BBB+</td>
<td>BBB+</td>
</tr>
</tbody>
</table>

### Investments (and acquisitions) in fixed assets

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>647</td>
<td>329</td>
</tr>
<tr>
<td>2016</td>
<td>329</td>
<td>329</td>
</tr>
</tbody>
</table>
About this report

The annual report 2017 is the first annual report of Eneco Groep N.V. after the unbundling on 31 January 2017 of the former Eneco Holding N.V. in the energy company Eneco Group and the network company Stedin. With this integrated report, Eneco Group accounts for its financial and non-financial performance in 2017 and its financial, social and ecological value creation. We opt for a compact and transparent report that provides the information required by our stakeholders based on a stakeholder dialogue and materiality analysis.

In this report, we adhere to the standards of the Global Reporting Initiative (GRI) in as far as possible. The International Integrated Reporting Council (IIRC) framework is used to clarify the interrelationship between the core elements of our policy. Furthermore, the annual report has been prepared in accordance with the guidelines of the CDSB framework, which promotes the disclosure of environmental information and natural capital. We also report on the Sustainable Development Goals that are relevant for us. The financial statements have been prepared based on the International Financial Reporting Standards (IFRS) and the relevant provisions in the Dutch Civil Code.

The guideline for this report is the value creation model (page 13). This reflects our One Planet focus, Eneco Group’s essential purpose and its mission, strategy and business model. The realisation of Eneco Group’s strategy is explained based on strategic key performance indicators (KPIs) in the section Progress and in the financial statements. We have given the assignment to Deloitte Accountants B.V. to audit the financial statements 2017 as well as the strategic KPIs and the application of the GRI standards in this report. An auditor’s report has been issued for the financial statements and an assurance report has been issued for the strategic KPIs and the application of the GRI standards.
Value creation
Eneco Group
What are we achieving with our strategy?

Share of sustainable energy
We invest together with customers, cooperatives and partners to increase the share of sustainable energy.

Increasing the sustainability of heating
We opt for renewable heating and replacement of fossil options.

Customer loyalty
We are enlarging our group of loyal customers to whom we provide insight into their energy consumption and advice on energy savings possibilities.

Exchanging sustainable energy
We support our customers with the integration of their sustainable energy consumption in their homes, offices and vehicle.

Smart services
We provide smart services that increase the customer’s comfort and enable customers to make use of energy at times when there is an abundant supply of green energy.

Our growth domains

Renewable sources
We build sustainable assets and infrastructure at the request of, or together with, customers.

Customers
Energy as service products that help customers to fulfil their wishes easily. We strengthen our customer loyalty through our range of relevant services.

Innovative services
Smart solutions in the field of Smart Home, Smart Mobility and decentralised and centralised energy management that align demand, supply and back-up.

How do we measure our progress?

Value for the planet
Living within the limits of the planet
Reduction of the absolute CO₂eq emissions in our chain emissions

A healthy financial return
ROCE

Relevant for the customer
Customer satisfaction

Enthusiastic and knowledgeable employees
Internal alignment score
Performance dialogue in MMM
Recordable Incident Frequency

Customers participate in the energy transition
Number of customer contracts

Value for shareholders
Share of sustainable energy
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Value for society
With over 3,200 highly motivated employees, Eneco Group creates employment and is a driver of knowledge and innovation in the countries in which it is active.

Value for customers
Eneco Group enables customers to determine how they wish to generate, use, store and share clean energy.

With innovative products and services, we make affordable and clean energy and a higher level of comfort available to customers.

Value for shareholders
Eneco Group is a financially healthy company with a clear growth potential.

Value for the planet
Eneco Group is committed to the Paris climate agreements and is market leader in the energy transition.

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What value do we deliver?

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Trends and market developments

Transformation of the energy sector

Our energy system is in transformation. The speed of the transformation is mainly being determined by technological developments. Value chains are innovating and integrating; technical companies are entering the field of mobility and energy, and start-ups are at the crossroads of traditionally different industries.

Our efforts are aimed at limiting global warming to well under two degrees Celsius and continuing to focus on increasing the sustainability of our energy.

The energy transition is driven by decarbonisation, decentralisation, democratisation and digitalisation.

Decarbonisation

More sustainably produced electricity will be entering the grid. New wind farms can be developed at much lower cost, driven by technological developments and economies of scale, in accordance with the requirements of international tenders. As a result of the increase in solar and wind energy, the market price of electricity is also decreasing. Consequently, these prices are influenced less and less by conventional power plants. Prices on wholesale markets are becoming more volatile due to large fluctuations in the demand and, above all, in the supply of energy, which is more dependent on weather conditions.

There is a lack of clarity about the future grid capacity in various countries where we are active, including Belgium and the United Kingdom. It appears that Germany will not achieve the CO₂ reduction objectives and, depending on the future of the coal-fired power plants in Germany, the current overcapacity is also possibly under pressure. In addition, phasing out natural gas for household use has considerable consequences for the gas, electricity and heating grids and the heating systems in homes in the Netherlands.

Decentralisation

We are going from a centralised model to a decentralised model. The electricity system is transforming into a more distributed, customer-oriented and service-oriented industry driven by in-depth knowledge of customers.

Owners of solar panels or electric cars are combining their power on a decentralised level resulting in the establishment of virtual power plants that will start to play an increasingly larger role. The revenue potential in the energy market is thus shifting to ‘behind the meter’.

The demand for centrally supplied energy in European households is decreasing. The most important reasons for this are improved energy efficiency, insulation and self-generation, for example via solar panels. With the growth of solar energy, storage and electric mobility, consumers are also becoming active on the other side: they are becoming producers.

Energy transition drivers

[Image of globe, wind turbine, people, and tablet]
Democratisation
People are looking for added value, personal connection and products and services that match their life style and enable a sustainable way of living. People organise this themselves together with others in energy cooperatives and new parties are entering the market that are specialised in a specific segment of the sustainable energy chain, such as storage or charging infrastructure. Companies are increasingly concluding long-term contracts for sustainable electricity from verifiable sustainable sources such as onshore and offshore wind farms, or develop these farms themselves.

Changes in laws and regulations
The energy market remains strictly regulated. The regulatory framework is being adjusted to accommodate trends such as digitalisation, data, decentralisation and the inflow of renewable energy sources. The support of new adjustable capacity differs per country: there is no support yet in the Netherlands, whereas in, for example, the United Kingdom auctions are organised with specific incentives for new capacity. The same applies with regard to nationally oriented pricing of CO₂ emissions. This can lead to an increasingly uneven international playing field on the wholesale electricity market.

New technological developments take place in different industries. As a result, we also see new parties from outside the sector entering the energy world. On the one hand, this concerns technology giants such as Amazon, Google and Apple that are introducing new services in domains that energy suppliers are still just discovering (such as smart home). We also see new entrants from the automotive industry (such as Tesla and BMW) and the energy and telecom markets are also coming closer together (such as NLE and Synnion).

Climate policy is playing an increasingly larger role, as is apparent from the coalition agreement of the third Rutte cabinet in the Netherlands. Climate policy is also an important issue for politicians in Germany and Belgium. In Germany, the climate is an important item in the negotiations for the new coalition. More clearly defined objectives, both on an international and a national level, stimulate the development of new technologies and the phasing out of natural gas offers opportunities for the growth of sustainable heating.

The realisation of global and national objectives takes place at a local level. Municipalities have their own sustainability objectives and thus play an important role in increasing the sustainability of the local energy system. In view of the developments in technology and the regulatory framework, local decisions regarding the energy supply (for example, for heating) and the necessary investments in the grid are becoming increasingly important.

Rotterdam to become natural gas free
Rotterdam is working hard on an affordable, reliable and natural gas free heated city in 2050. All homes will then be well insulated, cooking will be electric and heating of buildings will take place with electricity by or means of collective heating. Eneco is working together with Havensteder, Nuon, Warmtebedrijf Rotterdam, Stedin, Vestia, Woonbron, Woonstad Rotterdam, Ressort Wonen, the Municipality of Rotterdam and the Ministry of Economic Affairs to achieve this joint final goal.

Digitalisation
The demand for services for (real-time) energy management, decentralised energy solutions and electric transport is rising. Digitalisation enables us to give customers more insight into and control over their energy consumption. In addition, smaller parties such as start-ups can obtain access more easily as the costs for customer systems (for example cloud solutions for maintaining customer relationships) have decreased. However, successfully linking start-ups to companies requires an effective decision-making process with in-depth knowledge of new fields.

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Stakeholders and materiality

What do our stakeholders consider relevant?

Our group of stakeholders comprises customers (both retail and commercial), shareholders, providers of capital and investors, local residents and cooperatives, employees and the Works Council, as well as nature and environmental organisations.

Above all our stakeholders are people. People with whom we aim to realise our mission together. People who all have their own motives and interests.

In our contacts with stakeholders, we regularly assess whether we are serving the interests of our stakeholders sufficiently and are delivering on our promises. Certainly in the current phase, in which the market is in transformation, the support and trust of our stakeholders is indispensable.

In 2017, we conducted a survey again to find out what our stakeholders consider relevant. We call this the materiality analysis. We have aligned our strategic key performance indicators (KPIs) with five material themes. Based on consultations with our stakeholders, we have determined that these five themes are relevant for them. Various underlying topics are relevant for our stakeholders. An overview of these topics is provided in the table below.

Reference is made to the [invalid link: no target-node] for a detailed overview of the consultations, discussion points and outcomes.

### Topics that stakeholders consider important per material theme

<table>
<thead>
<tr>
<th><strong>Living within the limits of the planet</strong></th>
<th><strong>Customers participate in the energy transition</strong></th>
<th><strong>Relevant for the customer</strong></th>
<th><strong>Employee engagement</strong></th>
<th><strong>A healthy financial return</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>· CO₂ emissions</td>
<td>· Multiple products / services per customer</td>
<td>· Customer satisfaction</td>
<td>· Alignment with the strategy</td>
<td>· ROCE</td>
</tr>
<tr>
<td>· Climate change</td>
<td>· Products / services help customers in every stage in the transition</td>
<td>· Fair price</td>
<td>· Customer-orientation / possibility to really help customers</td>
<td>· FFO/net debt ratio</td>
</tr>
<tr>
<td>· Air quality</td>
<td>· Innovation</td>
<td>· Convenience / unburdening</td>
<td>· Knowledge and skills</td>
<td>· EBITDA</td>
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<td>· Translation into growth domains</td>
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<td>· Customers are involved in the development of our production capacity</td>
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<td>· Inspiring to increase sustainability</td>
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<td>· High Performance Organisation (HPO)</td>
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<td>· Employment in the region</td>
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<td>· Comparison with other companies</td>
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Vision, mission and strategy

One Planet

Our aim is to get the energy requirement in our chain within the limits of a liveable planet. Not only for ourselves, but also for generations to come.

Our ambition: to make the lives of as many people as possible more sustainable.

We only have one planet. At present, worldwide, we consume 1.6 times as much as our planet can support. More and more people are becoming concerned about our planet. They are becoming increasingly aware of how we live, what we eat and how we impact the planet. Worldwide, we are being confronted with climate change and the increasing scarcity of natural resources. People want to do something and contribute to keeping our planet liveable. We are convinced that everyone can take energy and sustainability into their own hands. Therefore, also the energy transition and the speed at which this takes place.

Our vision: Sustainable decentralised together

We are not the only party that has opted for sustainability. Our vision - the vantage point from which we look at the world - enables us to distinguish ourselves from other companies. The energy transition is the transition from a centrally-organised energy system to a system in which people organise their energy sustainably themselves or together with others. On a street or district level, for example, together with the neighbours.

The energy transition is no longer the future, we are right in the middle of it. More and more people are embracing sustainability, with electric transport, self-generation, energy savings and storage. The survey PanelWizard 2015, commissioned by Eneco, shows that one out of five households expects to be self-supporting in ten years. They do not have to do this on their own. We help them with innovative energy solutions, with new products and services, innovations and new revenue models. This is why we have defined our mission more clearly. From ‘Sustainable energy for everyone’ to: ‘Everyone’s sustainable energy’.

Our mission: Everyone’s sustainable energy

The energy transition is not only about technology, it is about people and the choices that they make with the aid of technology. If we look at the customer as a person, then we obtain insight into what drives customers. And that is necessary in our role as service provider, with customers - or rather, people - being in charge. Energy is not ‘ours’, ‘for the customer’, it is ‘the customer’s’ also made possibly ‘by us’. This means that we will focus even more on the
development of products and services with which consumers and businesses can generate, store, use and share their own energy. It is up to us to fulﬁl the connecting function. We have to go further away from the beaten path and innovate even faster.

Our strategy
We implement our mission through our strategy. Increasingly, we help customers who wish to produce and consume energy. We provide tailor-made service with the integration of smart solutions in households and business.

Until recently, our existing system was still completely focused on supplying energy before the meter. We hardly knew anything about the area behind the meter. And that is starting to change radically. The main part of the energy revolution will take place ‘behind the meter’.

Growth domains and strategic pillars.
We are realising our ambition within our growth domains: Customers, Renewable energy sources and Innovative services. The areas in which we want to grow more rapidly in the period to 2020 and with which we help people, businesses and society in the energy transition. Within these domains, growth is based on the strategic pillars ‘energy as a service’, ‘client sources’ and ‘smart sustainable solutions’.

We are growing in these domains by making use of our strength; we are making use of our diversity and knowledge of the market and we are working together with partners to accelerate the energy transition. Our customers’ needs determine the demand for (sustainable) energy: a comfortable climate within the house, predictable energy costs and a safe installation. Energy is developing into a service product. We are switching form delivering electricity, gas and heat to offering services. Customers pay us for the quality, convenience and comfort of the services that we provide. We offer our customers the comfort, convenience and the complete experience that they are looking for based on their personal wishes. In this manner, we are making progress together in the transformation. We call this energy as a service.

In order to maintain comfort and create awareness of energy, we are working on smart sustainable solutions. We offer smart and integrated services based on the newest technologies and data-driven platforms. And we bring supply and demand closer together on a local level. We do this ourselves or together with partners that offer technologies that are suited to our services.

The growth in renewable sources is achieved by focusing on client sources. By partnering with our customers and by directly linking renewable generation to the customer’s energy demand, we realise more sustainable production (electricity and heating) with the same resources, contribute to the local embedding and acceptance of sustainable projects, increase the conﬁdence in our investments and share the risk with other parties.

‘With our 6% sustainable energy, we are far behind in the Netherland s.’

Marjan Minnesma
Director of Urgenda

With our 6% sustainable energy, we are far behind in the Netherlands.’
International growth

Eneco is a Dutch energy company. We are proud of this, but we do not stop at the border. In order to realise our ambition, we are active in the Netherlands, Belgium, Germany, the United Kingdom and France.
Progress
One Planet results

Working together with our customers

We can only realise our sustainable ambitions by working together with our customers and other stakeholders. We help our customers to increase their sustainability to realise these ambitions. Thus they become One Planet Customers.

