

Ørsted

ESG performance report 2017





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# 1. Introduction

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# 1.1 About this report

## Ørsted

Ørsted is headquartered in Denmark and employs around 5,600 ambitious people who all work together towards our vision of a world that runs entirely on green energy.

## This report

In this report, you will find the complete set of Ørsted's ESG (environment, social and governance) performance indicators. These are the data that we use in our reporting to various investor schemes and as the foundation for our answers to questions from investors and other stakeholders.

A selection of the data in this report is also presented in our:

- Annual report 2017, Consolidated ESG statements
- Sustainability report 2017

This report contains Ørsted's statement on the underrepresented gender in accordance to the Danish Financial Statement Act (Årsregnskabsloven) §99B. See note 3.3 Gender diversity.

## ESG data collection

We continuously seek to develop our ESG data set in order to support our business and to provide our stakeholders with relevant and transparent reporting of our ESG performance.

The financial organisation in Ørsted is responsible for the ESG reporting. All ESG data are reported to the same consolidation system as the financial data.

Our ambition is to have the same data quality for the ESG data as for the financial data. We apply the same processes and tools to the ESG reporting as to the financial reporting.

We work with risk-based controls in ESG reporting to assure a high data quality. This means reporting processes are mapped, risks are identified and assessed, and risk-based controls are implemented.

## Consolidation of ESG data

The ESG performance data is consolidated according to the same principles as the financial statements. The consolidated ESG performance data thus comprise the parent company Ørsted A/S and subsidiaries controlled by Ørsted A/S.

Data from associates and joint ventures are not included in the consolidated ESG performance data.

Safety data is collected by using an operational scope. This means data are included 100% from all operations where Ørsted is responsible for safety, including safety for external suppliers.

All data presented follow the principles above unless otherwise specified in the accounting practice for the individual indicator.

## ESG data tables in this report

All data in the ESG notes are presented with two years of comparative data.

## We participate in Nasdaq Nordic's ESG reporting pilot project

In 2017, Ørsted engaged with Nasdaq Nordic and a group of Nasdaq-listed companies in order to support and develop ESG reporting.

## ESG

Environment, Social & Governance

## Financial scope

We use financial scope for our data collection

## Consolidation

We use the same consolidation method and system for our ESG data as for our financial data

## ICRM

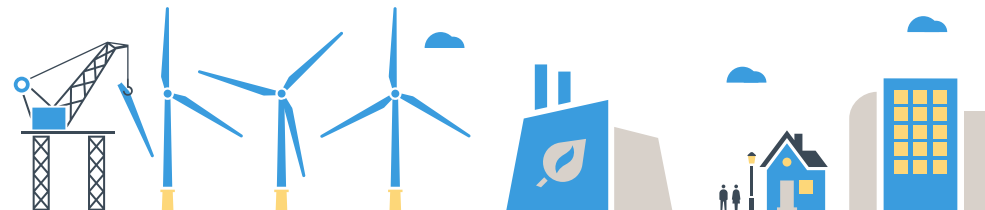
We use internal control and risk management to assure data quality

## Nasdaq Nordic

We participate in the ESG reporting pilot programme





# 1.2 Our business model

How we create a world that runs entirely on green energy






-  **Financial capital**  
We finance our investment through cash flow from operations, debt and divestment of partnership interests
-  **Energy assets**  
We invest in scalable innovative green technologies and solutions
-  **Natural resources**  
We rely on natural resources, such as biomass, as well as locations with attractive wind speeds and seabed conditions
-  **Human resources**  
We rely on a highly skilled workforce to operate our business
-  **Innovative culture**  
We continuously develop competitive energy solutions through innovation
-  **Stakeholder engagement**  
We depend on constructive relations with our key stakeholders to ensure supportive framework conditions for our business

	Develop and construct	Operate and maintain	Sell and optimise
 <b>Wind Power</b>	Develop and build offshore wind farms. Five wind farms are under construction	Own 23 offshore wind farms of which we operate 19	Utilise our partnership model and crystallise value
 <b>Bioenergy &amp; Thermal Power</b>	Convert our CHP plants from coal or gas to sustainable biomass	Own and operate ten plants in Denmark and one plant in the Netherlands	Enter into long-term contracts with our heat customers and sell power to the market
 <b>Distribution &amp; Customer Solutions</b>	Modernise our power distribution grid in Denmark	Operate and maintain our grid infrastructure	Manage the Group's overall energy portfolio and provide gas, power and energy solutions for our customers

-  **We create value for our shareholders** in the form of competitive total returns
-  **We address profound societal challenges** by developing green, independent and economically viable energy systems that reduce greenhouse gas emissions
-  **We fulfil our customers' energy needs** through green, innovative and efficient energy solutions
-  We are committed to a sustainable working life and keep a constant focus on being **a great and safe place to work** with motivated and satisfied employees

# 1.3 Overview by business unit

Note	Indicator	Unit	 Wind Power	 Bioenergy & Thermal Power	 Distribution & Customer Solutions	Other activities	Total 2017	Change from 2016 to 2017	Total 2016
3.1	Number of employees (FTE) ●	Number	2,253	749	1,263	1,374	5,638	(2%)	5,775
AR 2.1	EBITDA ●	DKK million	20,595	152	2,082	(310*)	22,519	18%	19,109
2.7	Installed capacity, offshore wind power ●	GW	3.9	-	-	-	3.9	8%	3.6
2.7	Generation capacity, power	GW	2.5	3.4	-	-	5.9	11%	5.3
2.1	Power generation ●	TWh	8.5	8.2	-	-	16.7	16%	14.4
2.1	Heat generation ●	TWh	-	9.0	-	-	9.0	(2%)	9.2
2.4	GHG scope 1 and 2 emission	Million ton CO <sub>2</sub> e	<0.0	3.9	0.1	<0.0	4.0	(25%)	5.3
2.6	Greenhouse gas intensity ●	g CO <sub>2</sub> e/kWh	-	226	-	-	151	(33%)	224
2.2	Green share of energy generation ●	%	100	47	-	-	64	14%p	50
3.4	LTIF (Lost Time Injury Frequency) ●	Number/million hours worked	1.1	2.8	2.2	1.8	1.6	(11%)	1.8
3.4	TRIR (Total Recordable Injury Rate) ●	Number/million hours worked	5.4	9.3	9.3	4.2	6.4	(6%)	6.8
4.3	Suppliers screened regarding code of conduct	Number	99	68	14	32	213	(32%)	312

● This indicator has been reviewed as part of the Consolidated ESG statement of the 2017 Annual Report. See Auditor's Limited Assurance Report on page 171 of Ørsted's Annual Report 2017.

● This indicator has been audited as part of the Financial statements of the 2017 Annual Report.

\* Other activities/eliminations

# 1.4 Overview by country

Note	Indicator	Unit	Denmark	United Kingdom	Germany	The Netherlands	Other countries	Total 2017	Change from 2016 to 2017	Total 2016
3.1	Number of employees (FTE) ●	Number	4,307	898	200	10	223*	5,638	(2%)	5,775
2.7	Decided (FID) capacity, offshore wind ●	GW	1.0	5.8	1.4	0.8	-	8.9	20%	7.4
2.7	Installed capacity, offshore wind ●	GW	1.0	2.0	0.9	-	-	3.9	8%	3.6
2.7	Generation capacity, power	GW	3.5	1.5	0.5	0.4	-	5.9	11%	5.3
2.7	– of which offshore wind ●	GW	0.6	1.5	0.5	-	-	2.5	25%	2.0
2.7	– of which thermal	GW	3.0	-	-	0.4	-	3.4	0%	3.4
2.1	Power generation ●	TWh	8.5	4.5	1.5	2.1	-	16.7	16%	14.4
2.1	Heat generation ●	TWh	9.0	-	-	-	-	9.0	(2%)	9.2
2.4	GHG scope 1 and 2 emission	Million tonnes CO <sub>2</sub> e	3.2	< 0.0	< 0.0	0.8	< 0.0	4.0	(25%)	5.3
2.6	Greenhouse gas intensity ●	g CO <sub>2</sub> e/kWh	179	-	-	352	-	151	(33%)	224
2.2	Green share of energy generation ●	%	60	100	100	0	-	64	14%p	50

● This indicator has been reviewed as part of the Consolidated ESG statement of the 2017 Annual Report. See Auditor's Limited Assurance Report on page 171 of Ørsted's Annual Report 2017.

