

# DONG ENERGY IN SOCIETY

SUSTAINABILITY REPORT 2014



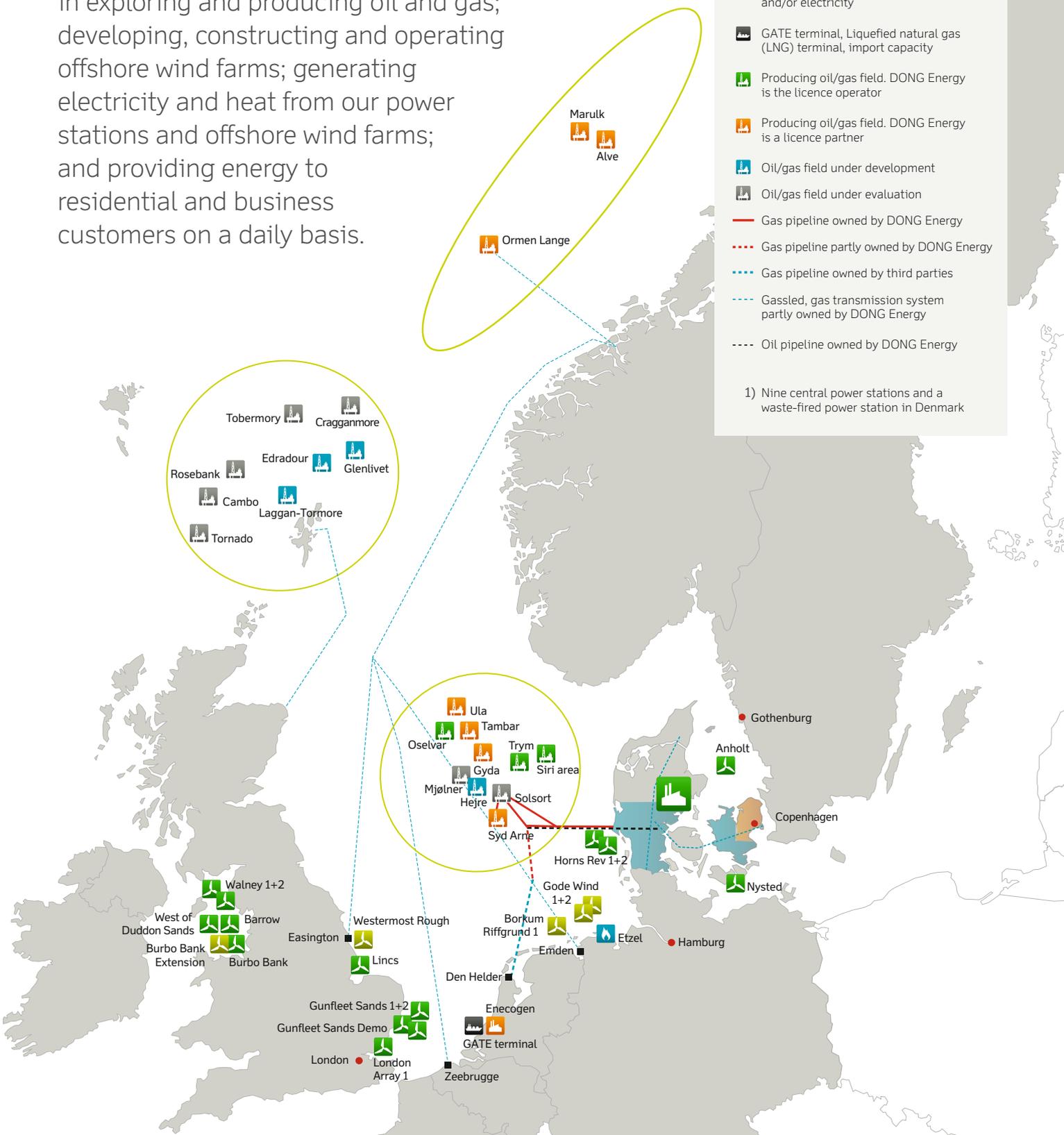
**DONG**  
energy

# DONG Energy at a glance

DONG Energy is one of the leading energy groups in Northern Europe, headquartered in Denmark. Around 6,500 ambitious employees are engaged in exploring and producing oil and gas; developing, constructing and operating offshore wind farms; generating electricity and heat from our power stations and offshore wind farms; and providing energy to residential and business customers on a daily basis.