Living within the limits of our planet

Worldwide, we live as if we almost have two planets. Consequently, we are exhausting our natural resources. It is Eneco Group’s ambition to bring the chains in which we are active back within the limits of our planet, together with our stakeholders, such as customers and local residents. This has been laid down in our One Planet Plan.

Why One Planet?

We are using more than the planet can support

<table>
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<tr>
<th>Source</th>
<th>2016 Average world citizen</th>
<th>2016 Average Dutch citizen</th>
<th>Course 2050 Average world citizen</th>
<th>Ambition 2050 Eneco Group</th>
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<td>Living Planet Report 2016, WWF (data); Babette Porcelijn (calculation 2050).</td>
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One Planet Customer

Together with our customers we are realising our mission ‘Everyone’s sustainable energy’.

One Planet Company

We are setting an example by improving the sustainability of our own operations.
Helping customers to become One Planet Customers
We can only realise our ambitions together with our customers, employees, suppliers and other stakeholders. Of course, we set a good example ourselves. With One Planet Company, we show what we are doing ourselves. However, we also have a shared responsibility with regard to the CO\textsubscript{2} emissions of our customers and suppliers; we aim to contribute to energy savings and sustainability and where necessary to compensate for these emissions. In this manner, we can help many customers to become One Planet Customers, customers who live within the limits of the planet in the area of energy and mobility.

Our One Planet goals
Our activities have an impact on the environment and our surroundings. Impact on the environment due to emissions that contribute to air pollution, climate change and acidification and the accompanying negative consequences for biodiversity, and impact on the environment due to projects that we realise that effect the living environment of local residents.

Setting up projects with local communities
Our projects contribute to the energy transition that is taking place on a local level. Local communities therefore play an important role for us in the realisation of the desired growth of sustainable energy as this growth is also determined by the acceptance of those that are involved in a project. By building lasting relationships, we create partnerships and provide new impulses that are perceived as added value by as many stakeholders as possible.

These projects can only succeed when people are involved personally. Eneco Group assumes the role that advances the project and supports the local community in such a manner that the local community will welcome Eneco for a new project when this project has been completed. This is only possible when you see each other, get to know each other, know which interests are at stake and take these into account as much as possible. In this manner, you can discover the possibilities and opportunities together. This process takes time and effort and is the only path that we want to take to realise everyone's sustainable energy in an authentic manner.

Our One Planet Objectives
- <2°C no net loss
- clean air
- no net loss
- circular
- Within the planet’s carrying capacity
Bringing our impact on the environment within the limits of the planet’s capacity

Our impact on the environment mainly concerns climate change, biodiversity, air quality and circularity. Climate change has the biggest impact and thus our priority.

Eneco Group is committed to the Paris climate agreements

**Impact**
Our impact on climate change is the most important. This impact is considerable particularly due to the use of natural gas. Natural gas is used in, for example, our gas and cogeneration power plants for the production of electricity and district heating and, of course, at the homes or offices of our customers.

**Goal**
Eneco Group is committed to the Paris climate agreements to keep global warming well below 2°C, the aim being 1.5°C. These agreements have been translated to our business operations, including our suppliers and customers, using the Science Based Target initiative (SBTi) [http://sciencebasedtargets.org/]. This results in maximum CO₂eq emissions over the whole chain of 12.2 metric tons in 2017 and 11.2 metric tons in 2020.

**Result**
The emissions of our business operations, suppliers and customers are lower than our target based on the 2°C path of the Science Based Target initiative. Our CO₂ emissions amounted to 10.8 metric tons CO₂eq in 2017 and - with a reduction of 16% compared with 2015 - are considerably lower than the target of 5% compared with 2015 (12.2 metric tons) that reflects the 2°C path. Detailed information about the calculation of our chain footprint can be found here.

This decrease is mainly the result of our investments in sustainable energy, which have led to a further reduction of our CO₂ emissions per kilowatt hour of electricity delivered. In addition, there was less demand for natural gas and

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1 The scope of our chain footprint does not yet include the acquisitions of Eni Belgium, the wind activities of De Wolff Verenigde Bedrijven and the 50% interest in LichtBlick.
district heating in 2017 due to the relatively warm year and the trend to insulate houses better.

It is becoming an increasingly greater challenge to continue to operate under the 2°C path in the coming years due to a strong reduction of allowed emissions. With our targets and plans for the coming years, we expect to be able to meet this challenge. We will obtain insight into the emissions related to 1.75°C, or if available 1.5°C, in 2018 as the Paris climate agreements aim for a maximum global warming of 1.5°C.

We have been compensating the CO₂ emissions of our internal business operations since 2008 with REDD+ and Gold Standard CO₂ certificates. Due to energy savings and the use of sustainable energy in our buildings, the footprint of our internal business operations is practically solely attributable to mobility. The CO₂ emissions were also compensated in 2017 to arrive at climate-neutral internal business operations. Moreover, we implemented our mobility strategy (see air quality) to ultimately make compensation unnecessary.

**Aiming for No Net Loss of biodiversity for new projects**

**Impact**

Our impact on biodiversity focuses on emissions, use of space, noise and light. Initially, we focused on nitrogen emissions. The effect that our nitrogen emissions have on biodiversity in nature areas was examined. The total direct nitrogen emissions of our power plants and mobility was calculated to be 1.3 million kilograms in 2016. Nitrogen in nature areas mainly comes from traffic and agriculture. Our power plants only make a limited contribution (<1%) to the loss of biodiversity; however, we are part of the problem and wish to contribute to the solution.

**Goal**

It is part of our One Planet ambition to treat nature and biodiversity with respect and to ensure that our activities do not result in a loss of biodiversity (No Net Loss). With pilot project, we try to gain insight into whether aiming for No Net Loss of biodiversity is feasible for new projects. To arrive at No Net Loss for the nitrogen emissions of our existing installations, we are looking into possibilities for reduction and/or compensation. We will gain more insight into this and we will take decisions in 2018.

**Result**

- As of 1 January 2018, Eneco Group is the proud partner of National Park de Hoge Veluwe. To celebrate this partnership we welcomed nearly one hundred families in December 2017 who came to select their own sustainable Christmas tree together with us. Not only was this an informal contact opportunity and a special gesture towards our loyal customers, this was also beneficial for the nature in the Park de Hoge Veluwe. This is because these pine trees grow in the unique, open sand drifts and heather areas. If the trees in these areas are not removed, these unique landscapes will become overgrown and disappear. The National Park de Hoge Veluwe received the Belleuropa Award in 2017. This is a European award for the nature park with the best managed biodiversity.

- Wind farms at sea offer opportunities and risks for nature. We carried out research at our wind farm Luchterduinen in order to arrive at a better understanding of the ecological effects. With this knowledge, we will be better able to take nature into account in future wind farms and to make better use of the possibilities that wind at sea offers for nature. The foundations and the rock-fill around the foundations (to prevent erosion) already offer a good habitat for all sorts of animals such as clams and anemones. As the seabed between the foundations remains untouched, seabed species can develop there without disruption. Offshore wind farms therefore not only produce sustainable energy, they can...
also play a role in the restoration of nature, in particular of seabed life. Wind farm Luchterduinen is possibly suitable for the reintroduction of the flat oyster, an important species for the North Sea ecosystem that used to be found at the Luchterduinen site, but unfortunately has disappeared. Eneco Group is actively looking into the possibilities of oyster restoration in its wind farms. After the signing of a letter of intent with The North Sea Foundation (Stichting de Noordzee) in 2016, a first step was taken in 2017 in cooperation with various partners by actively including a concrete oyster restoration project.

- Signing of The Hague Business Agreement about Natural Capital With the signing of this agreement, Eneco Group commits to integrate natural capital in its decisions, policy and business activities.
- Membership of the Community of Practice Verified Conservation Areas (VCA), a group of companies that wish to contribute to the protection of nature. The VCA system facilitates the certification of locations and drawing up and implementing improvement plans for biodiversity.
- Various studies of the impact of wind, biomass and gas-fired power plants on biodiversity.

Our contribution to clean air through investments in sustainable energy and mobility

**Impact**

In the countries in which we are active, the air quality is worse than the World Health Organisation (WHO) advises and sometimes even exceeds the European norm due to, for example, particulate matter. Eneco Group has a limited impact on this air quality in the form of emissions of our power plants and our mobility; however, Eneco considers it important to contribute to clean air.

**Goal**

To make a contribution to clean air in accordance with the advice of the World Health Organisation (WHO) by investing in sustainable energy, promoting e-mobility with our charging infrastructure and increasing the sustainability of our own mobility.

**Result**

We refer to the chapter Growth in sustainable production and capacity (page 38) for the results of our investments in sustainable energy; you can read about our results in the field of e-mobility in Smart Sustainable Solutions (page 40). The results of increasing the sustainability of our own mobility are stated in the following paragraph.

**Solar Team Eindhoven University of Technology**

Eneco and the TU/e (Eindhoven University of Technology) are working together on the development of a new solar car. Eneco's knowledge about electric driving is used in the realisation of the ideal family car running on solar energy. TU/e participated in the World Solar Challenge 2017 in Australia with a prototype.
Sustainable mobility
Travelling less and sustainable sharing, using public transport, electric (shared) cars and traditional Dutch bicycles. That is our mobility vision for 2020, that we have implemented largely in 2017. We stimulate the use of public transport by making a free public transport card available that is suitable for unlimited business and private use. We have made the alternative less attractive by lowering the kilometre compensation. As from 2018, all new company cars and leased cars for employees will run on electricity or green gas. The alternative for the leased car is the aforementioned free public transport card combined with a budget or an allowance equalling the lease budget when the employee can demonstrate that he/she drives electric privately. We facilitate private lease of electric cars via our lease company, as the market does not yet offer this option. The parking garage at our head office has an environmental zone to bar the most polluting cars. The barrier only opens for employees for whom public transport is not a good alternative and who drive in a car with norm emissions that are lower than 200 gram CO₂ per kilometre. We stimulate bicycle use via our bicycle plan. Electric bicycles have now also been included in this plan.

Increasing the sustainability of our chains, including circularity
Eneco Group prefers to do business with suppliers that share our passion for sustainability. We are convinced that a joint focus on quality and sustainability leads to optimisation and innovation. With Socially Responsible Procurement (SRP), we are shifting our focus in the regular procurement process. In every procurement process, we ask ourselves and our suppliers whether the requirement can be fulfilled in a more sustainable manner.

In addition to quality, service and costs, we also select our suppliers based on sustainability. We demand that they satisfy a minimum level of sustainable entrepreneurship and corporate social responsibility. We ask our suppliers to sign our Supplier Code of Conduct.

Furthermore, we want to stimulate our suppliers to do business in a socially responsible manner through verification of their sustainable performance by external parties, of which EcoVadis is our preferred supplier.

Goal
- A fully sustainable procurement which includes circularity. Our aim in 2017 was to spend at least 90% of our procurement expenditure at suppliers that endorse our Supplier Code of Conduct.
- To ensure that at least 30% of our strategic suppliers attain the level of ‘Performer’ and more than 60% attain the level of ‘Leader’ in 2020. This classification is based on our translation of the assessments of three renowned external parties.
- We also plan to profile ourselves more distinctly in the area of circularity to contribute to the Circular Economy in the Netherlands. For instance, we plan to prepare raw materials passports to make more conscious choices for raw materials in our products and assets. We also plan to work together with our suppliers to separate our waste for re-use, with which we will realise a CO₂ reduction.
Result
92% of our suppliers endorsed our Supplier Code of Conduct in 2017.

We have enlarged our network in order to be able to work together on sustainability and to identify and share best practices and lesson learned. Strengthening our cooperation with FIRA and EcoVadis is part of this. (FIRA is a platform for strengthening the cooperation with suppliers through transparency in ambitions, knowledge, best practices and performance; EcoVadis performs assessments of sustainable relationships between customers and suppliers). We hosted a day organised by FIRA for purchasers in the Netherlands in the auditorium of Eneco Group, had an assessment carried out by FIRA, and had EcoVadis conduct a campaign for a number of important suppliers.

We have improved our Socially Responsible Procurement (SRP) policy based on the new NEN norm ISO20400 and we have translated this into measurable KPIs. FIRA also assessed our SRP level with a gap analysis. The result is that we are making progress with our SRP policy, which is well aligned with our One Planet ambition. We received a number of suggestions for improvement, including paying more attention to the manner in which we would like to see that suppliers do business responsibly and implement the social CSR criteria, in addition to the current focus on the climate and environment. We will take SRP a step further in 2018, including translation of the SRP performance of our procurement personnel into personal goals.

A CO₂ hotspot analysis was performed this year to determine per procurement category where the most CO₂ emission are expected. This analysis forms the basis for the necessary CO₂ reduction and a goal to contribute to Eneco Group’s commitment to the Paris climate objectives.

Sustainable biomass
Eneco Group is positive about embedding sustainability requirements for biomass in the SDE+ subsidy scheme, which apply to wood pellets that are used as co-firing fuel in coal-fired power plants and large industrial steam installations. Eneco Group is focusing in particular on these activities because a lot of sustainability gains can be achieved together with the industry in this area and this sector has been given an important role in achieving the CO₂ goal in the coalition agreement. Only biomass flows that satisfy strict sustainability criteria qualify for subsidy. A drawback at present is that it is not clear which certification systems are permissible to satisfy the legal requirements, while Eneco Group is entering into long-term commitments in connection with the development of sustainable energy from biomass. Sustainability criteria have also been determined on a national level, whereas the suppliers are active internationally. We regard the fact that the legal requirements for the sustainability of biomass correspond closely with our own policy, the Eneco Biomass Charter, as a confirmation.

Eneco Biomass Charter
Ensuring that our biomass is sustainable according to our current standards is important for us, also from a financial perspective. As mentioned above, only sustainable biomass for industrial steam installations can qualify for SDE+ subsidy. In order to guarantee a base of support within and outside Eneco Group, biomass must satisfy the Eneco Biomass Charter. And, of course, we have to fulfil our agreements with partners and stakeholders. However, the supply of sustainable biomass is limited, whereas demand is increasing due to new projects with our customers. We have looked into alternative certification schemes together with research agency CE Delft with which we can guarantee a sustainability level comparable with the NTA8080 certification scheme (Better Biomass). Based on our joint research, Eneco Group will only contract FSC certified biomass as long as it is not clear which certification system will be approved. Where FSC is insufficient, we will set additional requirements for sustainability criteria (such as greenhouse gas balance, carbon debt). As an alternative, we can operate in accordance with the Dutch verification protocol which has been drawn up by the Dutch government and which guarantees a comparable sustainability level.