\* FTE distribution other countries: Poland 94, Malaysia 78, USA 24, Taiwan 20, Sweden 7.

# 2. Environment

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## 2.1 Energy generation

Indicator	Unit	2017	Change from 2016 to 2017	2016	2015
<b>Power generation, Ørsted total</b> ●	<b>TWh</b>	<b>16.7</b>	<b>16%</b>	<b>14.4</b>	<b>12.9</b>
Power generation, offshore wind ●	TWh	8.5	42%	6.0	5.8
– Denmark	TWh	2.5	14%	2.2	2.2
– United Kingdom	TWh	4.5	45%	3.1	3.3
– Germany	TWh	1.5	114%	0.7	0.3
Power generation, thermal ●	TWh	8.2	(2%)	8.4	7.1
– Denmark	TWh	6.0	(12%)	6.8	6.0
– The Netherlands	TWh	2.2	38%	1.6	1.1
<b>Heat generation, Ørsted total</b> ●	<b>TWh</b>	<b>9.0</b>	<b>2%</b>	<b>9.2</b>	<b>9.3</b>

● This indicator has been reviewed as part of the Consolidated ESG statement of the 2017 Annual Report. See Auditor's Limited Assurance Report on page 171 of Ørsted's Annual Report 2017.

The generation from offshore wind farms increased by 42% from 2016 to 2017. The increase was due to a combination of an increased power generation capacity and better wind speeds.

The increase was driven by Gode Wind 1 and 2 in Germany and Burbo Bank Extension in the United Kingdom, where Race bank and Walney Extension also contributed with their initial generation.

The wind speed in 2017 was higher than compared with 2016 and a normal wind year.

The Danish thermal power generation decreased from 2016 to 2017, primarily due to lower market spreads. In the Netherlands, spreads were higher, hence production increased from 2016 to 2017.

### Accounting policies

#### Power generation

Power generation from offshore wind farm is calculated as sold generation. The wind farms Gunfleet Sands and Walney 1 and 2 are consolidated according to ownership interest. The other wind farms are financially consolidated.

Power generation from thermal plants is based on data from the official Danish generation database for own operated facilities in Denmark and on data provided by the operators for non-operated foreign facilities.

#### Heat generation

Heat generation from thermal plants is compiled as the net generation from the plants sold to heat customers.

## 2.2 Green energy share

Indicator	Unit	2017	Change from 2016 to 2017	2016	2015
<b>Ørsted's total power and heat generation</b>	<b>%</b>	<b>100</b>	<b>0%p</b>	<b>100</b>	<b>100</b>
– From wind	%	33	7%p	26	26
– From biomass	%	31	7%p	24	22
– From renewable waste	%	0	0%p	0	1
– From coal	%	19	(11%p)	30	33
– From natural gas	%	17	(2%p)	19	17
– From oil and non-renewable parts of waste (plastic, etc.)	%	0	(1%p)	1	1
<b>Green energy share* ●</b>	<b>%</b>	<b>64</b>	<b>14%p</b>	<b>50</b>	<b>49</b>

● This indicator has been reviewed as part of the Consolidated ESG statement of the 2017 Annual Report. See Auditor's Limited Assurance Report on page 171 of Ørsted's Annual Report 2017.

\* Target 2020: ≥ 80% and 2023: ≥ 95%

The green energy share increased significantly from 2016 to 2017. This was a result of increased generation from renewable energy sources, wind and biomass and a decrease in coal consumption.

The share of generation from wind farms increased by 7%p as a result of new generation capacity in the UK and better wind conditions in general in 2017.

The share of generation based on biomass increased by 7%p, primarily as a result of generation based on biomass at the Avedøre and Skærbæk power stations.

Studstrup Power Station has also been converted to use biomass. The generation from Studstrup has been lower in 2017 than in 2016, contributing less to the green energy share, even though the volume of biomass as fuel was higher in 2017 than in 2016.

### Accounting policies

#### Green energy share

The green share of energy generation and the share of generation from the individual energy sources and fuels are calculated on the basis of the generation from the plants.

For wind-based generation, it is simply a question of calculating the individual energy-based generation for the plant, as it uses one energy source only.

For the combined heat and power (CHP) plants, which can use several different fuels, the calculation is as follows: For the individual CHP plant unit in the given period, the share of the specific fuel (e.g. biomass) is calculated relative to the total fuel quantity. The fuel share is then multiplied by the total heat and power generation (including steam) for the specific unit in the specific period. This resulted in the fuel-based generation for the individual unit – for example the biomass-based generation of heat and power in the CHP plant unit.

All the calculated fuel-based generation and the wind power generation are then added up to a total, which tallies with the total generation. Based on this, the shares of the individual energy sources and the fuel-based generation can be divided by the total to arrive at the shares in percent.

In practice, waste consists of a mixture of biomass and fossil fuel-based parts. When calculating the renewable energy share, waste fuel is therefore divided into a biodegradable and a non-biodegradable part. Key figures from the Danish Centre for Environment and Energy are used for this purpose. In 2016, 55% of the waste was biodegradable.

The following energy sources and fuels are considered renewable energy: wind, biomass and waste (biodegradable). The following energy sources are considered fossil energy sources: coal, natural gas, oil and waste (non-biodegradable).

## 2.3 Energy business drivers

Indicator	Unit	2017	Change from 2016 to 2017	2016	2015
Availability, offshore wind ●	%	93	1%p	92	93
Load factor, offshore wind ●	%	44	3%p	41	45
Wind speed, offshore wind ●	m/s	9.3	4%	8.9	9.7
Wind energy content (WEC), offshore wind ●	%	95	2%	93	103
Degree days ●	Number	2,705	(0.4%)	2,715	2,621
Energy efficiency, thermal generation	%	69	0%p	69	72

● This indicator has been reviewed as part of the Consolidated ESG statement of the 2017 Annual Report. See Auditor's Limited Assurance Report on page 171 of Ørsted's Annual Report 2017.

The availability increased by 1%p from 2016 to 2017. Walney 2 had a long outage period in 2016 and a better performance in 2017, which impacted the portfolio.

We have changed the indicator for wind conditions from wind energy content (WEC), to wind speed. Both WEC and wind speed increased from 2016 to 2017.

The load factor increased by 3%p from 2016 to 2017. As the availability only increased slightly, the increase primarily came from better wind conditions, driving an increase in generation and hence the load factor.

### Accounting policies

#### Availability, offshore wind

The availability (time-based) is calculated as the ratio of the number of hours the offshore wind farms are available for power generation to the total number of hours in a given period. Total availability is determined by weighting the individual offshore wind farms' availability by the capacity of the offshore wind farm. Availability is commercially adjusted.

#### Load factor, offshore wind

The load factor is calculated as the ratio between actual generation over a period relative to potential generation which is possible by continuously exploiting the maximum capacity over the same period. The load factor is commercially adjusted. New offshore wind turbines are included in the calculation of load factor once they have passed the 240-hour test.

Commercially adjusted means that, for Danish and German offshore wind farms, the load factor is adjusted if the offshore wind farm has been financially compensated by the transmission system operators in situations where the offshore wind farm

is available for generation, but the output cannot be supplied to the grid due to maintenance or grid interruptions. Offshore wind farms in the UK are not compensated for non-access to the grid.

#### Wind speed, offshore wind

Wind speed shows the wind speed for offshore wind farms. Wind speed is delivered in a number of areas where the individual wind farms are located. Wind speed measurements are weighted on the basis of the individual farms' generation capacity and consolidated into a total for Ørsted in the same way as generation. The wind speed can be compared with historically normal wind year. Wind speed measurements are supplied by an external supplier.

#### Wind energy content (WEC), offshore wind

WEC is calculated as the ratio between actual gross generation in a given period and generation in a 'normal wind year'. The actual generation is calculated as actual net generation adjusted for availability. Wind energy content for new offshore wind farms is included from the beginning of the first calendar year, when the entire offshore wind farm is in operation.

#### Degree days

Degree days are a measure of how cold it has been and thus indicate the amount of energy needed to heat a building. The number of degree days helps to compare the heat demand for a given year with a normal year. A degree day is an expression of a difference of 1°C between the inside daily mean temperature of 17°C and the outside daily mean temperature over a period of 24 hours. The number of degree days in a day is therefore calculated as the difference between 17°C and the outside daily mean temperature. The source of degree days is the Danish Technological Institute, Energy and Climate.