-  Electricity distribution
-  Gas distribution
-  Leased gas storage facility
-  Gas receiving facility
-  Heat and electricity generation <sup>1</sup>
-  Electricity generation, gas-fired power station
-  Wind power in operation
-  Wind project under construction
-  DONG Energy office; sale of gas and/or electricity
-  GATE terminal, Liquefied natural gas (LNG) terminal, import capacity
-  Producing oil/gas field. DONG Energy is the licence operator
-  Producing oil/gas field. DONG Energy is a licence partner
-  Oil/gas field under development
-  Oil/gas field under evaluation
-  Gas pipeline owned by DONG Energy
-  Gas pipeline partly owned by DONG Energy
-  Gas pipeline owned by third parties
-  Gassled, gas transmission system partly owned by DONG Energy
-  Oil pipeline owned by DONG Energy

1) Nine central power stations and a waste-fired power station in Denmark



# Our performance 2014

## REVENUE

**9.0** EUR bn

## OPERATING PROFIT (EBITDA)

**2.2** EUR bn

## GROSS INVESTMENTS

**2.1** EUR bn

## EMPLOYEES

**6,500**

## KEY FIGURES BY BUSINESS UNIT\*

### EXPLORATION & PRODUCTION



Exploration and production of oil and gas

Revenue (EUR m)	<b>1,881</b>
Operating profit: EBITDA (EUR m)	<b>1,153</b>
Gross investments (EUR m)	<b>675</b>
Employees	<b>749</b>

### WIND POWER



Development, construction and operation of offshore wind farms

Revenue (EUR m)	<b>1,306</b>
Operating profit: EBITDA (EUR m)	<b>813</b>
Gross investments (EUR m)	<b>1,051</b>
Employees	<b>2,080</b>

### THERMAL POWER



Electricity and heat generation from power stations

Revenue (EUR m)	<b>851</b>
Operating profit: EBITDA (EUR m)	<b>57</b>
Gross investments (EUR m)	<b>97</b>
Employees	<b>856</b>

### CUSTOMERS & MARKETS



Electricity and gas sales and distribution in the wholesale and retail markets as well as optimisation and hedging of the Group's overall energy portfolio

Revenue (EUR m)	<b>6,450</b>
Operating profit: EBITDA (EUR m)	<b>188</b>
Gross investments (EUR m)	<b>233</b>
Employees	<b>1,543</b>

\* Group functions and internal transactions are not included.

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DONG Energy's complete sustainability performance data for 2014 and accounting practices are available at

[www.dongenergy.com/sustainability2014-data](http://www.dongenergy.com/sustainability2014-data)



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# Green, independent and cost-effective energy

In DONG Energy we believe that developing our business in a sustainable direction is the best way to operate our business. We believe that it creates the most long term value for our owners and the societies we are a part of. That is why we are committed to continuously advance the UN Global Compact principles on respect for the environment, human rights, labour rights, and anti-corruption.

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## The energy transformation

The increasing global carbon emissions are a major challenge for the global ecosystems, and 2014 was the warmest year ever registered. The energy sector accounts for a quarter of European greenhouse gas emissions. As an energy company, we have a major responsibility to help steer the world in a more sustainable direction. We must develop and deploy low-carbon technologies that can meet the future energy demand of our customers, enabling people to live their lives and businesses to thrive.

Europe faces a major opportunity in this regard. Towards 2035, the European countries have to replace and build the equivalent of 80% of their current electrical capacity. Thus, it is paramount that Europe takes this historic opportunity to replace fossil-based power generation technologies with green energy. That is what we call the energy transformation.

## Our sustainability strategy

In DONG Energy, our vision is to lead the energy transformation. We want to supply energy that is green, independent and cost-effective, and to play a key role in satisfying society's need for low-carbon energy. We are proud to be the world leader in two large-scale renewable energy technologies – offshore wind and power stations fuelled by sustainable biomass. Both of these technologies have the potential to be cornerstones in a low-carbon energy system.