European regulations
Another development in this area is European regulation in connection with the Clean Energy Package. This will also contain sustainability criteria for solid biomass. The definite requirements that will take effect as from 2021, will then apply to all types of biomass for new larger bio-energy installations. The European Parliament will determine the
definite package at the beginning of 2018. We believe that we are well prepared for this with our sustainability policy. We have already entered into voluntary agreements with the Municipality of Utrecht for the bio-heating plant in Utrecht regarding the use of certified biomass (FSC and Better Biomass). We regularly consult with a number of NGOs (Greenpeace, Natuur en Milieufederatie Utrecht and Milieudefensie) on the sustainability assessment of this power plant and the biomass chain. As a result, there is a considerable base of support among these NGOs for the development of this plant. The NGOs actively supported Eneco Group with the local political discussions about this.

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<th>Sustainability benchmarks and standards</th>
<th>Business unit</th>
<th>Our score</th>
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<tr>
<td>Sustainability Dutch Electricity Suppliers</td>
<td>Eneco</td>
<td>7.9 (was 7.0)</td>
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<tr>
<td></td>
<td>Oxxio</td>
<td>6.1 (was 4.3)</td>
</tr>
<tr>
<td>Greenpeace ranking Belgian electricity suppliers</td>
<td>Eneco Belgium</td>
<td>18 out of 20 points</td>
</tr>
<tr>
<td>Carbon Disclosure Project</td>
<td>Eneco Group</td>
<td>C ranking</td>
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<tr>
<td>EcoVadis ESG score</td>
<td>Eneco Group</td>
<td>Silver Ranking</td>
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<tr>
<td>Science Based Targets initiative (SBTi)</td>
<td>Eneco Group</td>
<td>First Dutch company to be admitted</td>
</tr>
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Reference is made to the annex [invalid link: no target-node] for a more detailed explanation.
International expansion

Acquisitions in Belgium and Germany

Eneco is working on increasing the sustainability of the energy supply in the Netherlands and abroad. We are strengthening our position as an energy supplier, service provider or developer through investments and acquisitions. An additional advantage is that international growth enables us to spread risks better.

Belgium: Eni

Eneco Belgium completed the acquisition of Eni Gas & Power NV mid-2017. As a result, Eneco Belgium is now the third largest energy supplier in Belgium. Eneco Belgium supplies electricity to 579,000 retail customers and 47,000 commercial customers and gas to 397,000 retail customers and 31,000 commercial customers. With the acquisition of Eni, the number of employees at Eneco Belgium has increased to around 330.

Our ambition with this acquisition is to accelerate the process of increasing the sustainability of the Belgian energy market with 100% solar and wind energy. Eneco is now the most important sustainable challenger on the Belgian energy market. As a frontrunner, Eneco continues to aim for 100% green and locally produced energy. Eneco already realised this in 2016 for retail customers and this was also the case in 2017. It is Eneco’s ambition to further increase the number of customers who purchase sustainable energy.

Germany: LichtBlick

Eneco acquired a 50% interest in the German LichtBlick. This company has around 450 employees and its head office is located in Hamburg. It was founded in 1998 and is now the largest independent supplier of green energy to retail and commercial customers in Germany. At the end of 2017, LichtBlick supplied sustainable electricity to about 470,000 retail customers and 66,000 commercial customers. In addition, over 75,000 retail customers and 6,000 commercial customers purchased environmentally-friendly gas from LichtBlick: a bio-gas mixture of 5% or gas with 100% CO₂ compensation in the current year. LichtBlick is the market leader in green energy in Germany with in total almost 620,000 customers and an annual sales volume of 2.5 terrawatt hours electricity and 1.6 terrawatt hours gas.

Eneco supports LichtBlick’s strategy for profitable growth, including the acquisition of customer portfolios to further expand its market leadership in green energy in Germany. Together, Eneco and LichtBlick are a strong player with large investment possibilities, combined experience in important energy markets, a large customer base and motivated employees with a shared vision on the new energy world. Our joint ambition is to satisfy the changing needs of customers in Europe with green and digital products and services.

Reference is made to the paragraph New ventures (page 44) for other new international participations.
Energy as a Service

Convenience for consumers

Service to our customers is a central focus in our activities. Therefore, we make everything in connection with supplying energy as simple and accessible as possible, so that our customers can take control of their own energy as much as possible.

Our services to our Dutch customers were further improved in 2017. We combine the newest technological possibilities with that which our customers require. Insight into what our customers require is obtained through various customer panels. We aim to avoid difficult actions or unnecessary complex explanations. For instance, customers are increasingly doing things themselves online or via the app when it suits them. Also as a result of this, for Eneco customers, customer satisfaction after contact stabilised at a more than satisfactory 7.6 at the end of the year. In the competitive energy market in which Eneco operates, the number of customer contracts in the Netherlands and Belgium (excluding Eni) decreased slightly to 4.2 million at the end of the year. At the end of 2016, this number was still 4.3 million.

Improved services

Eneco app
Eneco has released a new improved version of its app with a number of new functions. For instance, the Tussenstand Tool (interim balance tool) provides a forecast of the customer’s final bill statement. As a result, customers already know far in advance whether they will have to pay extra or will receive a refund at the end of the year and can adapt their consumption accordingly. And customers with solar panels can easily monitor the energy that they deliver back to the grid. Customers also obtain much better insight into their energy consumption via the app. The app thus fulfils a key role in the service to customers. The app will be further developed in 2018 based on new technology and customer insights.

Payment process
The payment process has been simplified considerably. In one glance the customer can now see via the app or on My Eneco which energy bills still have to be paid or already have been paid and for which energy bills a payment scheme has been agreed. Payments can also be made directly with iDEAL. Furthermore, it is much easier for customers to submit their meter readings, increase or decrease their monthly energy payments, download invoices and revise their personal details. The final bill statement has a new layout and the information is presented more logically.

HouseScan
The HouseScan provides insight into how customers can increase the sustainability of their homes. Based on a number of questions about their house and the living situation, customers can see how they can generate or save energy. Requesting a proposal for, for example, insulation services or solar panels is possible directly.

Eneco forum and Toon forum
The brands Eneco and Toon were both given their own forum. In this manner, we can cater better to the expectations and wishes of the forum members. The forum members were informed about this change during a meeting at the Eneco head office. In addition, they were also informed about the newest innovations on Toon and about our cooperation with Eindhoven University of Technology. Forum members were also present at the Eneco Innovation Day in November. They are real ambassadors of great value for other customers. In the meantime, both forums have grown considerably in the number of members and activities: the Eneco forum has nearly 21,000 members, the Toon forum around 5,000.

Heating customers
In the area of heating, we are working on intensifying the contact with customers. We do this in order to inform them better, to involve them more in their own district heating and to give them influence on important decisions about their district heating.

Eneco’s customer service also has a special team of heating experts since 2017. The functionality of My Eneco, the Eneco app and myconnections.nl (mijnaansluitingen.nl) for
heating customers has been further improved. The specification of the costs for heating on the Eneco energy bill is now more detailed and transparent. An internal improvement project was launched at the end of 2017 to improve all of the customer processes and the customer experience.

Four meetings were held in 2017 with the customer sounding board group and with the customer panel in Utrecht. In addition, open days were organised in Utrecht, The Hague and Rotterdam where customers could have a look around the cogeneration power plants.

**Introduction of new products and services**

We worked hard again in 2017 on the introduction of new products and services for consumers. A special team has tested and fine-tuned ideas for this in the market. This team is very flexible as it works according to the Lean Start-up method. As a result, they can adapt things early in the process based on customer feedback.

**ZonneHub (Solar Hub)**

Customers who would like to have solar panels but do not have their own roof can install solar panels on a nearby roof via Eneco ZonneHub. ZonneHub is a pilot project that is being carried out by Eneco Smart Energy and Eneco Consumers together. The first ZonneHub was opened on 23 October in Etten-Leur. There were three roofs with a ZonneHub at the end of 2017.

**Eneco HollandseZon**

Many solar parks are coming on the market due to the favourable subsidy scheme and Eneco would like to offer its customers solar electricity. This is why Eneco HollandseZon was introduced on 1 November, 100% green electricity from Dutch solar parks. A good addition to our product Eneco HollandseWind.

**Hourly Rates pilot project**

In the Hourly Rates pilot project, the customer does not pay an advance for electricity; instead, the actual electricity consumption is settled directly every month. The customer pays the procurement price for the electricity plus a fixed monthly service fee. The customer is given insight into the APX trading price via the app 24 hours in advance. When a lot of electricity is available, the electricity can even be free of charge (Happy Power).

**New services for Toon**

Toon, the smart thermostat that provides insight into energy consumption and costs, has now been installed in 350,000 households in the Netherlands. With this, Toon is the market leader - both in the Netherlands and Europe - in this growing market of smart thermostats. Although this number is lower than the earlier stated high ambition, Eneco is very satisfied with this and is expanding Toon further as the heart of the smart home. Eneco is also building on a strong brand internationally, with various parties in different countries. To this end, Toon was positioned as an independent brand in 2017. Toon was already being offered in Belgium. It is now also being offered to households in Spain by our new partner, the energy company Viesgo, since October 2017. In addition, various Toon pilot projects have been started in Germany and the United Kingdom.

New, smart functions have become available for Toon since 2017 that help customers save energy and that offer more comfort and insight. An extra function has been added to Toon that monitors the central heating system. For instance, customers now receive a notification when maintenance is required or the central heating system malfunctions. In addition, they are advised to contact a technician and they are referred to Eneco’s service options. The new Toon app was introduced in December. This app includes a Waste Checker that advises where the customer can save costs by dealing with the energy wasters. Toon also sends customers with a smart meter an interim energy statement. In this manner, they know whether they may have to pay extra or receive a refund when they receive their final energy bill statement. Toon can also advise to revise the monthly energy payment.

**Toon Innovators**

As a result of the campaign about the new services on Toon over 1,500 new Toon Innovators joined. The Innovators group now consists of over 4,300 customers. These are customers who make their Toon data available and that can be approached for research purposes. 1,000 Innovators were already able to test the Toon app in October.
**Toon.nl**

Toon.nl was launched in June. Toon.nl makes it easier for customers to ask all their questions in connection with Toon. The improved online service van Toon.nl should contribute to customer satisfaction.

**Oxxio improves online service**

Oxxio positions itself with low-cost green energy, but it distinguishes itself particularly with its app that makes energy matters simple for the customer. Oxxio’s online service has been improved to such an extent that customers can use the app to handle all service actions and questions. On average, 55,000 unique customers consult the app on a monthly basis. 29% more self-service actions are done with the app than in 2016. With the chatbot in the app - Energybuddy O. - customers can chat with Oxxio 24/7 and receive proactive energy advice. The new app design is visually strong and surprising. With that we entice the target group, the millennial (the price-conscious and internet-minded generation born between 1981 and 2000) to make increasingly better use of the app. Consequently, the app is valued positively by the Oxxio customers with a rating of 3.6 stars for IOS and Android (on a scale from 1 to 5). The app is also constantly being further developed. A pilot project was started at the end of 2017 to expand the insight in the app to insight per device category. In this manner, customers can be helped faster and easier at a time of their own choice.

**Eneco Belgium is a fan of the customer**

Eneco Belgium is known for its excellent customer service. ‘Fan of the customer’ is the company’s motto. Eneco Belgium’s customer service has been awarded five stars by the Flemish Regulator of the Electricity and Gas Market (VREG). Consumers’ Association Test-Aankoop commended their employees’ expertise when providing assistance to customers.

**Customer satisfaction at LichtBlick**

In 2017, Kundenmonitor Deutschland singled out LichtBlick as the energy supplier with the highest customer satisfaction and the best service for the ninth time in a row. The consumer research institute YouGov and the German newspaper Handelsblatt named LichtBlick as the most convincing energy brand of the year for the third year in a row.

**Working on regulations**

LichtBlick is initiating and promoting a number of changes in German regulations regarding energy that support the company’s decentralised and sustainable strategy. Examples include an initiative for customer-friendly labelling of electricity tariffs and the first large-scale project with 3000 tenants in a Berlin district to whom LichtBlick is offering rooftop solar energy. With this, the company initiated a debate about fair regulations for electricity for tenants, which was incorporated in a new law in 2017.

**Services to commercial customers**

This year again, we worked on improving our services by catering to the wishes and needs of commercial customers even better. We did this through closer contact with the customer by listening and entering into a dialogue.

**Improvements**

More commercial contacts were assigned a Dedicated Contact Person in 2017. We work from sector teams. The Dedicated Contact Person is familiar with the customer’s sector and can provide suitable advice for the business operations. In order to make the contact with Eneco Zakelijk (Eneco Business) even easier, we started a pilot with WhatsApp for customers in the hotel and catering industry. If this pilot is
successful, we will make this channel available for other customer groups and we will add additional digital channels.

We have made it possible for customers to pay via iDEAL. It is now also possible to submit the meter reading via the App. Based on the meter readings, an advice is given about the monthly energy payment. Customers can then change their monthly energy payment themselves via the App. We see that our efforts to improve our service contribute to an improvement of the Net Promoter Score and customer satisfaction after contact. Furthermore, we have worked hard on simplifying and computerising part of our processes. As a result, we are better able to cater to our customers’ wishes and are laying the foundation for further digitalisation and self-service.

**New services and products**

We see that customers are increasingly interested in local initiatives for sustainable energy. In order to meet this demand, we now offer Eneco HollandseWind from Amsterdam and Eneco HollandseZon. In this manner, we are helping to make the business community in the Netherlands greener.

With the campaign ‘Let the new world work for your company’, we aim to inspire the business community in the Netherlands to opt for sustainability and new services, examples include electric charging and our HollandseWind and HollandseZon. The newly developed Eneco Energy Compass also helps to attract new customers. This online tool offers SMEs the possibility to determine their next step in increasing their sustainability. We can also use the information that Eneco Zakelijk collects by means of a questionnaire to enrich the customer profiles. This offer opportunities to develop more targeted propositions in the future.

**Growth in data-driven services**

The number of customers with BiedOptimaal grew by 25%. A large number make use of smart data-driven solutions that help to optimise the daily bids on the energy exchange APX. The number of customers with EnergieRadar for long-term energy trading moments increased by 173%.
AgroEnergy successful
The services provided to greenhouse horticulturists grew strongly in 2017. Service revenues doubled compared to the previous year. The number of BiedOptimaal subscriptions rose from 107 to 127. BiedOptimaal ensures that horticulturists automatically place the best possible APX bid. BiedOptimaal is also available for greenhouse horticulturists who have a different energy supplier. The number of customers who use our automatic energy purchasing strategy (EnergieRadar) grew from 8 to 27. In addition, in 2017, AgroEnergy introduced the Energy Savings Plan for Horticulturist and Energy Management, in co-creation with a number of customers. With Energy Management, AgroEnergy takes over practically the whole energy management of customers.