#### Energy efficiency, thermal generation

The energy efficiency is calculated as the total thermal heat and power generation divided by the total energy content of all fuels used in the generation of thermal heat and power.

## 2.4 Greenhouse gas emissions (GHG)

Indicator	Unit	2017	Change from 2016 to 2017	2016	2015
<b>Direct GHG emissions (scope 1)</b>					
Total scope 1 GHG emission	Thousand tonnes CO <sub>2</sub> e	3,949	(26%)	5,325	4,867
– Carbon dioxide (CO <sub>2</sub> )	Thousand tonnes CO <sub>2</sub> e	3,916	(26%)	5,294	4,834
– Methane (CH <sub>4</sub> )	Thousand tonnes CO <sub>2</sub> e	16	23%	13	14
– Nitrogen Oxide (N <sub>2</sub> O)	Thousand tonnes CO <sub>2</sub> e	16	(6%)	17	18
– Sulfur hexafluoride (SF <sub>6</sub> )	Thousand tonnes CO <sub>2</sub> e	0.6	200%	0.2	0.1
<b>Indirect GHG emissions (scope 2)</b>					
Location based	Thousand tonnes CO <sub>2</sub> e	101	-	-	-
Market based	Thousand tonnes CO <sub>2</sub> e	223	-	-	-
<b>Indirect GHG emissions (scope 3)</b>					
Business travel	Thousand tonnes CO <sub>2</sub> e	7	-	-	-

### Scope 1

For scope 1 emissions the main contributor was the emissions from combustion of fossil fuel from power plants. From 2016 to 2017, the part of the total scope 1 emissions coming from fossil fuel-based heat and power generation decreased from 99% to 98% as a result of the reduced use of coal. The remaining part of scope 1 emissions was from other fuel consumption, including cars and vessels.

SF<sub>6</sub> increased partly because we have included Wind Power in the data collection from 2017. SF<sub>6</sub> gas is used in transformers for electrical insulation.

### Scope 2

In 2017 we have developed our reporting to support a complete scope 2 reporting. Therefore we do not present scope 2 numbers for the earlier years.

The main source of location based scope 2 emission is electricity purchased by Distribution & Customer Solution to cover grid loss. Grid loss accounts for almost 80% of the total location based scope 2 emission.

Bioenergy & Thermal Power and Wind Power purchased electricity mainly in standstill and shutdown periods. This covered 18% of the total scope 2.

The rest of the scope 2 emissions originate from purchased electricity and heat for office buildings.

### Scope 3

Scope 3 business travel is a new indicator from 2017. It covers emissions from employees travelling by plane. We will expand our scope 3 emission reporting as we develop our ability to report on these emissions.

### Accounting policies

#### Direct GHG emissions (scope 1)

The direct scope 1 emissions are all direct emissions of greenhousegases.

The direct carbon dioxide emissions from the thermal heat and power plants are determined on the basis of the fuel quantities used in accordance with the EU ETS scheme. CO<sub>2</sub> emissions outside the EU ETS scheme are calculated as energy consumptions multiplied with emission factors.

Methane and nitrogen oxide from combustion of fuel at thermal power plants are calculated based on the fuel consumption and a standard factor. The emission of methane from Fredericia Oilterminal, is calculated based on a specific on-site emission factor and the oil flow. For both methane and nitrogen oxide, the emissions are calculated to CO<sub>2</sub> equivalents.

Sulfur hexafluorides are measured as kg refilled SF<sub>6</sub> gas at substations operated by Distribution & Customer Solutions. For Wind Power, the SF<sub>6</sub> gas consumption is calculated based on the generation capacity and a standard factor.

#### Indirect GHG emissions (scope 2)

The scope 2 emissions are the indirect GHG emissions from the generation of electricity, heat and steam purchased and consumed by Ørsted. The calculation for Denmark uses the volumes purchased multiplied by country-specific factors for calculating CO<sub>2</sub> equivalents. Only CO<sub>2</sub> is included in reporting of GHG emissions from countries outside Denmark.

#### Indirect GHG emissions (scope 3)

Scope 3 emissions cover business travel with airplanes. Depending on the destination, different emission factors are used, and multiplied by the distance and the number of trips. Data is delivered by external data providers.

## 2.5 Avoided CO<sub>2</sub> emissions

Indicator	Unit	2017	Change from 2016 to 2017	2016	2015
<b>Avoided CO<sub>2</sub> emissions</b>					
Avoided CO <sub>2</sub> emissions from offshore wind generation	Million tonnes CO <sub>2</sub> e	5.3	47%	3.6	3.4
Avoided CO <sub>2</sub> emissions from biomass converted generation	Million tonnes CO <sub>2</sub> e	1.4	250%	0.4	-
Accumulated (2006 to present year) avoided CO <sub>2</sub> emissions from offshore wind generation	Million tonnes CO <sub>2</sub> e	24	20%	20	15
Accumulated (2006 to present year) avoided CO <sub>2</sub> emissions from biomass converted generation	Million tonnes CO <sub>2</sub> e	1.8	350%	0.4	0
<b>CO<sub>2</sub>e emissions (from power and heat generation)</b>					
CO <sub>2</sub> e emissions from power and heat generation	Million tonnes CO <sub>2</sub> e	3.9	(26%)	5.3	4.9
Accumulated (2006 to present year) CO <sub>2</sub> e emissions from power and heat generation	Million tonnes CO <sub>2</sub> e	118	4%	114	109

Avoided emissions are the result of installed offshore wind farms and conversion of power stations using biomass as fuel. If these projects had not been undertaken other sources would have had provided the power generation.

We have reported on both the annual avoided emissions and the accumulated emissions since 2006.

In 2017, the avoided emissions exceeded the CO<sub>2</sub>e emissions from heat and power generation.

By 2017, we have avoided an accumulated total of 25.8 million tonnes CO<sub>2</sub>e since 2006.

This is the result of our wind based and biomass converted energy generation and corresponds to 22% of the accumulated CO<sub>2</sub>e emission from energy generation from Ørsted since 2006.

### Accounting policies

#### Avoided CO<sub>2</sub> emissions

The avoided CO<sub>2</sub> emission due to generation from offshore wind farms is calculated assuming that the generation from wind farms replace an equal quantity of electricity generated using fossil fuels.

The CO<sub>2</sub> emission factor from fossil fuel is calculated as an average fossil fuel mix in a specific country, as CO<sub>2</sub>/kWh. Data is extracted from external sources (the International Energy Agency, IEA). The power generation at a wind farm does not directly emit CO<sub>2</sub> and no secondary effects are included, from either power plants or offshore wind farms. The avoided CO<sub>2</sub> emission is calculated as the offshore wind farm's generation multiplied with the CO<sub>2</sub> emissions factor.

The avoided CO<sub>2</sub> emission due to conversion of combined heat and power plants and subsequent switch of fuel from fossil to biomass (i.e. biomass from dedicated plantations or biomass residues) is calculated from the energy content of the fuel used at power plants. It is assumed that the use of 1GJ of biomass fuel avoids the use of 1GJ of fossil fuels.

The following secondary CO<sub>2</sub> emissions are included in the calculation:

- Fuel used for production of biomass and conversion into wood pellets and wood chips
- Fuel used for transportation and handling of biomass
- Back-up fuel used together with biomass combustion at the power plant.

The accounting policies for avoided emissions follow the principles of the GHG Project Protocol and the UNFCCC methodology. EY has reviewed and co-developed the accounting practice to assure alignment with these standards.

#### CO<sub>2</sub> emissions

Accounting policies are described under 2.4 Greenhouse gas emissions (GHG).