Providing a stimulating working environment and operating our business with high integrity supports our endeavours. Only if we have highly engaged employees working together as a team in a safe way will we be able to deliver on our strong ambitions for DONG Energy. Operating our business with high integrity is the right thing to do, and the best way to ensure the long-term health of the company.

## Work ahead

In 2014, DONG Energy took a major step forward in advancing our sustainability agenda, in close collaboration with our partners. We made significant progress in converting two of our major combined heat and power plants to biomass, and in deploying offshore wind farms across Northern Europe. Furthermore, we launched our program for sustainable biomass sourcing, and significantly expanded the scope of our responsible sourcing programme.

Our work on sustainability will continue with full attention in 2015. We live in a world that is constantly changing, and we regularly discover new issues that we need to find answers to. That is why our sustainability work will always be work in progress. We are ready to pursue a more sustainable world in close cooperation with our stakeholders.

**Henrik Poulsen**  
CEO, DONG Energy



# Stakeholder dialogue is key

The energy supply plays a key role in our everyday lives, but it also has a major impact on the production and competitiveness of companies, on the environment and climate, and on geopolitics. Therefore, energy attracts a keen interest from customers, politicians, the authorities, trade associations, NGOs, scientists and many other stakeholders.

In DONG Energy, our dialogue with stakeholders is key to the way in which we run and develop our business. Dialogue is important

to understanding the expectations of our stakeholders with regard to us as a company and the way in which we are developing the energy supply.

Through dialogue, we identify the issues and challenges which are of the utmost importance to our stakeholders. Such insights are important elements in the continued development of DONG Energy's business strategy and sustainability strategy.

Based on our dialogue with stakeholders, we have identified five main priorities which are both at the forefront of our stakeholders' minds and of importance to our business. By pursuing these priorities through the way we conduct our business, we create value for our stakeholders and for DONG Energy. The following pages describe how we are working with these five priorities.

## Our approach

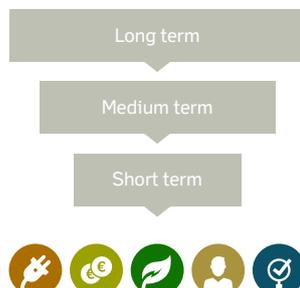
### Stakeholder dialogue

Continuous and systematic dialogue with our stakeholders, including:

Local societies	Suppliers
NGOs	Public authorities
Interest groups	Investors
Customers	Politicians
Employees	Universities
Analysts	Owners

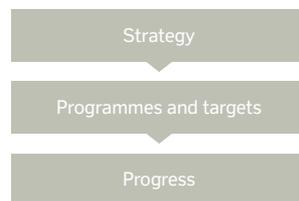
### Prioritisation

Focus on the issues that are the most important to our stakeholders as well as to DONG Energy.



### Action

Adaption of business strategy and development of programmes that support the realisation of the strategy.



### Communication

Communication of targets, activities, results, challenges and future plans through various communication channels, such as:

Annual report
Sustainability report
Stakeholder meetings
Media
Web
Intranet

# Our sustainability strategy



## Reliable and independent energy

Programme	Description	Value for society	Value for DONG Energy
<b>Development of offshore wind</b>	2.5GW offshore wind installed in 2014. Our target is 6.5GW by 2020.	By 2020, we will have installed enough offshore wind capacity to supply 16 million Europeans with clean, reliable and scalable energy.	Maintains DONG Energy's global market leader position within offshore wind.
<b>Converting power stations to biomass</b>	28% sustainable biomass at our Danish central power stations in 2014. Our target is at least 50% by 2020.	Converting our power stations from coal and gas to sustainable biomass ensures more green electricity and heat for our customers.	Prolongs the lifetime of the power stations and anchors their role in the transformation towards more renewable energy. With our programme, we are the global leader in the use of biomass.
<b>Oil and gas production</b>	In 2014, we had 9 times as much oil and gas in reserve as we produced. By 2020, our target is to have at least 10 times as much in reserve as we produce per year.	By ensuring enough oil and gas reserves, we can continue production and maintain the security of supply. In 2014, we produced 115,000 barrels of oil equivalents per day.	Strengthens DONG Energy's regional position in North-Western Europe within oil and gas production.
<b>Modernising the grid</b>	More than 99.995% reliable supply for our Danish electricity customers in 2014.	Modernising and maintaining the grid ensures high continuity of supply for our customers at the lowest possible cost.	Investing in our grid maintains it as a stable part of our business.