Since the end of 2017, AgroEnergy has a data platform at its disposal with which we can further develop data-driven services quickly and effectively. The first thing to be completed was a new customer profile in the EnergyMonitor, an analysis environment for energy customers.
Client Sources

The customer’s partner

The Netherlands has big ambitions for the further development of sustainable generation capacity. Eneco Group has laid down in its strategy that it aims to contribute to this energy transition by connecting customers to sustainable assets, such as wind, sun and biomass, for the long term. We are developing this generation capacity for and sometimes also with customers. We call this Client Sources.

Client Sources

With the strategic growth domain Client Sources, Eneco can contribute to the realisation of sustainability agreements that companies have committed themselves to. Sometimes driven by agreements that have been made collectively, such as the RE 100 (Renewable 100), sometimes driven by a focus on, for example, a listing in the Dow Jones Sustainability Index. There is a general trend that customers want to know where their electricity comes from. By choosing from existing and new Dutch generation capacity, for example solar parks or wind farms, customers are actually contributing to the growth of sustainable generation capacity. This as opposed to purchasing European Guarantees of Origin (GoO), whereby the output of sustainable generation capacity remains in the country of origin.

Eneco Belgium is a pioneer in involving local residents in setting up wind turbine projects. We have been doing this successfully for a number of years, in part in the form of projects by cooperatives (Campina Energie, Bronsgroen, Energent) and also with bonds (Tivano – wind turbine farm Gouwy). Eneco Belgium was also the first to set up a crowdfunding campaign for a wind farm in Boneffe. This campaign was concluded early after only two weeks due to its huge success. Later, a comparable approach was used for a wind farm in Zeebrugge, in which local residents were given the first opportunity to participate.

Corporate PPA

Long-term contracts that link a customer directly to an asset form the basis of the growth domain Client Sources. Such a contract is called a Corporate PPA (Corporate Power Purchase Agreement). For Corporate PPAs, Eneco mainly targets the Dutch, UK and Belgian markets. In these Corporate PPAs, Eneco and the customer enter into agreements about the customer’s commitment for the purchasing of power from wind farms or solar parks for several years. These can concern agreements regarding the electricity price, the Guarantees of Origin (GoO) or sharing risks connected to the development of a wind or solar park. This offers advantages for both Eneco and the customer.

Advantages for the customer

First of all, the customer contributes to the growth of sustainable generation capacity. A Corporate PPA is also positive for the customer’s reputation and the brand value of their products. With this, customers show what they stand for and create a positive brand experience among their own customer group. An example is the communication of the Dutch railway company NS when reaching the milestone that trains in the Netherlands are running completely on wind energy since 2017.

With the long-term agreements about the purchase of wind and solar energy and about the price and price bandwidth, customers can limit large price differences and the negative consequences thereof. This offers financial advantages to the customer.

The long-term relationship and the knowledge and understanding of each other’s area of business makes it possible for the customer and the market to develop new products and services together to further increase the sustainability of the customer’s (production) chain. Furthermore, the requirements of clients and contractors regarding a company’s sustainable business practices are becoming more and more stringent and Corporate PPAs are also very suitable for this.

Advantages for Eneco

Whether subsidised or not, a multi-year commitment on the part of customers provides a sound foundation to invest in sustainable generation capacity. Multi-year agreements
reduce the risks for the developers of sustainable generation capacity such as Eneco and thus make it easier to attract external funding for new projects. This flywheel effect is crucial in order to contribute to the sustainability goals of the Netherlands.

**Multi-year partnership**

In a Corporate PPA, a customer enters into an agreement to purchase electricity for a period of 5 to 15 years. We examine for each customer individually which structure is most suitable given the customer’s strategy. These are intensive projects, in which various disciplines of both organisations are actively involved.

We build up a long-term partnership with the customers with which we conclude a Corporate PPA. Together, we determine how the customer can create added value with the multi-year commitment to a wind or solar park. We determine a growth path together to a 100% sustainable energy supply, making use of Eneco’s innovative products and services that contribute to the company’s energy transition and that reduce the volatility of the energy grid through the growing share in sustainable generation capacity.

The leading companies in the Dutch market with which we have entered into Corporate PPA’s are important for the energy transitions. They play a role in further increasing the sustainability of their sector value chain. Together with these customers, Eneco is looking into how other parties can be involved in further increasing sustainability. A good example is the collaboration with Heineken in Zoeterwoude where four Eneco wind turbines are located. They form a good basis for Eneco to work together with Heineken in the collaboration The Green Corridor (together with other companies and institutions) on CO₂-neutral transport in the logistic chain between the brewery in Zoeterwoude and the Rotterdam harbour. Eneco’s contribution comprises new sustainable local generation capacity and the joint assessment of the feasibility of the business model for possible emission-free fuels such as electricity (in batteries) or hydrogen (in fuel cells).

**Results**

Eneco has already concluded contracts in the Netherlands with, for example, the Dutch railway company NS, Fuji and Unilever. Contracts have been concluded in the United Kingdom with Honda, Heineken and Mars. We have further developed the strategic growth domain Client Sources in 2017 together with our customers. In 2017, Eneco concluded contracts with Google, the municipality of The Hague, KPN and Schiphol Group. Consultations are taking place with a number of interested customers in the Netherlands, Belgium and the United Kingdom, both in the corporate and the public sector. With this, Eneco has set a clear trend as a result of which more and more companies and public institutions are becoming interested in a Corporate PPA.

**Development of Client Sources**

The knowledge that has been gained with the largest companies (in the Netherlands, Belgium and the United Kingdom) will be used to develop products and services in 2018 for smaller companies which will also involve visibly and recognisably connecting these companies to specific sustainable generation capacity. In this manner, Client Sources will become available for the whole commercial market and will contribute to the energy transition in the Netherlands.

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**Google**

Google’s data centre in Delfzijl purchases the total output of the solar park Sunport.

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**The municipality of The Hague**

Purchase contract for 15 years for the electricity demand of the municipality of The Hague from local, existing and new energy sources in the Netherlands.

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**KPN**

Purchase contract for 10 years for electricity from wind farms in the North Sea.

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**Schiphol Group**

Purchase contract for 15 years for airports in Amsterdam, Rotterdam, Eindhoven and Lelystad, initially for wind energy from existing Dutch wind farms and as from 2020 for 100% from newly constructed wind farms.
Growth and increasing sustainability of heating and cooling

Eneco is actively contributing to the transition from gas to other heating sources in the Netherlands. The objective is to show to all stakeholders that heating can be a realistic alternative, depending on the situation in each district. Eneco is involved in this transition on various levels, at provinces, municipalities and housing corporations.

Heating transition
As a participant in the Warmtealliantie Zuid-Holland (Heating Alliance Zuid-Holland), Eneco has expressed its commitment to the Warmterotonde (Heating Circle) and an open thermal transport network. Our preparations for the installation of a new main transport pipeline from Rotterdam to The Hague is in line with the alliance’s plans. We worked hard in 2017 on the plans for the installation in close cooperation with the six municipalities involved. A draft preferred course will be further elaborated in 2018. We also participate in the Geothermal alliance, in which we work on harvesting geothermal energy in the province of Zuid-Holland.

Increasing the sustainability of heating grids
Eneco began the construction of a bio-thermal installation on the industrial estate Lage Weide in September 2017. This installation will supply sustainable heating to our heating customers in Utrecht and Nieuwegein as from the beginning of 2019. This is the first major step for Eneco on the route to more sustainable district heating in Utrecht. Pilots are running in Ypenburg and Utrecht for reducing the temperature and making the heating grids smarter. In this manner, the grid become more efficient and thus more sustainable without customers having to relinquish comfort.

We are also working together with parties on the development of sustainable heating concepts as an alternative to heating with natural gas. We signed a letter of intent with housing corporation Portaal to assess the feasibility of zero-energy high-rise apartment buildings with district heating in Utrecht Overvecht.

Hoogheemraadschap van Delfland, Delfluent Services and Eneco are going to examine together whether the residual heat that is released in the fermentation of sludge can be used to heat a nearby residential area. The treatment plant can supply over 60% of the heating requirement of the district Harnaschpolder.

Renovation projects in collaboration with housing corporations have also been completed. For instance, four apartment buildings were converted from natural gas to district heating together with Woonstad Rotterdam.

Growth of the number of heating users
Eneco concluded various agreements again in 2017 for heating projects, such as Florence Nightingale (The Hague), Hoog Catharijne (Utrecht) and The View (Rotterdam). The execution will take place in 2018 and 2019.

Around 5000 new equivalent dwelling units (EDUs) were realised in total in 2017, divided over homes, shops, and office and industrial buildings. One equivalent dwelling unit (1 EDU) stands for the average energy consumption per dwelling, about 29 GJ per year. An office building consumes a multiple thereof. We use EDU as a unit of measurement to be able to add together the consumption of homes and offices.

Reliability of supply in order
We monitor the heating sources and grids as well as all Eneco wind turbine farms via our operations control centre. The monitoring of the pilot project with floating solar panels in the Slufter on the Maasvlakte was added to this in 2017.

The reliability of supply is in order operationally also due to structural improvements of the main transport grid in Utrecht. In addition, leaks are detected with innovative technologies such as thermal air photography and the ‘smart ball’, a ball with leak detection based on sonar which is inserted into the pipeline and transmits its position via GSM. The heating grid is also becoming smarter, to start with by collecting consumption data and steering data in the district Ypenburg to optimise operations.
Individual heating solutions
Eneco is contributing to speeding up the process of getting rid of gas in homes while maintaining comfort. In addition to collective solutions, Eneco also offers individual solutions, such as the HeatWinner which Eneco developed together with Inventum. We also participated in various pilots in 2017 for electric solutions to heat homes, including with the start-up Nerdalize.

Sustainable production and capacity
Eneco Group is developing assets with our customers as the central focal point. To this end, we invest in the growth of sustainable production via wind farms and solar and biomass power plants as well as in innovative technologies to accelerate this growth.

We involve our customers in these developments to the greatest extent possible: as consumers, as co-developers, as suppliers, as shareholders and as participants. We choose to develop our means of production in the Netherlands and abroad in direct connection with our customers and the local environment.

Sustainable production and supply
Eneco Group supplies sustainable energy which it produces itself and which it purchases from other producers. The share of sustainable energy from its own production and purchase contracts in the total supply of electricity amounted to 28% in 2017 excluding the acquisitions in Belgium and Germany. This is in line with 2016.

The total sustainable capacity and production in 2017 remained practically on the same level. Within this total capacity, the own sustainable production capacity increased by 7% to 1.1 GW, whereas the share of Power Purchase Agreements (PPAs) with other owners of sustainable capacity decreased by 8% to 1.0 GW. In addition, our biomass power plant Bio Golden Raand also produces sustainable steam since 2017 as well as sustainable electricity. This does lead to a higher efficiency; however, it is not taken into account in this index.

The acquisition in 2017 of the wind activities of De Wolff Verenigde Bedrijven, which added 17 wind farms to our portfolio, contributed to the increase of our own sustainable capacity in the Netherlands. Our own sustainable capacity was also increased in Belgium and the United Kingdom due to...
to a number of new solar parks. This growth in own capacity was offset by a decrease in PPAs for offshore wind energy in the Netherlands.

The financial close of Norther, the largest offshore Belgian wind farm, took place at the end of 2016. Norther will eventually consist of 44 MHI Vestas 8.4 MW wind turbines. The maximum total capacity will be 370 MW. The wind farm will be located 23 kilometres off the coast, between Oostende and Zeebrugge. Construction is scheduled to start in the spring of 2018. As from the summer of 2019, the wind farm will produce energy for about 400,000 households. Eneco Group owns half of the park together with Diamond Generating Europe (part of Mitsubishi Corporation) via a 50/50 joint venture. The other 50% is owned by partner Elicio.

### Delivery of energy

<table>
<thead>
<tr>
<th>TWh</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>21.5</td>
<td>17.0</td>
</tr>
<tr>
<td>Gas</td>
<td>45.3</td>
<td>40.8</td>
</tr>
<tr>
<td>Heating</td>
<td>2.8</td>
<td>2.9</td>
</tr>
<tr>
<td>Total</td>
<td>69.6</td>
<td>60.7</td>
</tr>
</tbody>
</table>

The growth in the delivery of electricity and gas was mainly realised by our acquisitions in Belgium and Germany. As a result of the increase in the delivery volume, the share of sustainable electricity including these acquisitions decreased to 23%.

### Produced (GWh)

<table>
<thead>
<tr>
<th>Produced (GWh)</th>
<th>Total</th>
<th>NL</th>
<th>B</th>
<th>UK</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biomass</td>
<td>233</td>
<td>468</td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Solar</td>
<td>136</td>
<td>70</td>
<td>39</td>
<td>4</td>
<td>54</td>
</tr>
<tr>
<td>Hydro power</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Wind onshore</td>
<td>2,943</td>
<td>2,767</td>
<td>1,950</td>
<td>1,850</td>
<td>556</td>
</tr>
<tr>
<td>Wind offshore</td>
<td>1,523</td>
<td>1,472</td>
<td>957</td>
<td>923</td>
<td>566</td>
</tr>
<tr>
<td>Subtotal sustainable</td>
<td>4,837</td>
<td>4,778</td>
<td>3,179</td>
<td>3,244</td>
<td>1,176</td>
</tr>
<tr>
<td>Conventional</td>
<td>3,380</td>
<td>3,109</td>
<td>3,380</td>
<td>3,109</td>
<td>-</td>
</tr>
<tr>
<td>Cogeneration</td>
<td>2,114</td>
<td>2,152</td>
<td>2,114</td>
<td>2,152</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>10,331</td>
<td>10,039</td>
<td>8,673</td>
<td>8,505</td>
<td>1,176</td>
</tr>
</tbody>
</table>

1) including purchased production.

### Production capacity (MW)

<table>
<thead>
<tr>
<th>Production capacity (MW)</th>
<th>Total</th>
<th>NL</th>
<th>B</th>
<th>UK</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biomass</td>
<td>54</td>
<td>57</td>
<td>54</td>
<td>56</td>
<td>-</td>
</tr>
<tr>
<td>Solar</td>
<td>212</td>
<td>79</td>
<td>105</td>
<td>4</td>
<td>60</td>
</tr>
<tr>
<td>Hydro power</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Wind onshore</td>
<td>1,343</td>
<td>1,488</td>
<td>878</td>
<td>1,022</td>
<td>271</td>
</tr>
<tr>
<td>Wind offshore</td>
<td>427</td>
<td>427</td>
<td>249</td>
<td>249</td>
<td>178</td>
</tr>
<tr>
<td>Subtotal sustainable</td>
<td>2,036</td>
<td>2,051</td>
<td>1,286</td>
<td>1,331</td>
<td>509</td>
</tr>
<tr>
<td>Conventional</td>
<td>522</td>
<td>560</td>
<td>522</td>
<td>560</td>
<td>-</td>
</tr>
<tr>
<td>Cogeneration</td>
<td>507</td>
<td>507</td>
<td>507</td>
<td>507</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>3,065</td>
<td>3,118</td>
<td>2,315</td>
<td>2,398</td>
<td>509</td>
</tr>
</tbody>
</table>

2) including controlled capacity third parties.
Smart Sustainable Solutions

New products and services

Innovation is essential in our transformation from energy supplier to energy partner. We are focusing on five promising areas in which we are developing products and services: Smart Home, E-mobility, Smart Outdoor, Smart Buildings and Flex Services.