## 2.6 GHG indicators and other air emissions

Indicators	Unit	2017	Change from 2016 to 2017	2016	2015
<b>Greenhouse gas emission intensity</b>					
Greenhouse gas intensity, Ørsted total* ●	g CO <sub>2</sub> e/kWh	151	(33%)	224	220
Greenhouse gas intensity, thermal generation	g CO <sub>2</sub> e/kWh	226	(25%)	302	297
CO <sub>2</sub> e per EBITDA, Ørsted	g CO <sub>2</sub> e/DKK	180	(38%)	279	557
<b>EU ETS scheme</b>					
Direct (Scope 1) CO <sub>2</sub> emission within the EU ETS scheme	%	98	(1%)	99	99
<b>Nitrogen oxides (NO<sub>x</sub>) and sulfur dioxide (SO<sub>2</sub>)</b>					
Nitrogen oxide emission	Tonnes NO <sub>x</sub>	2,800	2%	2,754	2,665
Sulphur dioxide emission	Tonnes SO <sub>x</sub>	555	1%	562	549
Nitrogen oxide emission intensity	g NO <sub>x</sub> /kWh	0.16	0%	0.16	0.16
Sulphur dioxide emission intensity	g SO <sub>x</sub> /kWh	0.03	0%	0.03	0.03

● This indicator has been reviewed as part of the Consolidated ESG statement of the 2017 Annual Report. See Auditor's Limited Assurance Report on page 171 of Ørsted's Annual Report 2017.

\* Target 2020: ≤ 100; 2023: ≤ 20

Ørsted's greenhouse gas emission intensity decreased by 33% from 2016 to 2017 due to more wind farms in operation and a higher share of biomass based thermal generation.

The greenhouse gas intensity from thermal generation decreased with 25%.

### Accounting policies

#### Green house gas emission intensity

The greenhouse gas emission intensity is calculated as the greenhouse gas emissions measured in CO<sub>2</sub>e (CO<sub>2</sub> equivalents) relative to the total generation of heat and power, measured in kWh.

Greenhouse gases comprise greenhouse gas emissions from the combustion of fuels in thermal power and heat generation. These are covered by the GHG Protocol and comprise CO<sub>2</sub> (carbon dioxide), N<sub>2</sub>O (nitrous oxide) and CH<sub>4</sub> (methane).

In practice, waste is considered a partially CO<sub>2</sub>-neutral fuel, as it consists of both fossil fuels and biomass-based fuels. We use a conversion factor to calculate the CO<sub>2</sub> emissions from the incineration of waste. The conversion factor (37kg CO<sub>2</sub>/GJ waste) has been used by the Danish Centre for Environment and Energy since 1990 and until today.

CO<sub>2</sub>e per EBITDA is calculated using the sum of CO<sub>2</sub>e emission from scope 1 and scope 2 location based (see tabel 2.4) and Ørsted's EBITDA.

#### EU ETS scheme

Direct CO<sub>2</sub> emission within the EU ETS scheme occurs at facilities that are subject to the emissions trading system, and for which Ørsted is responsible in its capacity as operator and thus holds the environmental permit.

#### Nitrogen oxides (NO<sub>x</sub>) and sulfur dioxides (SO<sub>2</sub>)

NO<sub>x</sub> and SO<sub>2</sub> are only reported for the thermal heat and power plants. NO<sub>x</sub> and SO<sub>2</sub> emissions from other combustions are not included. NO<sub>x</sub> and SO<sub>2</sub> are primarily measured by continuous measurement. A few power stations use plant-specific emission factors. The emissions are presented as both absolute emissions and intensity ratios.

# 2.7 Capacity

Indicators	Unit	2017	Change from 2016 to 2017	2016	2015
<b>Power generation capacity</b>	<b>GW</b>	5.9	11%	5.3	5.1
– Wind power ●	GW	2.5	25%	2.0	1.7
– Denmark	GW	0.6	0%	0.6	0.6
– United Kingdom	GW	1.4	56%	0.9	0.9
– Germany	GW	0.5	0%	0.5	0.2
– Thermal power	GW	3.4	0%	3.4	3.4
– Denmark	GW	3.0	0%	3.0	3.0
– The Netherlands	GW	0.4	0%	0.4	0.4
<b>Heat generation capacity, thermal</b>	<b>GJ/s</b>	3.4	0%	3.4	3.4
<b>Wind power capacity indicators</b>					
Decided (FID) capacity ●	GW	8.9	20%	7.4	5.1
Installed capacity* ●	GW	3.9	8%	3.6	3.0
<b>Thermal heat generation capacity indicator</b>					
Biomass-based heat generation capacity**	%	55	14%p	41	19

● This indicator has been reviewed as part of the Consolidated ESG statement of the 2017 Annual Report. See Auditor’s Limited Assurance Report on page 171 of Ørsted’s Annual Report 2017.

\* Target 2020. Our ambition is 11-12GW in 2025 \*\* Target 2020: ≥60

For wind power, all three reported capacities increased in 2017.

We made final investment decision (FID) on Hornsea 2, adding another 1.4GW to the portfolio. In combination with an updated wind farm capacity for Borssele 1 and 2 the decided capacity reached 8.9GW in 2017.

Burbo Bank Extension went into full production in 2017, increasing the installed capacity by 0.3GW, to 3.9GW.

Generation capacity increased by 28% from 2.0GW to 2.5GW. Walney Extension, Burbo Bank Extension and Race Bank were under construction in 2017, continually adding to the total capacity. In 2017, Lincs changed from one-line to pro-rata consolidation and was subsequently included in the generation capacity.

For Bioenergy & Thermal Power, the heat and power generation capacity did not change from 2016 to 2017. However, due to

conversions from fossil fuels to biomass at the Avedøre and Skærbæk power stations, the biomass-based heat generation capacity increased by 14%p to 55%.

## Accounting policies

### Power generation capacity, wind power

Wind power generation capacity is calculated and factored in from the time when the individual wind turbine has passed the 240-hour test.

The wind farms Gunfleet Sands and Walney 1 & 2 have been consolidated according to ownership interest. The other wind farms are financially consolidated.

### Power and heat generation capacity, thermal

The thermal heat and power generation capacity is a measure of the maximum capability to generate heat and power. Ørsted’s thermal capacity comprises the maximum heat and power capacity for each unit. The capacity can change over time with plant modifications. For each power station, the capacity is given for generation with the primary fuel mix. Overload is not included. The capacity may change over time with plant modifications. Power stations which have been taken out of the primary operation to become stand-by stations are not included.

### Wind power capacity indicators

Decided (FID) capacity for offshore wind is the accumulated installed offshore wind capacity, including capacity for offshore wind farms where a final investment decision has been made.

Installed capacity for offshore wind is calculated as the cumulative offshore wind capacity installed by Ørsted. The capacity is calculated as installed gross capacity before divestments. Capacity is calculated and factored in from the time when the wind farm is in full production.

### Thermal heat generation capacity indicator

The biomass-based heat generation capacity is calculated as the share of the total thermal heat generation capacity that can generate heat based on biomass.

## 2.8 Fuels used in thermal heat and power generation

Indicators	Unit	2017	Change from 2016 to 2017	2016	2015
<b>Fuels used in thermal heat and power generation</b>					
Biomass	Thousand tonnes	2,357	51%	1,560	1,352
Coal	Thousand tonnes	1,100	(35%)	1,695	1,612
Oil	Thousand tonnes	17	(23%)	22	17
Waste	Thousand tonnes	0	0%	0	80
Natural gas	Million Nm <sup>3</sup>	613	3%	595	502
<b>Certified renewable woody biomass sourced*</b>	<b>%</b>	<b>72</b>	<b>11%p</b>	<b>61</b>	<b>0</b>
Total woody biomass sourced	Thousand tonnes	2,131	214%	678	-
– Wood pellets	Thousand tonnes	1,688	191%	580	-
– Wood chips	Thousand tonnes	442	351%	98	-
Certified renewable woody biomass sourced	Thousand tonnes	1,539	272%	414	-
– Wood pellets	Thousand tonnes	1,168	224%	361	-
– Wood chips	Thousand tonnes	371	600%	53	-

● This indicator has been reviewed as part of the Consolidated ESG statement of the 2017 Annual Report. See Auditor's Limited Assurance Report on page 171 of Ørsted's Annual Report 2017.

\* Target 2020: 100

Compared to 2016, the fuels used in 2017 indicated an important shift, as we used more biomass than coal.

Coal consumption decreased by 35%, and biomass increased by 51% compared to 2016.

We only want to use certified sustainable biomass at our heat and power plants. We have therefore asked our suppliers to obtain certifications in accordance with the Danish industry agreement on sustainable biomass which was introduced in August 2016.

The certified share of renewable woody biomass increased from 61% in 2016 to 72% in 2017.