## Cost-effective energy

Programme	Description	Value for society	Value for DONG Energy
<b>Significant investments</b>	We invested EUR 2.1 billion in renewing the energy supply in 2014. We expect to invest a further EUR 4.7-5.4 billion in the coming two years.	Our investments contribute to renewing the energy supply in a greener direction.	Executes DONG Energy's business strategy and renews our business portfolio.
<b>Reducing the cost of offshore wind</b>	Compared with 2012, our target is to reduce the cost of offshore wind by 35-40% for projects sanctioned in 2020.	Offshore wind can become significantly more competitive with conventional energy technologies, provided that fossil technologies are charged with a fair CO <sub>2</sub> cost. This will make green energy cheaper for private customers and businesses.	Cost reduction is necessary if the offshore wind market is to continue its growth.
<b>Local engagement</b>	We engage with local communities in our footprint and work to activate companies from the local supply chain to compete in tenders related to our major investment projects.	Our local engagement around our large infrastructure projects contributes to local job creation, local economic activity and the development of local supply chains.	Builds strong local supply chains and builds support in local areas.



## Green energy

Programme	Description	Value for society	Value for DONG Energy
<b>Reducing CO<sub>2</sub> emissions</b>	41% reduction of CO <sub>2</sub> emissions from our electricity and heat generation from 2006 to 2014. Our target is 60% by 2020.	Compared to 2006, we have reduced the same amount of CO <sub>2</sub> as more than 6 million cars emit in one year. That equals taking all cars off the streets of both London and Berlin for a year and a half. Our 2020 target contributes to reducing negative impacts on the climate.	As we have reduced our CO <sub>2</sub> emissions at a faster pace than our European peers, it gives us a strong position in the market for green energy technologies which attracts competencies and capital to our business.
<b>Sustainable biomass</b>	Our suppliers must comply with specific requirements to ensure the sustainability of the wood pellets and wood chips we use.	Combustion of sustainable biomass is CO <sub>2</sub> -neutral. Even including processing and transport, emissions are reduced by 80-90% compared to coal or gas. We ensure continuous replanting of forests; protection of ecosystems and biodiversity; and respect for social and labour rights.	Helps develop a new market for green energy and strengthens the supply chain for wood pellets and wood chips.
<b>Customer energy savings</b>	2.2 TWh of accumulated savings at Danish customers from 2006 to 2014.	Since 2006, we have worked with our Danish customers to save the same amount of energy as almost 32 million A+++ fridges use in a year.	Strengthens our position within intelligent customer solutions and customer relations.
<b>Environmental management</b>	We are committed to minimising the resource consumption and environmental impacts related to our activities.	Ensures that we operate our business with as little environmental impact as possible.	It is important for us to care for the environment and protect biodiversity no matter where we have activities.



## People matter

Programme	Description	Value for society	Value for DONG Energy
<b>A safe workplace</b>	In 2014, our Lost Time Injury Frequency (LTIF) was 2.4, down from 3.2 in 2013. Our target is an LTIF of less than 1.5 in 2020.	Creates a safe working environment for both employees and contractors.	We never compromise on safety standards because a safe workplace is paramount.
<b>Performance and development</b>	We work systematically with getting the right people on board, managing our employees' performance, developing their skills and supporting their careers.	In order to drive the energy transformation forward we constantly need new competencies, including highly technical expert knowledge.	We have to be able to attract and retain the best people to ensure that we have the broad base of competencies and talents needed to create high value and be ahead in a constantly changing market.
<b>Employee satisfaction and motivation</b>	In 2014, our employees scored their satisfaction and motivation at 72/100. Our target is a score of 77/100 in 2020.	Our employees spend a lot of their time with DONG Energy, which is why they should enjoy coming to work and feel satisfied with their contribution.	Satisfied and motivated employees are more likely to perform their best and to stay with us.