For and by customers

With our Smart Sustainable Solutions, we are transforming from energy supplier into energy partner. We are helping customers participate in the energy transition by making it easy and keeping the entry price affordable. We provide smart services and unburden our customers. The more we expand our smart services package, the more relevant we are and remain for our customers.

Eneco Group believes in an open collaboration and co-creation with customers, ventures, partners, employees and other parties that make use of technology and creativity to make tomorrow’s smart energy solutions already available today.

Smart Home

Toon

Toon is the developer of Toon, the smart thermostat that provides insight into energy consumption. Toon also shows which appliances and devices consume a lot of energy. This makes it easier to save energy.

Next year, we will focus on the further development of smart energy services, such as the Waste Checker, and on the simplification of the communication between Toon and its users. In addition, Toon is expanding its scope from smart energy to smart living, to start with by developing security solutions for at home together with insurance companies.

HeatWinner

Eneco Group introduced the HeatWinner in 2016, a compact pump that recovers energy from warm (ventilation) air and uses this to heat up the water in the central heating system. The HeatWinner was developed in collaboration with Inventum, which also provides for the production. Around 13,000 interested customers registered in the beginning of 2016 and 100 pioneers began testing the HeatWinner at the end of 2016. This test phase showed that use of the HeatWinner resulted in gas consumption savings and created a healthier climate in the homes of these pioneers. However, cost savings did differ considerably per household due to various individual factors. Therefore, the savings appear to be lower than we had expected beforehand. All sorts of improvements are being made to the product in order to realise higher saving for more users. Consequently, the pioneer period was extended in 2017 by a few months. The first HeatWinners were sold at the end of 2017 based on pre-registration.

As the HeatWinner saves gas, can easily be employed in the Dutch housing market and the market for water pumps is growing, we have confidence in the future. Therefore, we will

Living Lab Scheveningen

The municipality of The Hague and Eneco Group launch Living Lab Scheveningen. Smart lampposts (Smart City Hubs) play and important role in this. Various services and applications will contribute to a safer and more attractive Scheveningen.
continue to invest in the HeatWinner and we will continue with the step-by-step roll-out of the product.

**Eneco products on the German market**
LichtBlick and Eneco will continue to develop innovative energy products and services together for retail and commercial customers, such as the potential for the expansion of Toon on the German market and the integration of SchwarmEnergie functions in Smart Home. Our experience in the consumer market for energy and the business processes that are suitable for consumer transactions form the basis for the development of new services under the brand SchwarmEnergie to contribute to the energy transition in Germany. Eneco and LichtBlick have started a number of initiatives together for the international roll-out of products and services, such as Toon and CrowdNett.

**SchwarmDirigent and SchwarmBatterie**
The cornerstone of LichtBlick’s innovation is its own IT platform SchwarmDirigent for decentralised production, storage and consumption of energy that LichtBlick aims to market as the leading solution.

LichtBlick provided intelligent solar batteries produced by its partners Fronius and Sonnen under the name SchwarmBatterie to retail customers, with the objective of introducing the batteries to a broader market. A collaboration has also been set up with Viebrockhaus, an innovative manufacturer of prefab houses.

Furthermore, LichtBlick has started projects to develop SchwarmEnergie services. The company installed the first Tesla Powerpack in Germany at a food supply company to look into the commercial options for handling peaks. A three-year government-subsidised intelligent housing project was also completed. The local energy supply has been optimised in the SchwarmHaus via an integrated system, solar panels, storage and electric cars, operated by the IT platform SchwarmDirigent.

**E-Mobility**
**Eneco Electric Charging**
Eneco has had an excellent year with the proposition Electric Charging. We were able to realise a growth of 38% of the number of charging stations and 25% of the number of charging cards. Taking into account the moderate growth of the Dutch electric vehicle fleet of 7% in 2017 (due to the termination of subsidy for the Plug-in Hybrid), this is a very promising development. This positive growth was also achieved due to the fact that many small and larger companies (including offices, parking garages and hotels) regard Eneco as an important partner in the transition to electric transport. In addition, the business unit has built up a strong partner relationship with lease companies and car importers.

**Eneco e-drive**
The Belgian electric charging label has had a good year. The Eneco charging stations in Belgium delivered electricity for 3.3 million car kilometres in 2017, which is an absolute record. This is nearly five times as much as in 2015. In 2017, the total revenue from charging services rose by 125%, the number of charging stations rose by 105% and the number of charging cards rose by 106%. This is a good result compared with the 90% growth of the total Belgian electric vehicle fleet. This strong increase was not only due to the increase in the number of charging stations, existing charging stations were also used more intensively. With its innovative one-stop-shop formula, Eneco is building up a strong position in Belgium.

**Internationalisation**
In order to keep up in the electric charging market, we have to progressively enter, learn and take rapid steps in the internationalisation process. For this reason, Eneco eMobility will be further strengthened in 2018 and positioned as an independent internationally-oriented business unit. For instance, we will offer Eneco’s electric charging propositions in Germany as well as in Belgium and the Netherlands. The business unit electric transport (e-drive) at Eneco Belgium will be coordinated from within Eneco eMobility as from January 2018. This will enable optimal use of the systems, IT and existing knowledge and will increase the sales volume.
Smart Outdoor
Luminext
Luminext offers solutions for the smart management and operation of public lighting. This enables municipalities, provinces and companies to save energy and costs and reduce CO₂ emissions and air pollution. By only lighting when it is necessary and by turning down the lighting as soon as this is possible, a sustainable and attractive outdoor space is created. Luminext improved the safety on the Leidseplein in Amsterdam in 2017 with smart emergency lighting. Luminext installed dynamic lighting in the cities of Hengelo and Leeuwarden and took its first steps on the industrial market with the large project at Chemelot in Geleen.

Living Lab Scheveningen
Living Lab Scheveningen is a public-private Smart City collaboration. The aim of the Smart City concept is to make cities smarter in order to improve the quality of life, accessibility, safety and economic climate. The municipality of The Hague and Eneco also participate in this project. The agreement for this was signed between the municipality and Eneco Group in 2017. The objective is to transform the lampposts into ‘smart city hubs’. These are objects that also accommodate other technology in the street in addition to lighting. This makes it possible for all sorts of companies to offer services. For example, charging an electric car, collecting air quality data, camera supervision for emergency services and 5G mobile communications. The hubs are equipped with energy-efficient public lighting. Eneco acts as the project manager and operates the smart city hubs.

Smart Buildings
With a share of nearly 30%, the commercial built environment has a large share in the total CO₂ emissions in the Netherlands. This is why we focus on the development of products and services within the domain Smart Buildings that help the business sector to reduce these emissions in order to thus accelerate the energy transition. Insight in and monitoring of the energy consumption is a first step in this process. This resulted in the phased introduction of two insight and monitoring services for the commercial market in 2017. Eneco InZicht (Eneco InSight) saves time and offers facility managers the possibility to monitor the energy consumption data of their building portfolios. The total potential of this services is estimated at over 65 million m² of the commercial built environment.

The Eneco MonitoringsReport — developed based on the software of our partner Simaxx — gives customers insight into the performance of building installations so that they can comply with existing laws and regulations. This reporting tool is applicable for over 100 million m² of the commercial built environment. We will be working with Simaxx on new propositions in 2018 with which we will be able to further increase the comfort in buildings and reduce emissions. In the first quarter of 2018, we will respond to our customers’ growing need to comply with energy laws and regulations by launching a service with which we will provide advice to customers about how to comply with these laws and regulations.

Flex services
The production of sustainable energy is growing enormously. Eneco Group is trying to bring the energy system into balance together with partners and customers. We are developing services that align the demand of energy consumers with the supply of sustainable energy. For example, by reducing peaks in energy consumption or by ensuring that sustainably generated energy is stored and is only used at the time that it is necessary. This not only results in costs savings, it also ensure that the energy grid has to rely less and less on fossil energy as a back-up.

For instance, in AgroEnergy, we work together with horticulturists who have a flexible installation and energy consumption and energy generation is planned on a daily basis based on supply and demand on the energy market. With this, we contribute to balancing the energy grid with sustainable energy together with horticulturists and horticulturists are able to procure their energy at the best price. Together with its partners Peeeks and Inventum, Eneco also developed a smart electric boiler in 2017 that makes use of excess green energy for heating. This smart heating not only leads to more efficient use of sustainable energy; consumers are also able to save on their energy bill.
Jedlix
Jedlix is the smart app for charging electric cars based on differences between production and consumption of sustainable energy. By choosing the optimal charging moments, the amount of sustainable energy in the mix is greater. Jedlix charges the car when the prices of sustainable energy are the lowest. The advantage is shared with the consumer. Renault acquired a 25% stake in Jedlix in November 2017. Jedlix won the prestigious Energy App Award during the international energy and IT fair E-world in February 2017 in Essen in Germany.

Jedlix for smart charging is available for a limited number of brands. This will change due to the combination with Eneco Electric Charging. We worked hard in 2017 on being able to offer smart charging independent of the brand of electric car. This service will be developed further in 2018.

CrowdNett
With CrowdNett, customers use a home battery to store the solar energy that they themselves have generated. This battery is connected to a network of home batteries. The network can mitigate the fluctuations of the national electricity grid with the collectively stored solar energy. As a result, in the event of an imbalance, the collectively generated solar energy can be used as a back-up instead of coal-fired power plants. Eneco offers various types of home batteries as part of CrowdNett: the Tesla Powerwall and two types of LG Chem home batteries. Eneco started working together with solar panel supplier Zonneplan in 2017 in order to be able to offer customers a total package of CrowdNett home batteries plus solar panels. In December 2017, the first refunds were paid to CrowdNetters who have been using the system for a year. The sale of Tesla Powerwall 2, an improved home battery, started at the end of 2017. Eneco is the exclusive supplier in the Netherlands.
New ventures

We are investing in companies and start-ups in the Netherlands and abroad that have the same focus on sustainable energy as Eneco Group does. A number of new participations joined our group of innovative companies in 2017. The reason that we are investing in particular in these companies is because they help us to transform faster by working together closely with various Eneco Group business units. In this manner, we bring together innovative entrepreneurship and Eneco Group’s strong existing market position.

Next Kraftwerke

In May 2017, Eneco Group acquired an interest in Next Kraftwerke, operator of one of the largest virtual power plants in Europe. Next Kraftwerke, founded in 2009 in Cologne, is one of the largest independent digital ‘aggregators’ of sustainable energy in Europe and is one of Europe’s fastest growing companies according to the Financial Times. It is expanding its activities to Austria, Switzerland, Poland, France, Italy, Belgium and the Netherlands. Our investment enables the further expansion and contributes to the joint ambition of Eneco Group and Next Kraftwerke to accelerate the energy transition.

Thermondo

Thermondo is a German start-up that sells and installs heating installations for retail customers. Thermondo has been pioneering since it started in 2012 with digital customer contact, customer processes and smart energy services. For instance, it has developed software to optimise the energy consumption of individual households. Thermondo is known as an innovative and disruptive player in the relatively traditional market for heating installations. Eneco Group has a minority interest in this company.

ONZO

ONZO in London has developed a platform that analyses the energy consumption of household appliances based on data from smart meters and connected appliances. Energy companies worldwide make use of these insights to offer their customers personalised services via an app, such as energy saving tips (‘Replace your old refrigerator with a more energy-efficient refrigerator’).
Employee engagement

Putting people first

Our employees carry out our sustainable mission. In order to do this as optimally as possible, they work in an open dialogue, with customised tools and in a renewed organisation on the changing energy landscape.

With our redefined mission ‘everyone’s sustainable energy’ we have placed a new mark on the horizon. Our organisation structure, culture and partnerships must be directed at giving customers control over their own energy supply. Or rather, giving people control. In addition to the customer, our internal and external staff and partners are also people who are connected to Eneco for a shorter or longer period. We aim to facilitate all of these people optimally to provide a useful contribution to our sustainable mission in this period. As a result, we are looking for partnerships and structures that support this more than ever. We want to be less and less of a hierarchical organisation and more and more of a network organisation with clear structures and goals in which people are the central focal point.

Focus with strategic alignment

We have been working towards alignment within Eneco Group for a number of years: are all employees sufficiently strategically aligned to realise our mission and strategy? In order to make progress, it is important to focus on the right mission, cultural values, strategic objectives and choices. This is why we measure strategic alignment every year via our annual employee survey. A new survey method was used in 2017 and therefore the results are not comparable to the results of previous years. Previous surveys had a thermometer function, the current more extensive survey offers concrete points of departure for a strategic dialogue.

In the 2017 survey, we asked our colleagues to indicate their choices and priorities with regard to the question: what do we stand for as Eneco Group? The objective was to check whether teams within our organisation strive for the same values that we strive for as an organisation. The alignment score on universal values amounted to 78%. With this score, we achieved our target of at least 75%. That means that employees are very aware of what we stand for.

We paid extra attention in 2017 to our mission and cultural values. We introduced our redefined mission ‘Everyone’s sustainable energy’ (instead of sustainable energy for everyone) during the launch in February of the new, unbundled Eneco Group. We did this in a live event at all our locations in the Netherlands and abroad, supported with a leaflet sent to our employees’ home address, a video report on our Intranet and a communication campaign setting out the added value that we provide for customers, suppliers, shareholders, etc.

We introduced six change areas in the fall, in which we plan to implement the culture that we aim for. The change process is supervised by change agents who we have trained ourselves. And we also employ influencers (employees who have been designated by colleagues as persons who can bring about change) for the bottom-up change process.

In order to increase alignment on values, strategic objectives and choices, we have to invest in a number of things in 2018 according to the survey. First of all, it is important that the senior management determines the strategic objectives for the whole Eneco Group and that it defines the accompanying strategic choices. The objectives and choices should then be made concrete so that they can be implemented in the day-to-day work. In order to achieve a higher alignment, it is important that teams work together well so that less competition is experienced between teams. It is also important that employees feel safe enough in their teams to be able to voice their opinions. Vulnerability on the part of the manager is essential in this respect.
Performance dialogue

The basis of our performance management is a constant dialogue directed at stating clear expectations and a direction, and at the motivation and development of employees. Therefore, we do not have a real fixed structure: no standard salary increase for a standard performance conclusion, no four- or five-point scale and no fixed percentage of employees who may perform above or below average. But a straightforward dialogue about whether the employee has performed well or has not performed well enough.