The suppliers are still in the process of introducing certifications in their production and supply chain, and only a few suppliers have certified their entire production. We expect the suppliers to continually increase their share of certification.

Our target is to source all woody biomass as certified renewable biomass by 2020.

### Accounting policies

#### Fuels used in thermal heat and power generation

Fuels used in the thermal heat and power generation at the power stations is the total of each fuel type used for both heat and power generation.

Biomass covers all kinds of biomass-based fuels used in the thermal generation, including wood pellets, wood chips, straw, bio oil and sunflower husk pellets.

#### Certified renewable woody biomass sourced

The reporting began in August 2016 on the commencement date of the Danish industry agreement on reporting and certification schemes.

Certified biomass is defined as woody biomass, i.e. wood pellets and wood chips. Biomass is measured as sourced woody biomass delivered to the individual Ørsted heat and power plant within the reporting period.

Certified sustainable woody biomass sourced must be certified within at least one of the claim categories accepted by the Danish industry agreement on certified biomass. Accepted claim categories are: FSC 100%, FSC Mix, PEFC 100%, SBP compliant.

Certified biomass is calculated as the amount of sourced woody biomass compared to the total amount of sourced woody biomass delivered to the individual Ørsted-owned power station within the reporting period.



## 2.9 Energy consumption

Indicators	Unit	2017	Change from 2016 to 2017	2016	2015
<b>Fuels used in thermal generation of heat and power</b>	<b>Million GJ</b>	<b>89</b>	<b>(3%)</b>	<b>92</b>	<b>82</b>
– Biomass	Million GJ	38	52%	25	21
– Coal	Million GJ	26	(38%)	42	39
– Natural gas	Million GJ	24	0%	24	20
– Oil	Million GJ	1	0%	1	1
– Waste	Million GJ	0	0%	0	1
<b>Share of fuels in thermal heat and power generation</b>					
– Biomass	%	42	15%p	27	26
– Coal ●	%	30	(16%p)	46	48
– Natural gas	%	27	1%p	26	24
– Oil	%	1	0%p	1	1
– Waste	%	0	0%p	0	1
<b>Other energy usage (oil, natural gas and diesel for vessels and cars)</b>	<b>Million GJ</b>	<b>0.7</b>		<b>-</b>	<b>-</b>
<b>Power and heat purchased and consumed by Ørsted</b>					
Power	GWh	493	-	-	-
– Green power sourced for own operations	GWh	13	-	-	-
Heat	TJ	131	13%	116	98

● This indicator has been reviewed as part of the Consolidated ESG statement of the 2017 Annual Report. See Auditor's Limited Assurance Report on page 171 of Ørsted's Annual Report 2017.

There was a significant increase in biomass and a significant decrease in coal in 2017.

In 2017, the purchased power included grid loss covered by Distribution & Customer Solutions and power purchased by Bioenergy & Thermal Power and Wind Power during periods of standstill and shutdown.

The reporting scope for power purchased and consumed by Ørsted has changed significantly, so historical data are not reported.

### Accounting policies

**Fuels used in thermal generation of heat and power**  
Fuels used in thermal generation of heat and power covers all fuels combusted at the power stations.

**Share of fuels in thermal heat and power generation**  
The share of the different fuels in thermal heat and power generation is calculated as the share of the individual fuel consumption in GJ relative to the total fuel volume in GJ.

### Other energy usage

Other energy usage covers usage of oil, natural gas and diesel. These consumptions cover for example oil for small power generators at building sites, gas consumption for heating and diesel for vessels and cars. Consumption of natural gas, flaring and venting carried out for safety or similar purposes are included. For gas treatment and gas storage facilities, the amounts are calculated on the basis of pressure and the dimensions of the process equipment that is emptied as well as by means of accredited measuring of the constant safety flaring.

### Power and heat purchased and consumed by Ørsted

Power and heat purchased and consumed by Ørsted is reported for power stations, other facilities and administrative functions. Power and heat consumption is calculated exclusive of consumption for heat and power generation at the power stations.

For consumption related to administration and other processes, we calculate direct consumption on the basis of invoices.

Green power sourced for own operations covers certificates for renewable energy purchased by Ørsted.

## 2.10 Water

Indicators	Unit	2017	Change from 2016 to 2017	2016	2015
<b>Water withdrawal</b>					
Total volume of water withdrawn	Thousand m <sup>3</sup>	1,554	(10%)	1,726	1,546
– Ground water	Thousand m <sup>3</sup>	931	(7%)	1,004	847
– Municipal water supplies or other public or private water utilities	Thousand m <sup>3</sup>	623	(14%)	721	698
<b>Wastewater discharge</b>					
Total volume of wastewater discharge	Thousand m <sup>3</sup>	969	14%	850	833

The water withdrawal decreased by 10% in 2017 compared to 2016.

The process water needed for generating thermal heat and power is the largest part of water consumption amounting to more than 90%.

The thermal heat and power generation decreased from 2016 to 2017, which resulted in less water consumption in 2017.

### Accounting policies

#### Water withdrawal

Water withdrawal includes all water resources that Ørsted either withdraw directly from groundwater or consume from waterworks. This includes:

- process use (kettles, flue gas cleaning, ash management etc.)
- water withdrawal converted to steam or hot water and resold to business partners
- water withdrawal for use in offices and other buildings.

The total volume of water withdrawal is measured based on meter readings or invoices from suppliers. An estimated consumption using a corporate standard value is calculated in cases where exact data are not available.

Surface water is out of scope. This means that cooling water consumption from ocean water at power stations is not included.

#### Wastewater discharge

Wastewater includes all planned and unplanned discharges of water from Ørsted, except cooling water from power plants.

For facilities, wastewater discharges are recorded based on meter readings. Where wastewater is removed by road tanker discharges are based on invoices. For offices and warehouses, wastewater discharges are presumed to be equivalent to water consumption.

## 2.11 Waste

Indicators	Unit	2017	Change from 2016 to 2017	2016	2015
<b>Waste by type and disposal method</b>					
Hazardous waste	Thousand tonnes	213	280%	56	2
– Recycling	Thousand tonnes	213	287%	55	0.1
– Incineration	Thousand tonnes	0.2	(90%)	2	1
– Landfill	Thousand tonnes	0.04	(60%)	0.05	0.06
Non-hazardous waste	Thousand tonnes	20	67%	12	72
– Recycling	Thousand tonnes	19	90%	10	70
– Incineration	Thousand tonnes	1	(50%)	2	2
– Landfill	Thousand tonnes	0.2	(60%)	0.5	0.2
Total waste for recycling	%	99	4%p	95	96
Total waste for incineration	%	1	(3%p)	4	4
Total waste for landfill	%	0	(1%p)	1	0

### Accounting policies

#### Waste by type and disposal method

Waste and recycling of waste from administrative and production facilities are measured on the basis of invoices received from waste recipients and/or using plant-specific measuring methods for commercial facilities, including construction activities.

We use three categories of waste: recycling, incineration and landfill.

Incineration includes energy recovery.

The total volume of waste has increased, both for hazardous waste and non-hazardous waste.

For hazardous waste, the primary reason for the increase was the oil-containing wastewater from the oil terminal in Fredericia. In 2016, we were allowed to send a portion of the water directly to the water treatment facility, which decreased volumes treated as hazardous waste. In 2017 all oil-containing wastewater has been treated as hazardous waste.

In 2016, we incorrectly reported the oil-containing waste water as non-hazardous

waste. The number has been restated in this report, and is reported as hazardous waste.

In 2017 the worlds first offshore wind farm, Vindeby, was decommissioned, resulting in more than 12,000 tonnes of non-hazardous waste for recycling. This contributes to the increase from 2016 to 2017. The blades from Vindeby were either given to museums or the original contractor, for research purposes or recycled into noise deflection walls.

## 2.12 Environmental incidents

Indicators	Unit	2017	Change from 2016 to 2017	2016	2015
Massive environmental incidents	Number	0	0	0	0
Major environmental incidents	Number	8	0	8	5
– Wind Power	Number	2	1 incident	1	0
– Bioenergy & Thermal Power	Number	2	1 incident	3	0
– Distribution & Customer Solutions	Number	4	0	4	5

In 2017, we had eight major environmental incidents. Four of these incidents were oil spills, and four were air emission leakages.

The total volume of the oil spills is approximately 500 liters. All oil spills are cleaned up and no pollution of the environment remains.