The method of questioning with regard to the satisfaction about the performance dialogue was changed this year in connection with the new survey and therefore the score cannot be compared directly with the score over 2016. In 2016, 70% indicated that they had conducted a good dialogue. This year, 66% of our employees indicated that their performance had been discussed sufficiently. A decrease that provides a reason to examine this matter more closely and forms a new incentive to continue to conduct this dialogue.

An important part of the performance dialogue is the question: ‘where does my strength lie’. Eneco Group believes that everyone has talent. In order to increase the focus on everyone’s talent the talent philosophy was redefined as ‘Talent for all’.

A logical next step is to not only have ‘the good dialogue’ and feedback on talents and development take place between manager and employee, but to also stimulate this between other people. These people do not necessarily only have to be colleagues. In this manner, we can establish a culture in which giving each other feedback and constant learning is a matter of course.

In transformation

The realisation of strategic objectives depends largely on the competencies and employability of management and employees, the organisation structure and forms of collaboration. In order to be able to quickly capitalise on innovations, changes and disruptions in the market a new governance model has been introduced in which multidisciplinary teams take strategic decisions based on expertise. In this manner, we can take decisions at the same time in several areas and that makes us quick and agile.

In 2017, Eneco Group opted for the working methods Agile Scrum (iterative completion of products), Lean Six Sigma (reducing unnecessary work) and Lean Start-up (validated learning from customer feedback). We lay down our objectives and KPIs for the whole Eneco Group centrally in an improved, structured process. Self-organising, multidisciplinary teams determine themselves how they intend to achieve these objectives. Managers give trust, inspire and leave room for experimenting.

Competencies

All the changes mentioned are continuous and are following one another faster and faster. This demands leaders that give direction to transforming and innovating. The coaching of teams to deliver an excellent performance for customers is essential. Eneco supports managers in their personal development, for example with the Leading Acceleration in Business programme (LAB) for individual development and the development of collective leadership. 21 Future Leaders also started. These are talented leaders from other sectors, who, with their fresh perspective, are able to bring about change to accelerate the realisation of our strategy.

Diversity

We continue to strive for diversity. Balanced teams help us to fulfil our mission and to connect as broadly as possible with our customers and our environment. Therefore, when hiring new employees, we focus on diversity in background and personality and on a good ratio between the number of men and women. In percentages, Eneco Group hires more women than the number of job applicants. For instance, only 30% of the job applicants are women; however, Eneco Group hires 42% women for jobs higher than job classification 9. More women complete the selection rounds
than you would expect based on the number of job applicants. As a result, in 2017, women accounted for 39% of the total population of new employees. By establishing a Strategic Board in addition to the Board of Management, diversity has also increased at the highest level.

**Vitality**

Eneco Group aims to ensure that all employees can make optimal use of their talents in a safe and ambitious working environment. As an employee you are in control of your own energy supply to contribute to our mission ‘everyone’s sustainable energy’ successfully and enjoyably. In order to increase the vitality of employees and to prevent absenteeism, prevention employees were appointed last year and absenteeism was organised as a separate area of expertise within the HR organisation to provide support to managers and employees in this area.

**LichtBlick recognised as best employer**

LichtBlick won various awards for best employer, including that of Hamburg. This award assesses the employer qualities of Hamburg companies through the eyes of the public. LichtBlick was nominated a MINT Minded Company for the second time in a row. This award recognises the encouragement of MINT junior management, MINT talents and MINT specialists. (MINT stands for mathematics, informatics, natural sciences and technology or STEM: science, technology, engineering and mathematics). Furthermore, Kienbaum Consulting and the business magazine Capital regard LichtBlick as the leading German company in providing a healthy, sustainable, and fair working environment and excellent employment conditions.

**Modern employee participation**

Employee participation in the decision-making process is important within Eneco Group. We also do this ‘together’ and in a modern way.

**Members, role profiles and theme groups**

Each business unit has a works council from which representatives are chosen for the Central Works Council. Modern employee participation means that the works councils and Central Works Council have a limited number of core members supplemented with theme groups, and that a member has a seat on the works council for only a few terms. We work with specific role profiles in which we lay down what we expect from a works council member, and we also place a strong focus on the development of members of the works councils. In advice procedures, we make use of theme groups that consist of a number of members of the works councils supplemented with employees with a specific expertise.

**Involvement at an early stage**

The essence of modern employee participation is that the management involves their works councils at an early stage. Thus, a shared understanding of the problem or the opportunity is reached. We examine the various options and the best choices together. As a result, employee participation procedures are completed a lot faster. We take better decisions and there is wider support for a decision.

**Themes**

In 2017, the works councils were involved in all important themes within their own business units, such as
reorganisations. The Central Works Council, which works together with the Board of Management of Eneco Group, focused in 2017 on the unbundling, the question whether our shareholders would sell their interest in Eneco, major investments, changes in the organisation that concern more than one business unit and employment conditions. The Central Works Council worked together with the management of Eneco Group on continuous changes within the company. We are increasingly opting for gradualism instead of large-scale reorganisations that demand a lot of the organisation and generally take a long time. In this manner, we can focus more on what it is about: on our customers and on the realisation of our strategy.

Safety & Security

Safety in the broadest sense of the word has priority within Eneco every year. We are taking various measures in order to improve our performance in this area.

Safety

The cooperation between and with the various business units in the area of safety has been further strengthened this year. We have a group-wide approach to prevent accidents by increasing the safety awareness in the workplace. A lot of attention is paid to the prevention of accidents in the form of training sessions, toolboxes and exemplary behaviour on the part of managers and supervisors. We have increased the number of inspections at our projects and improved the quality of these inspections. 921 inspections were held in 2017 compared with 611 in 2016. The discussions about safety in the workplace have a positive effect on the safety awareness of the whole organisation. The number of incident reports is increasing, which enables us to intervene effectively in the event of dangerous situations. We are constantly discussing safety with contractors at the site, in workshops and also in the boardroom.

Concrete improvement measures have been implemented based on an analysis of the causes of incidents, including with regard to working at heights, working with hazardous materials and dealing with aggression. These measures have contributed to achieving a safety score (RIF1) of 0.40 in the financial year 2017, compared with a target of a maximum of 0.96.

We aim for a proactive attitude to working safely within our organisation, instead of a calculated attitude with regard to high risk work. The baseline assessment in August 2017 at Bio Golden Raand showed that we are at step 3 of the NEN Safety Culture ladder. We are on our way to step 4 with concrete improvement measures.

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1 Recordable Incident Frequency: this is a number in which the safety performance of a company is expressed. The RIF is the ratio of the number of work-related accidents to the actual productive hours multiplied by 200,000 during a year.
Security
A number of security measures demands a group-wide approach within Eneco Group. Internet security is an example of this. We participated in a large-scale incident simulation exercise with the government and other organisations to practise responding to a cyber attack against the vital infrastructure in the Netherlands. Over 40 learning points were translated into improvements for Eneco Group. Another example of cooperation was the drafting of an aggression protocol that was implemented at the Consumers and Eneco Installation Companies (EIB) departments. We teach our employees how to deal better with aggressive customers (see Risk management (page 51)).

Crisis organisation
Eneco Group aims to control strategic and operational risk by means of risk management (see Risk management (page 51)). However, should a crisis occur, then it is important to restore the continuity of the organisation as well and as fast as possible. Therefore, the crisis organisation of the Eneco Group was strongly professionalised in 2017. 15 crisis team drills were carried out and around 30 incident or emergency response drills. Employees with assigned roles in the crisis organisation have been trained and we have purchased modern tools to support decision-making in crisis situations.

A number of crises were managed successfully via the crisis organisation. Eneco Group was confronted with a ransomware attack in February. This crisis was resolved within 36 hours, including the back-up recovery that we carried out and the extra control activities. No further damage was sustained. Asbestos was discovered in October in the blasting grit that was used at our location Vijfwal in Houten. Later, it turned out that contaminated grit had also been used at a wind farm. All necessary control measures were taken.
Risks
Risk management

Management and control

Risk management contributes to realising our strategic objectives in a responsible manner. With our risk policy, we carefully weigh which risks Eneco Group is running, which control measures we should implement to counter these risks and we assess the effectiveness of these measures.

Governance

The Board of Management is responsible for the risk management of the whole Group. Our risk management is based on the three lines of defence model. This structure ensures that we follow the current good practices with regard to risk management. The Board of Management has delegated the execution of risk management primarily to the directors of the business units (i.e. the first line of defence). Business Control and staff/functional areas such as compliance and security support the business units from the second line of defence. The Group Risk Management department is also part of the second line of defence and translates policy into guidelines and coordinates the risk management process. The Internal Audit function (third line of defence) conducts independent audits and reports the results to the Board of Management and the Audit Committee of the Supervisory Board.

The directors of the business units discuss their risks, risk estimates and the status of measures directed at mitigating and controlling these risk every quarter. The most important risks and measures are reported to the responsible portfolio holder in the Board of Management every quarter in the Business Unit Review. These are consolidated and reported to the Board of Management and the Audit Committee.

The Audit Committee supervises the adequate functioning of the risk management activities. We have laid down the risk limits on a company level in various concrete policy statements, codes and guidelines in areas such as safety, trading mandates, authorisations and conduct. In addition to the quarterly reports, a number of risk management topics were given more specific attention in the Audit Committee in 2017. These topics included the investments in Eni and LichtBlick, an update of the Treasury Charter, the financing requirement in relation to the rating of Eneco Group after the unbundling and cyber security.

Risk and performance management framework

1. Strategic Framework
   - Strategic Framework Strategic KPIs
   - Risk and performance management framework
2. Financial-Strategic Projections ‘FSP’
   - Projected realisation strategic objectives
   - Projected financial results
   - Projected credit rating ratios
3. Risk & control assessment
   - Gross risk assessment (risk register)
   - Specification of controls
   - Assessment of potential impact of risks on financial-strategic projections
4. Risk management & monitoring
   - Mitigating measures and follow-up
   - Reporting of net risk and monitoring at all levels
   - Determine acceptability of risks
Risk and performance management framework

We use the internal Eneco control and risk management system (ECRS), that is based on the COSO ERM framework, the worldwide standard for Enterprise Risk Management. The ECRS comprises a systematic approach for risk assessment, a set of control measures and a self-assessment method with which the management of the business units can determine whether the control measures are effective.

Risk management is an iterative and continuous process and is part of the regular Business Planning Cycle. The business units carry out a thorough analysis of the threats and opportunities at least once a year. For each significant risk, we determine what the possible impact could be on the risk categories Financial, Reputation, Integrity and Safety. We implement control measures that reduce individual risks and by means of financial-strategic projections supported by sensitivity analyses, including single-event stress tests and VaR analyses for the total of all business risks. Risk management systems have been set up on all levels of the organisation which contain specific risk-mitigating measures.

Risk tolerance

Our risk tolerance is divided into risk categories, as defined within Eneco Group:

<table>
<thead>
<tr>
<th>Safety</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Injury with alternative work</td>
<td>Injury with absenteeism or hospitalisation</td>
<td>One or more fatalities</td>
<td></td>
</tr>
<tr>
<td>Integrity &amp; Compliance</td>
<td>No/limited fraud possibilities</td>
<td>Incidental fraud possible</td>
<td>Large-scale fraud possible</td>
</tr>
<tr>
<td>Financial</td>
<td>&lt; €1 million</td>
<td>&gt; €1 million</td>
<td>&gt; €10 million</td>
</tr>
<tr>
<td>Reputation &amp; Quality</td>
<td>Limited negative image among stakeholders</td>
<td>Decrease in confidence among stakeholders</td>
<td>Structural damage among stakeholders</td>
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</tbody>
</table>

Risk categories

- **Safety**: A lot of attention is paid to safety within Eneco and our risk tolerance is very low. We regard serious incidents (hospitalisation, fatal accidents) as unacceptable.

- **Integrity & Compliance**: The management has a zero-tolerance policy with regard to integrity and compliance risks.

- **Financial**: Our risk tolerance is low in general; however, sometimes we have to ‘accept’ a higher financial impact for a risk because the possibility to mitigate this risk is limited (for example the weather risk). In addition, we consciously opt for a higher risk profile in specific areas, such as innovation and transformation. We use sensitivity analyses and stress test to determine whether we are sufficiently robust to deal with negative developments and incidents.

- **Reputation & Quality**: Our risk tolerance is low and where possible we try to avoid any occurrence that could give rise to a negative image of the Group.

Developments in 2017

Business units carry out a self-assessment for the designated key controls at least twice a year. Key controls are control measures that reduce high risks. For controls in the field of IT, financial reporting and financial management information, an ambition on the ‘prove me’ level applies for demonstrability. The number of controls in the field of authorisation management and IT change management were expanded and enhanced in 2017. A further quality improvement with regard to demonstrability is necessary to achieve our ambition level.

The unbundling carried out at the beginning of the reporting year demanded a special effort of the organisation in order to carry this out in a controlled manner. The unbundling of both the IT organisation and the financial administrative side took place without material incidents. Following the
unbundling, we adjusted our financial risk tolerance and impact scale to the size of the new organisation.

For the internal supervision and management of our growing portfolio of innovative participations, the Venture Board was established in the past year, with representatives from the Board of Management.

**Incidents**
A number of incidents occurred in 2017. We will discuss two major incidents.

Eneco Zakelijk was hit by a ransomware virus in February 2017 due to which the normal business operations were disrupted for two days. The ransomware entered our system via the internet and was activated by a click on a link in an email. The ransomware penetrated the configuration files of our customer system leading to the interruption of customer and invoicing processes. This incident and the international increased threat level for the energy sector have led to a significant investment in 2017 in cyber security: extra Microsoft licences, an awareness programme for personnel (Kaspersky) and advance threat protection.

A subcontractor used grit sand that was contaminated with asbestos when carrying out maintenance work at the heating plant Vijfwal in Houten in October. The work at the site was immediately stopped, local residents and the people directly involved were informed. Measurements showed that the asbestos was limited to the site of the power plant. The power plant was taken into operation again after a thorough decontamination of the site.

Reference is made to the paragraph Integrity and compliance (page 62) in this annual report for reporting on incidents regarding compliance.

**Strategic risks**
Strategic risks are long-term risks that influence the realisation of our strategic objectives. Based on a stakeholder analysis, we determined which material themes are important for our stakeholders. We then defined the most important strategic risks for each theme.

<table>
<thead>
<tr>
<th>Material themes</th>
<th>Strategic risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Living within the limits of the planet</td>
<td>1. <strong>Loss of credibility sustainable image</strong></td>
</tr>
<tr>
<td>Customers participate in the energy transition</td>
<td>2. Uncertain future government policy and regulations with regard to sustainability</td>
</tr>
<tr>
<td>Relevant for the customer</td>
<td>3. Falling behind in the energy transition</td>
</tr>
<tr>
<td>Employee engagement</td>
<td>4. Responding insufficiently to our customers’ needs</td>
</tr>
<tr>
<td>A healthy financial return</td>
<td>5. Insufficient competencies and employability of personnel</td>
</tr>
<tr>
<td></td>
<td>6. Financial return of sustainable generation comes under pressure</td>
</tr>
</tbody>
</table>

Below, we discuss the strategic risks in more detail as well as our mitigating strategies.

1. **Loss of credibility sustainable image**
Eneco Group’s mission is ‘everyone’s sustainable energy’, we want to be leading in the energy transition and to be recognised as a sustainable energy company. Our aim is to operate in the future within the limits of our planet and to help our customers, partners and suppliers to do this as well: our One Planet ambition. This ambition has been translated into a CO₂ reduction target for our own business operations and growth in sustainable production capacity. This is expressed in external benchmarks such as the NGO ranking in the Netherlands and the Greenpeace ranking in Belgium. In order to protect our image, we choose our suppliers and partners carefully and we apply ‘know your customer’ criteria when accepting commercial customers and counterparties. We also mitigate the risk by means of transparent communication with stakeholders about the progress of the implementation of our strategy.
2. **Uncertain future government policy and regulations with regard to sustainability**

Changes in European and/or Dutch regulations can have a big impact in areas such as subsidies, CO\textsubscript{2} pricing, market structuring and taxes. Furthermore, when providing our products and services, we have to comply with regulations regarding consumers and with privacy laws. In various ways, Eneco Group is asking for the government’s attention for the importance of a stable investment and financing climate that is also aimed at accelerating the sustainability of the energy supply. As a mitigating measure, Eneco Group spreads its sustainable investments over several countries, subsidy schemes and various sustainable technologies (such as wind energy, solar energy, energy storage and energy insight and savings).

3. **Falling behind in the energy transition**

The energy market is in the middle of a transition. We see innovations in technology for production, storage, savings and conversion. Of course, this also has consequences for our future revenue model for energy deliveries to households and industries. The risk is that Eneco Group responds to these developments too late or insufficiently, causing our market share to come under pressure and being unable to, for example, achieve our objectives in the growth domain innovative services.

We follow the developments in energy-related markets closely. Which new technologies offer opportunities to fully or partially replace conventional production and regulation capacity and how will this effect the delivery of energy in the future? We see opportunities to increase sustainability in the area of heating, but also in the market for electric transport. This is why we are developing new solutions and business models together with our customers and partners. Eneco Group mitigates this risk further by making innovation budgets and dedicated resources available to review technologies and to start pilot projects. We work together with universities and perform market scans. In this manner, we aim to develop a consistent portfolio of best available technologies.

4. **Responding insufficiently to customers’ needs**

Responding insufficiently to customers’ needs with new innovative solutions leads to loss of customers and lower revenues. Internet has made it easier for customers to compare energy suppliers and to switch from one supplier to another. New products and services increasingly have a strong digital and data-driven character. As a result, customer needs are also transforming rapidly in the energy sector, the boundaries of the sector are fading and new entrants see opportunities. As an energy company, we are searching for added value for our customers by integrating renewable production, services and technological

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**Eelco Blok**

CEO KPN

‘Energy transition can be accelerated’
developments into total solutions. In addition, we also sometimes combine forces with new entrants for the best solution for the customer. We invest in promising companies that develop services for our customers making use of new technology, such as blockchain, the Internet of Things and data science. In addition, Eneco Group invests in new technologies to improve existing processes such as data analytics. We make use of cloud technology to reduce costs and increase flexibility and Internet of Things technology to carry out targeted maintenance of production facilities.

5. **Insufficient competencies and employability of personnel**

Gaps in competencies and reduced employability of management and employees endangers the degree to and the speed at which strategic objectives can be realised. This is why we are working on building a high-performance organisation in which people are the central focal point. Various education, culture and development programmes for management and employees are being rolled out and supported. We develop and implement forms of collaboration that stimulate constant improvement.

6. **Financial return of sustainable generation comes under pressure**

The price of electricity and heating is currently largely determined by the price of gas, coal and emissions. However, in the future, as a result of the increasing share of sustainable production capacity, the price of electricity will be determined less and less by these marginal costs of fuels. We work with future scenarios based on possible market regulations and price developments to assess the robustness of our long-term investments in sustainable production facilities.

Development processes for sustainable production often take a number of years. Once they are operational, wind and solar parks can remain in use for decades, whereas we can only fix the delivery price for a limited number of years on the energy trading markets. We will not be able to recoup an investment that we make now when market prices decrease structurally in the future or the costs of balancing on the imbalance market increase. Therefore, our strategy is also directed at building sustainable production facilities with and at the request of our clients (Client Sources).
**Operational risks**
Below, we discuss our most important operational risks that can still have an estimated remaining impact of >€ 5 million after mitigating measures.

<table>
<thead>
<tr>
<th>Risk (trend compared with 2016: ↑↓↓)</th>
<th>Potential impact</th>
<th>Control measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial position</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Creditworthiness ↑</strong></td>
<td>Decrease in the willingness of energy trading parties to give Eneco Group uncovered limits on trading positions or an increase in guarantees and other collateral to be provided by Eneco Group</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Less favourable conditions for access to capital and money markets and (limited) higher interest mark-ups</td>
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</tr>
<tr>
<td></td>
<td>This risk has increased due to the unbundling of the grid operator</td>
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<tr>
<td><strong>Spark spread ↑</strong></td>
<td>Decrease in the perceived creditworthiness of Eneco, or a rating downgrade</td>
<td></td>
</tr>
<tr>
<td><strong>Profitability sustainable assets →</strong></td>
<td>Lower margin between sales prices of electricity produced by gas-fired power plants and cost price/purchase gas and CO₂</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Approximately € 10 million per year</td>
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<tr>
<td></td>
<td>Risk is rising moderately in view of the developments on the trading markets</td>
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</tr>
<tr>
<td></td>
<td>Approximately € 5 to € 10 million per year</td>
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<tr>
<td></td>
<td>The Dutch and Belgian subsidy schemes do not eliminate the price risk entirely. The subsidy scheme in the UK has an inherent large price-level sensitivity.</td>
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<tr>
<td><strong>Weather risk ↑</strong></td>
<td>Lower than average production volume of wind farms due to weather conditions (little wind) or lower demand from customers for gas/heating due to a mild winter.</td>
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<tr>
<td></td>
<td>Approximately € 20 to € 40 million on an annual basis</td>
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<td></td>
<td>The influence of weather on our results increases due to the expansion of our wind production and customer portfolio (heating demand). However, the temperature risk per household is gradually decreasing due to better insulation and other technologies. To a certain extent, the weather risk can be mitigated cost effectively; however, a substantial residual risk remains.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Concluding (counter) weather-related purchasing contracts, sales contracts and derivatives *)</td>
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</tr>
<tr>
<td></td>
<td>Use of our gas storage facilities</td>
<td></td>
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<tr>
<td></td>
<td>Portfolio management and use of expertise to forecast weather in relation to expected energy supply and demand</td>
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<tr>
<td></td>
<td>Using demand-steering mechanisms together with our customers</td>
<td></td>
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<tr>
<td></td>
<td>Sourcing of sustainable energy partially via multi-year purchase from third parties (PPAs) instead of own wind farms</td>
<td></td>
</tr>
<tr>
<td>Risk (trend compared with 2016: ↑→↓)</td>
<td>Potential impact</td>
<td>Control measures</td>
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</tr>
<tr>
<td><strong>Risks with regard to business performance, control and governance of our participations and recent acquisitions ↑</strong></td>
<td>· Reputation damage and financial loss, of which the impact depends on the scope and the interest that we have. Reputation damage occurs when business objectives are not achieved sufficiently or incidents occur in the area of internal control. Financial impact occurs when anticipated synergy advantages are not realised when acquisitions are consolidated, when claims arise, or when the company is unable to realise growth objectives with acquisitions and participations. The size of this risk is increasing as Eneco is accelerating its transition to new revenue models and customer markets by means of an active acquisition policy in the Netherlands and abroad. In addition, we intentionally give our innovative participations more room so that they can innovate and excel faster and accept that an inherently larger risk is attached to these types of participations.</td>
<td>· We supervise our venture portfolio via the Venture Board. · Through its representative seats in supervisory bodies of its participations, Eneco supervises and assesses the policy of the management on business development and internal control · Additional requirements apply to participations included in the consolidation, in particular regarding reporting and IT controls, in line with Eneco standards.</td>
</tr>
</tbody>
</table>

*) See note 32 of the consolidated financial statements for more information about the control of financial risks |

<table>
<thead>
<tr>
<th>Financial reporting</th>
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<tbody>
<tr>
<td><strong>Risks in the area of the internal and external financial planning and reporting →</strong></td>
<td>· Reputation damage, claims and legal proceedings · Non-compliant or incorrect reporting · Lack of correct, timely and substantiated financial steering information for decision-making by the management · The potential impact of this risk will increase in the event of a decision for a shareholders’ transaction</td>
<td>· Keeping financial reporting knowledge up-to-date · The internal control and administrative-organisational measures, including our accounting guidelines · Procedures for periodic closing, reporting, forecasting and energy balance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operational – IT related</th>
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<tbody>
<tr>
<td><strong>Unauthorised access to and/or changes in IT systems as well as cyber security ↑</strong></td>
<td>· Reputation damage · Fraud · Financial impact: depending on the nature and seriousness of the incident in question, damage can rise to more than € 1 million · In line with the general trend in society, the risk of cyber security incidents is increasing.</td>
<td>· Signalling and detection techniques for unauthorised access and suspicious activities · Awareness training for employees · Assurance assessments by third parties (audits and certification) · IT change management, policy regarding allocation and cancellation of accounts, corresponding authorisations and application of IT safety protocols.</td>
</tr>
<tr>
<td>Risk (trend compared with 2016: ↑→↓)</td>
<td>Potential impact</td>
<td>Control measures</td>
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<tr>
<td><strong>Operational - Customers</strong></td>
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<tr>
<td><strong>Business continuity interruptions</strong></td>
<td>Safety incidents with injury or worse</td>
<td>Safety policy and instructions</td>
</tr>
<tr>
<td>Incidents and/or disruptions in our heating supply, production, trading or customer systems</td>
<td>Financial impact: depending on the nature and seriousness of the incident in question, this can rise to more than €5 million</td>
<td>Duplicated IT platform for critical systems</td>
</tr>
<tr>
<td></td>
<td>Risk has decreased due to the unbundling of the grid operator</td>
<td>Carrying out periodical crisis management and recovery tests</td>
</tr>
<tr>
<td><strong>Laws and regulations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-compliance with laws and regulations</strong></td>
<td>Reputation damage</td>
<td>Compliance control frameworks at business units</td>
</tr>
<tr>
<td></td>
<td>Claims</td>
<td>Keeping knowledge about prospective relevant laws up-to-date and sharing this actively with the business via internal media and knowledge sessions</td>
</tr>
<tr>
<td></td>
<td>Legal proceedings</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial impact: depending on the nature and seriousness of any violations, this can amount to more than €5 million</td>
<td></td>
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</tbody>
</table>
In Control statement

The Board of Management is aware of the responsibility for the adequate and effective functioning of the internal control within Eneco Group.

The Board of Management has also implemented the risk management and control system described in the risk paragraph to ensure that the realisation of strategic, operational and financial objectives is monitored, the reporting on financial and non-financial information is reliable and that laws and regulations are complied with.

However, every internal risk management and control system has its inherent limitations. Therefore, we can never provide absolute assurance that we will realise our business objective or that no material errors, losses, incidents of fraud or violations of laws and regulations will occur.

With regard to financial reporting risks, the Board of Management is of the opinion that the internal risk management and control systems provide a reasonable degree of assurance that the financial reporting is free from material misstatements and that the risk management and control systems have functioned adequately in the reporting year.

As in 2016, the Board of Management paid extra attention in 2017 to the strengthening and formalising of control measures with regard to reporting risks and risks in connection with further digitalisation, including the cyber security risk, following self-assessments of the business units and internal audit. The internal control systems regarding both themes will be further strengthened in 2018, so that we will establish additional safeguards and assurance in these areas.

In addition, extra attention will be paid in 2018 to risks in connection with the internationalisation of our company. These risks have increased in size due to the acquisitions that we made in the reporting year.

Finally, it is worth mentioning that the unbundling between the energy company and the grid operator, which was carried out in the beginning of 2017, proceeded according to plan and did not lead to important shortfalls in the internal control.
Governance
Corporate Governance

Tasks and responsibilities

Board of Management
The Board of Management holds the ultimate responsibility for the performance of Eneco Group. The Board of Management is appointed by the Supervisory Board and is accountable to the Supervisory Board and the General Meeting of Shareholders (AGM).

The Board of Management of Eneco Group has four members. Their biographies can be found on Eneco Group’s corporate website.

Strategic Board in addition to the Board of Management
Eneco Group decided to introduce a new corporate governance structure mid-2017. The energy transition is accelerating and we see great opportunities and challenges in the market. This means that we have to speed up the transformation of the company and also improve our performance. And it demands that we increase the speed, quality and agility of our decision-making and execution power. A model that allows more people within the organisation to assume responsibility. Therefore, besides the formal responsibility that the four members of the Board of Management have, we also work with a Strategic Board consisting of the members of the Board of Management and the Chief HR Officer. A Chief Customer Officer will be added to the Strategic Board in 2018. Each portfolio in the Strategic Board has a strategic focus, which is crucial for Eneco Group’s success.

Supervisory Board
The Supervisory Board of Eneco Group advises the Board of Management, operates independently and supervises the policy of the Board of Management and the general course of business in the Eneco Group. The Supervisory Board is appointed by the AGM.

The Supervisory Board of Eneco Group has seven members and has appointed three committees:

- The Remuneration, Selection and Appointment Committee, which provides advice on matters such as the remuneration of the members of the Board of Management, the selection and appointment of members of the Board of Management and the nomination of members of the Supervisory Board. This committee is a combination of the former Remuneration Committee and the Selection & Appointment Committee. Mirjam Sijmons chairs this committee. The other members as of 1 February 2017 are Edo van den Assem, Marike van Lier Lels, Rob Zandbergen and Atzo Nicolai.
- The Audit Committee supervises the integrity of the financial and non-financial reporting, the internal control and the risk management. The Audit Committee also supervises the internal and external audit process. Henk Dijkgraaf (chair), Marco Keim and Rob Zandbergen are members of this committee.
- The guidance committee future shareholdership, about which agreements have been made in the shareholders’ covenant. Edo van den Assem (chair), Marike van Lier Lels, Rob Zandbergen and Atzo Nicolai are members of this committee.