The four leakages consisted of three leakages of greenhouse gases and one leakage of nitrogen oxide.

### Accounting policies

An environmental incident is an unintended incident which has a negative impact on the environment.

Ørsted registers all environmental incidents at facilities for which Ørsted is responsible in its capacity as operator or accountable for operations, including both actual and potential incidents.

The materiality of an incident is determined on the basis of an assessment of the extent, dispersion and impact on the environment. On this basis, all environmental incidents are categorised on a scale from 1 (slight impact) to 5 (massive impact). Actual incidents in categories 4 (major impact) and 5 (massive impact) are reported.

# 3. Social

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# 3.1 Employees

Indicator	Unit	2017	Change from 2016 to 2017	2016	2015
<b>Number of employees</b>					
Total number of employees (as of 31 December) ●	Number of FTEs	5,638	(2%)	5,775	5,947
Average number of employees during the year	Number of FTEs	5,738	(3%)	5,894	5,882
<b>Employees by country</b>					
	%	<b>100</b>	<b>0%p</b>	<b>100</b>	<b>100</b>
Denmark	%	76	(4%)	80	83
United Kingdom	%	16	2%	14	11
Germany	%	4	1%	3	3
Other	%	4	1%	3	3
<b>Employees by age</b>					
Average age of total workforce	Years	42	0	42	42
Age 18-35	%	32	0%p	32	32
Age 36-55	%	56	0%p	56	56
Age 56-70	%	12	0%p	12	12

● This indicator has been reviewed as part of the Consolidated ESG statement of the 2017 Annual Report. See Auditor's Limited Assurance Report on page 171 of Ørsted's Annual Report 2017.

The number of employees fell by 2% from 2016 to 2017. The decrease was due to the divestment of the company A2SEA and staff reductions in the business units Bioenergy & Thermal Power and Distribution & Customer Solutions. On the other hand, the number of employees increased in Wind Power.

## Accounting policies

### Employees

The reporting covers contractually employed employees in Danish and foreign Ørsted companies in which Ørsted holds an ownership interest of more than 50%. People employed by associates are not included.

Employee data are recognised based on records from the Group's employee registration systems. The number of employees is determined as the number of employees at the end of each month converted to full-time equivalents (FTE's).

Employees who have been made redundant are recognised until the expiry of their notice period, regardless of whether they have been released from all or part of their duties during the notice period.

## 3.2 Human capital

Indicator	Unit	2017	Change from 2016 to 2017	2016	2015
<b>Employee satisfaction survey results</b>					
Employee satisfaction* ●	Index 0-100	76	0p	76	74
Employee loyalty ●	Index 0-100	84	1p	83	82
Aggregated learning and development indicator**	Index 0-100	76	0p	76	74
Employees who have had a Performance & Development Dialogue, during the year	%	98	1%p	97	96
<b>Turnover</b>					
Total employee turnover rate	%	13.2	(2.6%p)	15.8	11.8
Voluntary employee turnover rate	%	7.2	0.5%p	6.7	7.4
Employees who have left the company	Number	740	(20%)	913	677
– Voluntary resignation	Number	405	5%	387	422
– Redundancy	Number	249	(43%)	439	161
– Mutual agreement	Number	54	26%	43	55
– Retirement	Number	26	(35%)	40	35
– Miscellaneous	Number	6	50%	4	4

● This indicator has been reviewed as part of the Consolidated ESG statement of the 2017 Annual Report. See Auditor's Limited Assurance Report on page 171 of Ørsted's Annual Report 2017.

\* Target 2020: 77 \*\* Target 2020: 80

The scores for 'employee satisfaction and motivation' and 'employee loyalty' are both high among Ørsted's employees. With a satisfaction and motivation score of 76 again in 2017, our 2020 target of reaching a satisfaction and motivation score of 77 continues to be close.

The high employee turnover of 15.8% in 2016 was primarily due to the restructuring of A2SEA and the discontinuation of activities in the subsidiary CT Offshore.

The total employee turnover in 2017 was, besides voluntary turnover, due to the continued restructuring of A2SEA and re-organisations in our business units.

The voluntary employee turnover increased from 6.7% in 2016 to 7.2% in 2017. It is still within the norm. We monitor the voluntary employee turnover rate closely to ensure that it continues to stay at a reasonable level.

### Accounting policies

#### Employee satisfaction survey results

Ørsted conducts a comprehensive employee satisfaction survey once a year.

The following employees are invited to participate in the employee satisfaction survey:

- all permanent and temporary employees, including apprentices
- employees who are on leave, sick leave, maternity or paternity leave
- hourly workers and student workers (employed for more than eight hours/week).

The following employees are not invited to participate in the employee satisfaction survey:

- employees who joined the company shortly before the employee satisfaction survey
- employees who resigned shortly after the employee satisfaction survey
- interns
- consultants/advisors and external temporary workers who do not have an employment contract with Ørsted.

In the survey, employees are asked a number of questions. The answers are given on a scale from 1-10 and are subsequently converted to average index figures on a scale from 0-100.

#### Turnover

The employee turnover rate is calculated as the number of permanent employees who have left the company relative to the average number of permanent employees in the financial year.

# 3.3 Gender diversity

Statement on the underrepresented gender in accordance to the Danish Financial Statement Act (Årsregnskabsloven) §99B

Indicator	Unit	2017	Change from 2016 to 2017	2016	2015
<b>Board of Directors, Ørsted A/S</b>	<b>Number</b>	6	(25%)	8	8
Female	Number	3	0%	3	3
Male	Number	3	(40%)	5	5
Gender with lowest representation ●	%	50	12%p	38	38
<b>Board of Directors, large enterprises of reporting class C</b>	<b>Number</b>	9	(10%)	10	11
Boards with equal gender representation	Number	8	0%	8	9
Boards without equal gender representation	Number	1	(50%)	2	2
<b>Group Executive Management</b>	<b>Number</b>	5	(17%)	6	6
Gender with lowest representation (female)	%	20	3%p	17	17
<b>Leadership Conference</b>	<b>Number</b>	<b>87</b>	<b>2%</b>	<b>85</b>	<b>75</b>
Gender with lowest representation (female)*	%	13	(3%p)	16	19
<b>Middle management</b>	<b>Number</b>	<b>755</b>	<b>1%</b>	<b>746</b>	<b>699</b>
Gender with lowest representation (female)**	%	25	2%p	23	25
<b>All employees</b>	<b>Number</b>	<b>5,638</b>	<b>(2%)</b>	<b>5,775</b>	<b>5,947</b>
Gender with lowest representation (female)	%	30	0%	30	29

● This indicator has been reviewed as part of the Consolidated ESG statement of the 2017 Annual Report. See Auditor’s Limited Assurance Report on page 171 of Ørsted’s Annual Report 2017.

\* Target 2020: 22    \*\* Target 2020: 30

Ørsted has decided to report consolidated for the subsidiaries that are independently covered by the danish reporting requirements in section 99B of the Danish Financial Statement Act.

Except one company, Ørsted Insurance, all companies fulfil the requirements for equal representation.

It is the objective of the Board of Directors to have equal gender representation in Ørsted Insurance no later than by 2020.

Ørsted would like to unfold the full potential of all employees and ensure that men and women have the same opportunities for obtaining leadership positions.

Ørsted has a policy on women in management. We also have targets for increasing the

proportion of women at all management levels.

To promote Ørsted as a diverse workplace we encourage all candidates to apply, regardless of gender, race, age and cultural background. Recruitment processes includes required female representation on shortlists, and recruiters and hiring managers have been trained to be aware of – and avoid – unconscious bias in their selection of candidates.

Talent programs have had too little female representation, and a decision has been made that 30% of participants on talent programmes focusing on entry level leadership should be females.

Management of diversity development is facilitated by quarterly reporting on gender distribution.

### Accounting policies

#### Board of Directors

Consists of members elected at general assemblies; the employee representatives on the Board of Directors are, however, not included in the data.

#### Group Executive Management

Consists of the CEO, the CFO and executive vice presidents (EVP).

#### Leadership Conference

Consists of the CEO, the CFO, EVP, senior vice presidents, vice president and senior directors.

#### Middle Management

Consists of directors, senior managers, managers and team leads.