Shareholders
The shares of Eneco Group are held by 53 Dutch municipalities. Within six months after the end of the financial year, or more often if the Supervisory Board or Board of Management considers this necessary, Eneco Group will organise a General Meeting of Shareholders (AGM). The annual report is discussed and the annual financial statements are adopted during the AGM.

Code of conduct
Conduct and integrity norms that have been laid down in writing apply to everyone within Eneco Group. Confidential counsellors have been appointed within Eneco Group to which employees can report integrity complaints (see Integrity and compliance (page 62)).
Integrity and compliance

Eneco Group pursues an active and proactive compliance and integrity policy with the aim to ensure that we comply with laws and regulations.

Integrity

Eneco Group can only fulfil its leading sustainable role properly if we adhere to the highest standards of conduct. The norms and values that apply for us have been laid down in the Eneco Code of Conduct.

We have paid a lot of attention within Eneco Group in 2017 to stimulating the desired conduct. By constantly innovating and improving, we make the difference and are valuable for our customers, shareholders and employees. In order to accelerate this process, we have rolled out a culture programme with the name ‘The new way of Working’. The main aim of this programme is the further elaboration of our values. Our values - customer first, together, inspiring trust and assuming responsibility - stand for what we believe in, how we wish to conduct ourselves towards one another and towards society. Exactly what our strategy asks of us. It is our guideline that helps us to constantly take the right decisions about the question of how we should carry out an activity.

In the past year, we also continued to work on building a positive culture by giving workshops. In these workshops, we stimulate everyone to discuss the importance of integrity and compliance with our rules and standards and to bring this into practice in their daily work. We also pay attention regularly to our integrity awareness by communicating about dilemmas and by means of e-learning.

We constantly pay attention to fraud detection and dealing with integrity issues that have arisen. There is a reporting desk for integrity issues and Eneco Group has two confidential counsellors. Employees who are the victim of undesired psychosocial working conditions such as bullying, discrimination or sexual harassment can contact these confidential counsellors. In 2017, the integrity reporting desk received 101 reports and the confidential counsellors received 19 reports, which is a small increase compared to the number of reports in 2016.

Compliance with laws and regulations

Non-compliance with national and international laws and regulations leads to risks with regard to our licence to operate and our reputation, in addition to the financial effects of fines and invalid agreements. Eneco Group has a group-wide compliance policy, carries out an annual compliance programme and has a Compliance Officer to support this. The Compliance Officer works together closely with the Legal and Regulatory Affairs departments to stimulate the compliance with laws and regulations within the company. In addition, compliance representatives are active in every business units.

Assurance is obtained internally by means of the In-Control statement and audits. Various supervisory bodies, including the Netherlands Authority for Consumers & Markets (ACM) and the Dutch Data Protection Authority supervise the enforcement of laws and regulations externally.

Eneco Group made a huge effort in 2017 to carry out the unbundling of Eneco and Stedin correctly and to ensure that both companies are compliant with the unbundling act.

In accordance with European regulations, MiFID II will enter into force on 3 January 2018. Eneco Group examined in 2017 whether it is required to apply for a MiFID licence. After a thorough examination and external verification, it was concluded that Eneco qualifies for an exemption from the obligation to have a MiFID licence and Eneco applied for this at year-end 2017.

In 2017, a lot of attention was given to the implementation of the new General Data Protection Regulation, which will come into force in May 2018. We reported eight data leaks to the Data Protection Authority.

In addition, it is apparent from the Declaration of Compliance with the Code of Conduct for Suppliers, Metering Companies and Independent Service Providers that we handle the data of our customers with due care. The declaration for 2017 is [invalid link: no target-node] and can also be found on our corporate website (Our conduct agreements).
We handled a compliance incident within Eneco Group in 2017 which we listed in the above Declaration. It had been observed that Eneco Consumenten B.V. gave customers more insight through an insight service than was actually permitted based on the customer mandate. Upon discovery, the necessary measures were taken so that this situation was ended as of 17 May 2017.

The Netherlands Authority for Consumers & Markets (ACM) imposed a fine of €1 million on our subsidiary Oxxio on 8 March 2017. This was because the ACM discovered that Oxxio accidentally submitted the wrong data to the Contract End Register (CER). This was caused by the transition to a new contract system within Oxxio. Oxxio considers it very unfortunate that the wrong data was sent to the register. We consider the fine disproportionate, also because customers themselves did always receive the correct information and could switch to another energy supplier penalty free. We have therefore decided to lodge an appeal. This appeal at the court is planned in 2018.
Sustainable and independent

The Supervisory Board hereby presents the 2017 Annual Report and Financial Statements of Eneco Groep N.V. (Eneco), as prepared by the Board of Management. Eneco Group came into being on 31 January 2017 after the unbundling of Eneco Holding in an energy company and a grid operator.

Eneco Group has demonstrated this year that it can operate excellently as an independent company. The combination of sustainable production, supplying energy and providing services has proven to be a sound choice also without the grid. The Supervisory Board would therefore like to compliment the Board of Management and the employees.

Further in the energy transition

Eneco has again taken impressive steps in the energy transition in 2017. This included an acquisition resulting in expansion of Eneco’s generation capacity in the Netherlands by 17 already operational onshore wind farms and a number of wind farms in development. Within the context of the subsidy scheme for the Stimulation of Sustainable Energy Production (SDE+) for onshore wind, Eneco has submitted applications for in total around 250 MW. And, in cooperation with Rabobank West-Brabant Noord, the first Dutch Solar Hub was taken into operation. As a result of Eneco’s sustainability drive, sustainable energy is now being supplied to companies such as Schiphol Group, the Dutch railway company NS and Google as well as around 2.1 million Dutch households. Eneco strengthened its sustainable position internationally through the acquisition of the Belgian activities of Eni and an interest in the German green energy company LichtBlick. In addition to investments in wind energy, heating and solar energy, Eneco also invested considerably in sustainable innovations in the area of energy storage and savings, such as Jedlix and the HeatWinner. Eneco Group is also working together with Mitsubishi Corporation on the largest battery for electricity storage in Europe.

Covenant with shareholders

Preparations for the unbundling took place in 2016. The agreements with 53 municipal shareholders about the period after the unbundling were an important element in this. These agreements, laid down in statutes and a covenant, concern matters such as the strategic long-term plan. The strategic long-term plan was adopted by the Board of Management in 2017. The strategy 2018-2022 was discussed with the shareholders committee before the summer, and subsequently the main points of the strategy were discussed with the shareholders.

Agreements were also made in this covenant about the manner in which possible future changes in the shareholder base would be given form. A lot of work was carried out in 2017 to facilitate this possible (partial) change in the shareholder base while ensuring that Eneco can continue to pursue its sustainable strategy. This is set out in more detail below in the Future Shareholdership Guidance Committee.

Composition and method of operation of the Supervisory Board

The Supervisory Board held ten regular meetings in 2017. The annual report and the financial statements were discussed with Deloitte Accountants. As customary, a Supervisory Board member also participated in the consultation meetings of the Central Works Council in 2017. The chair of the Supervisory Board and the chair of the Board of Management discussed matters frequently this year, at least weekly. In addition to the regular meetings there was regular contact between Supervisory Board members and the Board of Management.

Regular consultations were held with the Shareholders Committee in 2017. The chair of the Supervisory Board participated in these consultations or was replaced by another Supervisory Board member. In addition, at the initiative of the Supervisory Board, three consultations were held between the Shareholders Committee and (a delegation of) the Supervisory Board.
Attendance overview Supervisory Board

<table>
<thead>
<tr>
<th>Meeting date</th>
<th>Edo van den Assem</th>
<th>Mirjam Simons</th>
<th>Henk Dijkgraaf</th>
<th>Marike van Lier Lels</th>
<th>Marco Keim</th>
<th>Rob Zandbergen</th>
<th>Atzo Nicolaï</th>
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<tbody>
<tr>
<td>17 March</td>
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<td>11 September</td>
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<td>20 December</td>
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Committees

As in 2016, working in Supervisory Board committees proved its value in 2017. The committees have made it possible to divide the supervision of the management of Eneco over various important topics without any concessions to the quality of this supervision.

Future Shareholdership Guidance Committee

As mentioned above, agreements were made with the shareholders in 2016 about their future shareholdership and other matters. In 2017, the Supervisory Board delegated the preparations for this topic to a guidance committee consisting of four Supervisory Board members and hired their own legal and financial advisers to assist them. The purpose of the guidance committee was to carry out the preparations for the decision-making of the Supervisory Board with regard to the consultation process and to prepare any follow up actions in connection with this. The consultation process concerned an assessment among the 53 shareholding municipalities about whether or not they intend to keep their shares in Eneco. The guidance committee regularly discussed matters within the committee and with the Board of Management. Consultations were held on a weekly basis during the past period. Practically all shareholders have stated their intentions with regard to their shareholdership: some wish to remain shareholders of Eneco, some wish to reduce their shareholding in Eneco without local preconditions, and finally there are a number of shareholders that opt for reduction under locally formulated preconditions. The Supervisory Board respects the shareholders’ different choices and aims to ensure that Eneco’s sustainable strategy, continuity and value creation are not jeopardised by changes in the shareholder base. The Supervisory Board aims to ensure that the company’s interests are safeguarded and that the interest of all stakeholders are taken into consideration in the event of changes in the shareholder base. Besides shareholders, this also impacts, in particular, customers, employees and suppliers. In view of the various interests of stakeholders, the Supervisory Board aims to ensure that the company and the shareholders engage in a careful process together to attract new shareholders where necessary.

Remuneration, Selection and Appointment Committee

The Remuneration Committee and the Selection and Appointment Committee have been combined as of 1 February into one Remuneration, Selection and Appointment Committee. Remuneration, selection and appointment topics were discussed six times in 2017. Consultations were also held in the first half of 2017 with a delegation of shareholders regarding a new remuneration policy for the Board of Management and Supervisory Board of Eneco Group. In the summer of 2017, the Supervisory Board and the Shareholders Committee decided to suspend the preparations for a new remuneration policy until a later to be determined date in connection with the current process regarding the shareholdership of Eneco. In addition, the composition of the Supervisory Board was discussed in the committee following the wish of the shareholders to -
view of the current process about the future shareholdership of Eneco - temporarily add an eighth member to the Supervisory Board. The recruitment and selection process for this eighth Supervisory Board member was started at the end of the year. The shareholders are closely involved in this process through representatives.

Marike van Lier Lels was reappointed as a member of the Supervisory Board by the General Meeting of Shareholders on 22 September 2017. Furthermore, the selection and appointment process for the successor of Henk Dijkgraaf, vice-chairman of the Supervisory Board and chairman of the Audit Committee, was also started at the end of 2017. Mr. Dijkgraaf is scheduled to step down in March 2018.

Audit Committee
The Audit Committee of the Supervisory Board supervises the policy of the Board of Management with regard to the financial information provision, including the information exchange with the external auditor, and the functioning of the risk management systems. The risk limits on a company level have been laid down in various concrete policy statements, codes and guidelines in areas such as safety, trading mandates, authorisations and conduct. The Audit Committee paid special attention to a number of topics in 2017. This concerned the first half-year report of the unbundled Eneco Group, preparations for the strategic plan 2018-2022, the investments in Eni Belgium and LichtBlick, and the updating of the Treasury Charter. The topic of cyber security was also discussed in the Audit Committee, in part due to the increased attention for this issue in society.

Self-assessment of the functioning of the Supervisory Board
The Supervisory Board carried out a self-assessment in 2017 with the assistance of an external specialised agency. The assessment helps the Supervisory Board to optimise its composition and role. Following the self-assessment and the discussions about this assessment, the Supervisory Board organised a separate meeting and the members made a number of additional agreements. These agreements chiefly concerned setting apart time for reflection and coordination between the Supervisory Board members, for which there was less opportunity in the past year due to the amount of work.

In conclusion
The Supervisory Board would like to thank all of Eneco's employees, the management, the shareholders, customers and other partners. Thanks to the joint effort of all those involved, Eneco Group has made a significant contribution in 2017 to the energy transition and the realisation of the climate goals.

The majority of the shareholders expressed their intention on 20 December 2017 to pass a resolution of no confidence in the Supervisory Board. The shareholders’ confidence in the Supervisory Board was restored again through mediation.

We advise the shareholders to adopt the 2017 Financial Statements.

Rotterdam, 16 February 2018

On behalf of the Supervisory Board of Eneco Groep N.V.

E.H.M. van den Assem
Remuneration 2017

Board of Management Remuneration Policy

When determining the remuneration of the members of the Board of Management, Eneco Groep N.V. takes its special position in society into account by applying the market principle and the moderation principle.

Point of departure

The primary employment conditions of the Board of Management are determined based on the ‘Remuneration Policy for the Board of Management’ which was adopted by the General Meeting of Shareholders (AGM) of Eneco Holding N.V. on 20 May 2005.

The remuneration policy of the Board of Management must enable Eneco Group to attract and retain qualified management. The median level in the General Market for Senior Executives is the reference point for the desired market position of the employment conditions of the members of the Board of Management. Two policy principles are leading in this respect: the market principle and the moderation principle.

Market and moderation principle

The market principle means that Eneco Group should be regarded as a normal, commercial and market-oriented company. The moderation principle means that the Supervisory Board follows a moderate remuneration policy in view of Eneco Group’s history and because 100% of the shares of Eneco Groep N.V. are held by public shareholders (municipalities). This is why the Supervisory Board does not translate the benchmark with companies of a comparable size and complexity in the private sector completely into the current remuneration of the Eneco Group board members.

For the determination of the remuneration policy, the Supervisory Board applies the reference framework of the general employment conditions for senior executives, which is based on the remuneration data of over 200 senior executives. In order to do justice to the market principle, Eneco Group has opted for a position around the median of the reference framework. We thus focus on the medium-large companies in the reference group and we avoid a comparison with the largest companies.

In view of the moderation principle, we apply a reduction to the median outcome. In accordance with the remuneration policy approved by the General Meeting of Shareholders, Eneco Group applies a bandwidth of plus or minus 20% around the reference on the median. With the last salary reference point, the actual ‘moderation’ has risen to nearly 30% compared to the median.

Variable remuneration

As in previous years, the remuneration of the members of the Board of Management in 2017 was again dependent on performance criteria. The four main criteria are largely in line with the strategic themes:

1. Financial result (EBITDA)
2. Revenue from new products (including Toon, HeatWinner, Jedlix, and Luminext)
4. Strengthening staffing, development and collaboration at the top of the Eneco Group.

Eneco Group publishes the remuneration report, which contains further details on the remuneration of the members of the Board of Management, on the website eneco.nl/corporate every year.
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