#### All employees

All employees by gender represents the gender distribution of the total workforce in Ørsted. The reporting covers contractually employed employees in Danish and foreign Ørsted companies. The number of employees is determined as the number of employees at the end of the financial year converted to full-time equivalents.



## 3.4 Safety

Indicator	Unit	2017	Change from 2016 to 2017	2016	2015
<b>Safety</b>					
Number of Lost-Time Injuries (LTIs)	Number	32	(9%)	35	35
– own employees	Number	7	(36%)	11	11
– contractor employees	Number	25	4%	24	24
Total Recorded Injuries (TRIs)	Number	125	7%	135	171
– own employees	Number	44	11%	49	92
– contractor employees	Number	81	6%	86	79
Hours worked	Million hours worked	19.6	1%	19.7	17.6
– own employees	Million hours worked	9.4	1%	9.3	9.9
– contractor employees	Million hours worked	10.2	3%	10.5	7.7
Lost-Time Injury Frequency (LTIF) ●	Pr. million hours worked	1.6	11%	1.8	2.0
– own employees	Pr. million hours worked	0.7	42%	1.2	1.1
– contractor employees	Pr. million hours worked	2.5	9%	2.3	3.1
Total Recordable Injury Rate (TRIR)* ●	Pr. million hours worked	6.4	6%	6.8	9.7
– own employees	Pr. million hours worked	4.7	11%	5.3	9.3
– contractor employees	Pr. million hours worked	7.9	4%	8.2	10.3
Fatalities** ●	Number	0	0%	0	0
Permanent disability cases	Number	0	0%	0	1

● This indicator has been reviewed as part of the Consolidated ESG statement of the 2017 Annual Report. See Auditor's Limited Assurance Report on page 171 of Ørsted's Annual Report 2017.

\* Target 2020: 5.7    \*\* Target 2020: 0

As one of our core values, safety is fundamental in all our activities. We continuously measure safety performance and act on both the potential and the actual severity of the incidents.

We also take responsibility for our contractors' safety and include them in our safety performance.

Both LTIF and TRIR improved from 2016 to 2017. The positive performance is a result of fewer incidents in 2017, whereas the number of hours were almost at the same level.

### Accounting policies

#### Safety

Occupational injuries are reported according to operational scope. Occupational injuries and lost-time injuries are calculated for both our own employees and suppliers.

A Lost-Time Injury (LTI) is defined as an injury that results in incapacity to work for one or more calendar days in addition to the day of the incident.

Total Recorded Injuries (TRI's) includes lost time injuries, restricted workday cases and medical treatment cases.

The number of hours worked is based on 1,667 working hours annually per full-time employee and monthly records of the number of employees converted into full time employees. For suppliers, the actual number of hours worked is recognised on the basis of data provided by the supplier, access control systems at locations or estimates.

The LTI and TRI frequencies are calculated as the number of injuries per one million hours worked.

Fatalities are the number of employees who lost their life as a result of a work-related incident.

Permanent disability cases are injuries resulting in irreversible damage with permanent impairment, which is not expected to improve.

# 3.5 Health and well-being

Indicator	Unit	2017	Change from 2016 to 2017	2016	2015
<b>Health and well-being</b>					
Employee satisfaction with health initiatives*	Index 0-100	77	0p	77	76
Sickness absence	%	2.3	0%p	2.3	2.2
Employees experiencing stress	%	9	1%p	8	-
Employees experiencing bullying, harassment, threats or violence	%	3	(1%p)	4	5

\* Target 2020: 80

The number of employees who answered in the annual employee satisfaction survey that they had experienced stress increased slightly from 2016 to 2017.

To ensure that an occasional feeling of stress does not turn into long term, unhealthy stress, all managers in Ørsted will participate in stress prevention training. 75% of all managers were trained in 2017.

## Accounting policies

### Health and well-being

Ørsted conducts a comprehensive employee satisfaction survey once a year. In the survey, employees at Ørsted are asked a number of questions. Answers are given on a scale of 1-10 and are subsequently converted to average index figures on a scale of 0-100.

Satisfaction with health initiatives is included in the employee satisfaction survey.

Sickness absence is calculated as the ratio between the number of sick days during the financial year and the planned number of annual working days in the respective country.

The stress indicator is calculated as the percentage of employees answering 'quite much' or 'very much' to the question: 'Do you feel this kind of stress?' Stress means a situation where a person feels tense, restless, nervous, troubled, or unable to sleep at night because his/her mind is troubled all the time.

Employees experiencing bullying, harassment, threats or violence is reported based on the results from the annual employee satisfaction survey. The score is calculated as the percentage of employees who answer yes to one or more of four related questions.

# 3.6 Customers

Indicator	Unit	2017	Change from 2016 to 2017	2016	2015
<b>Customer satisfaction</b>					
Customer satisfaction, B2C* ●	Scale 1-100	76	0p	76	76
Customer satisfaction, B2B* ●	Scale 1-100	77	3%	75	75
Customer satisfaction, power distribution* ●	Scale 1-100	82	(1%)	83	78
<b>Number of customers</b>					
Gas customers	Thousand customers	100	(1%)	101	101
– Denmark, B2C	Thousand customers	91	1%	92	92
– Denmark, B2B	Thousand customers	6	20%	5	6
– Germany, B2B	Thousand customers	0.06	100%	0.03	0.03
– Sweden, B2B	Thousand customers	0.3	0%	0.3	0.4
– United Kingdom, B2B	Thousand customers	4	33%	3	3
Power customers	Thousand customers	782	0.1%	781	788
– Denmark, B2C	Thousand customers	733	0%	733	738
– Denmark, B2B	Thousand customers	48	0%	48	50
– United Kingdom, B2B	Thousand customers	0.7	600%	0.1	0.1
– Germany, B2B	Thousand customers	0.1	-	0	0
Power distribution customers	Thousand customers	1,016	1%	1,007	1,001

● This indicator has been reviewed as part of the Consolidated ESG statement of the 2017 Annual Report. See Auditor’s Limited Assurance Report on page 171 of Ørsted’s Annual Report 2017.

\* Target 2020: ≥80

In 2017, we have increased our satisfaction target for business customers (B2B) to at least 80 in 2020 (previously 75).

The 2020 target for all three types of customer satisfaction is 80 or higher.

### Accounting policies

#### Customer satisfaction

Customer satisfaction for B2C customers is measured according to interaction between the customer and Ørsted. The score is therefore not an expression of customers’ overall satisfaction with Ørsted, but is rather related to a given situation. The score is a weighted score based on the contact volume of the

underlying touch points. An external provider carries out the interviews. The satisfaction surveys are carried out every month during the year, and the score is a simple average of year-to-date months scores.

Customer satisfaction for B2B customers is determined on the basis of quarterly interviews about customers’ satisfaction with Ørsted as a whole. The survey only comprises active customers with

whom Ørsted has been in touch in connection with contracts for the supply of power or gas. The method follows the ACSI model based on the EPSI scale. An external agency conducts the interviews and reports the results. In 2017, customers from the UK and Sweden were also included.

Customer satisfaction for power distribution customers in Denmark is determined on the basis of interactions with distribution customers. Respondents are randomly selected, and the survey is carried out by an external supplier.

#### Number of customers

The number of customers in Denmark is retrieved from Ørsted’s internal customer systems, while customers in other countries are retrieved from local contract and customer databases. The number of power and/or gas distribution customers is based on readings from Panda, the official system in Denmark.

In 2017, we have specified that a B2C power customer is defined as a counterpart receiving billable physical power. The counterpart is defined as a POD (point of delivery). One person can own one or more PODs, and since the person is billed based on the number of PODs, the PODs make up the B2C power customer base. The historical data have been updated according to the new definition.

## 3.7 Products and services

Indicator	Unit	2017	Change from 2016 to 2017	2016	2015
<b>Sales and distribution</b>					
Gas sales ●	TWh	129,0	(10%)	143.4	153.2
Power sales ●	TWh	37.5	3%	36.5	35.2
Power distribution ●	TWh	8.4	(1%)	8.5	8.4
<b>Energy savings</b>					
Total energy savings from our consultancy	GWh	176	8%	151	122
– Energy saved at our climate partners	GWh	31	0%	31	53
<b>Security of supply</b>					
SAIFI, excluding transmission grids* ●	Number per customer	0.42	8%	0.39	0.34
SAIFI, including transmission grids	Number per customer	0.52	6%	0.49	0.35
SAIDI, system average interruption duration index	Minutes per customer	33	6%	31	25

● This indicator has been reviewed as part of the Consolidated ESG statement of the 2017 Annual Report. See Auditor's Limited Assurance Report on page 171 of Ørsted's Annual Report 2017.

\* Our ambition is to offer a level of security of supply which is on a par with or higher than the Danish average, which is approximately 0.4 outages per customer per year.

The increase in energy savings is the result of a higher number of major customers benefitting from Ørsted's energy advisory services. The energy saving projects have been developed during the previous years and are now being finalised.

2017 was another year with a high level of building and construction activity in the Greater Copenhagen area, affecting SAIFI negatively.

### Accounting policies

#### Sales and distribution

Sales of power and gas are calculated as physical sales to retail and wholesale customers and exchanges. Sales of power and gas are based on readings from Ørsted's trading systems. Internal sales to Bioenergy & Thermal Power are not included in the statement. Only natural gas is included in gas sales.

Distribution of power has been determined on the basis of data from El-Panda, the official system in Denmark, which measures and calculates total area consumption.

#### Energy savings

Ørsted Energy Solution creates energy savings at other companies through our consultancy. A climate partner is a company that buys both green power or biogas and energy consultancy from Ørsted.

The energy savings comprise both power, district heating, biogas, natural gas and other forms of energy. The energy savings are calculated as savings in the first year following implementation.

Ørsted may also contribute to the realisation of the energy savings through a number of business partners in relation to fulfilling the energy-savings efforts defined in the political agreement 'energiselskabernes spareindsats'.

This statement only includes savings generated by Ørsted's energy advisory services. It does thus not include the energy savings that are created via partners.

#### Security of supply

Security of supply is measured in terms of power outage frequency (SAIFI) and duration of outages (SAIDI) for customers.

SAIFI (system average interruption frequency Index) covers the frequency of announced and unannounced power outages for the customer. SAIFI is calculated as the average number of power outages per customer per year.

SAIFI is reported with and without the transmissions grids as these grids are operated by Energinet and therefore do not lie within the responsibility of Radius.

SAIDI (system average interruption duration Index) covers the power outage duration experienced by the customers. SAIDI is calculated as the total duration of planned and unplanned power outages per customer per year. It is calculated as the total duration of customer interruptions divided by the total number of customers served.

# 4. Governance

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# 4.1 Board of Directors and remuneration

Indicator	Unit	2017	Change from 2016 to 2017	2016	2015
<b>Board of Directors</b>					
Independent board members, Ørsted A/S	%	83	(5%p)	88	88
Share of gender with lowest representation ●	%	50	12%p	38	38
<b>Remuneration</b>					
CEO pay ratio	Ratio	22	16%	19	20
Group Executive Management remuneration	DKK million	61	15%	53	48

● This indicator has been reviewed as part of the Consolidated ESG statement of the 2017 Annual Report. See Auditor's Limited Assurance Report on page 171 of Ørsted's Annual Report 2017.

At the end of 2017, the Board of Directors consisted of six members compared to eight members in 2016 and 2015. The decrease in percentage of independent board members from 2016 to 2017 was a result of fewer members in the Board and not an increase in the number of non-independent members.

Thomas Thune Andersen is not considered independent with respect to the 2017 reporting pursuant to the corporate governance recommendations. Until December 2017, he was a member of the Board of Directors of Petrofac Limited which has had significant business relations with the oil and gas business now divested by Ørsted. However, he is considered independent of shareholder interests.

## Accounting policies

### Board of Directors

The Board of Directors in this section only covers the members elected at the general assemblies.

According to Recommendations on Corporate Governance, an independent member elected by the general meeting may not:

- be or within the past five years have been member of the Executive Board, or senior staff member in the company, a subsidiary undertaking or an associate
- within the past five years, have received larger emoluments from the company/group, a subsidiary undertaking or an associate in another capacity than as member of the Board of Directors
- represent or are associated with a controlling shareholder
- within the past year, have had significant business relations (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate

- be or within the past three years have been employed or partner in the same company as the external auditor elected by the general meeting
- have been chief executive in a company holding cross-memberships with the company and have been a member of the Board of Directors for more than 12 years
- have been close relatives with persons who are not considered independent.

The share of gender with lowest representation is reported under 3.3 Gender diversity.

### Remuneration

CEO pay ratio is calculated as the ratio between the CEO's total remuneration (fixed salary, including personal benefits, such as a company car, free telephone, etc., a variable salary, a retention bonus in connection with the IPO, and share-based payment) and the average FTE salary.

The remuneration of the Group Executive Management is the total remuneration of the Executive Board and the other members of Group Executive Management. See the annual report, note 2.6.

## 4.2 Governance

Indicator	Unit	2017	Change from 2016 to 2017	2016	2015
Substantiated whistleblower cases ●	Number	3	0%	3	6
– Cases transferred to the police ●	Number	0	0%	0	1
Employees who have completed a course in good business conduct	%	98	0%p	98	95
Global income tax paid	DKK billion	2.7	(16%)	3.2	1.1

- This indicator has been reviewed as part of the Consolidated ESG statement of the 2017 Annual Report. See Auditor's Limited Assurance Report on page 171 of Ørsted's Annual Report 2017.

During 2017, reported cases of inappropriate or illegal business conduct lead to three substantiated whistleblower cases.

Two cases concerned a violation of employment policy, and one case concerned a conflict of interest.

The cases have had consequences for the individuals involved. None of the reported cases were considered business critical, nor did they impact the Group's financial results.

We take such cases seriously, and do what we can to prevent reoccurrences.

### Accounting policies

#### Substantiated whistleblower cases

Ørsted's whistleblower hotline is available for internal and external reporting of suspected cases of inappropriate or illegal behaviour. Whistleblower cases are received and handled by the Internal Audit function, which also receives similar reports through the management system and from compliance officers. All reports are handled in accordance with the guidelines for the handling of whistleblower reports approved by the Audit and Risk Committee, which is ultimately responsible for the whistleblower scheme.

Only cases, which are closed during the financial year, and which have been reported to the Audit and Risk Committee as fully or partially substantiated, are reported in the annual report.

#### Cases transferred to the police

are defined as the number of cases reported in accordance with the above which are transferred to the police.

#### The number of employees who have completed a course in good business conduct

is calculated as the proportion of employees at 31 December who have completed an e-learning course in good business conduct relative to the number of employees invited to take the course.

#### Global income tax paid

Accounting practise can be found in note 5.3 'Taxes paid' in our Annual report 2017.

## 4.3 Responsible partner programme

Indicator	Unit	2017	Change from 2016 to 2017	2016	2015
<b>Screenings</b>					
Risk screenings (all contracts above 3 DKK million)	Number	157	(64%)	257	123
Extended risk screenings	Number	56	(51%)	55	24
<b>Assessments</b>					
Self assessments	Number	10	66%	6	12
Comprehensive assessments	Number	13	(13%)	15	13
<b>Improvement areas</b>					
Open improvement areas	Number	51	(40)	84	89
– Sustainability management	%	37	13%p	24	21
– Labour and human rights	%	35	(22%p)	57	51
– Environment	%	22	10%p	12	16
– Anti-corruption	%	6	(1%p)	7	12

The RPP applies a risk-based due diligence framework to identify areas of highest risk in our supply chains to prioritize suppliers for assessments.

Our 2017 results were largely consistent with 2016 though with fewer opened actions for labour and human rights. This was due to a particular emphasis on fuel suppliers in 2016.

Fuel suppliers often have larger work forces and community footprint, increasing the likelihood of improvement actions in this category.

### Accounting policies

The Responsible Partner Programme (RPP), has been intergrated into our procurement department's supplier contract screenings from 2015.

The programme applies a risk-based due diligence framework to identify areas of highest risk in our supply chains in order to prioritise assessments of suppliers.

### Screenings

We risk screen all contracts above DKK 3 million. Based on the risk screening a selected number have an extended risk screening, where more parameters are included. Furthermore, all fuel suppliers undergo the extended risk screening, together with strategic important suppliers.

### Assessments

Based on the results from the extended screenings, a number of suppliers are asked to do a self-assessment, and/or we visit them at their facilities.

### Improvement areas

Based on the results of the assessment, a plan is agreed upon, if applicable, including areas of improvement.



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