## Business integrity

Programme	Description	Value for society	Value for DONG Energy
<b>Good business conduct</b>	Our employees are guided on how to act in situations of inappropriate conduct such as fraud or bribery. Our Internal Audit function monitors that we uphold high integrity standards.	All of our stakeholders should always have good reason to trust that we operate our business with high integrity and make the right decisions – even in challenging situations.	High integrity is fundamental to us and ensures quality and value for the business.
<b>Building good customer relations</b>	By 2020, our target is to be rated at 75/100 on how positively private and business customers perceive us, respectively.	Each customer is put first and experiences a high level of service.	Strengthens and maintains our position in the markets for private and business customers.
<b>Responsible sourcing</b>	We communicate our expectations in a Code of Conduct; we screen contracts to determine risks of poor practice; and we carry out assessments to work with suppliers to identify and address poor practices.	We promote international standards for human and labour rights, the environment and anti-corruption by identifying the suppliers who need help and working with them to improve.	Improves our relationships with suppliers and gives us a more stable supply chain where unforeseen and costly delays are less likely.
<b>Responsible tax management</b>	In 2014, we updated our tax policy so that it better describes the principles we follow in all tax decisions.	Taxes play a key role for society. We aim to always comply with both the letter of and the legislators' intention with the tax law.	A responsible approach to tax is essential to the long-term sustainability of our business in the countries where we operate.



# RELIABLE AND INDEPENDENT ENERGY

How do we continuously renew the energy supply?

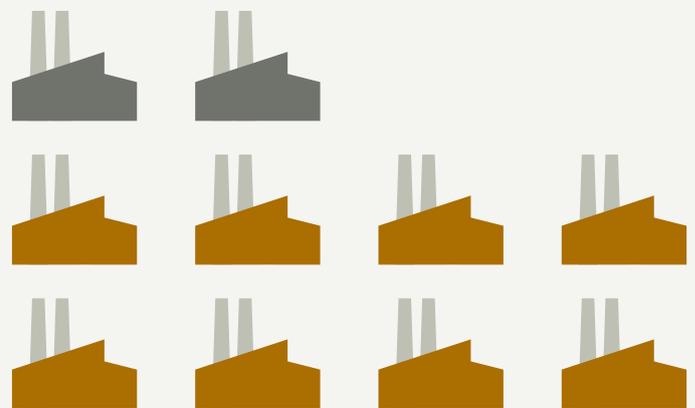
As consumers, we take a reliable energy supply for granted – and that is how it should be. Energy companies need to continuously renew the energy supply to ensure that there is always enough energy.

Many power stations in Europe are getting old and will reach the end of their lifetimes within the next two decades. We have to replace them with more green energy. And while we transform to more renewable energy, society still needs oil and gas to keep the wheels turning. By fully utilising the resources we have in Europe, we reduce dependence on imported energy.

At the same time, the power and gas grid also has to be maintained so that energy is delivered to our customers when they need it.

The EU must replace and build the equivalent of 80% of its current electrical capacity by 2035

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[Explore this focus area](#)

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- 14** More European energy independence
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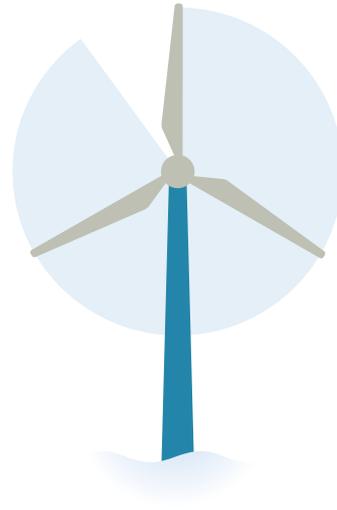


## Energy to rely on

Europe needs to renew its energy supply. As wind turbines depend on the wind in order to produce energy, does offshore wind then really play a key role in the solution to how Europe renews its supply? At DONG Energy, we believe it does.

At sea, wind speeds are higher than onshore. An offshore wind farm produces 50% more power than an onshore wind farm of the same size. There is also more space offshore so we can build big wind farms that serve as power stations at sea. A good example is our offshore wind farm Horns Rev 2. Here, the wind blows with the right speeds for the wind turbines to produce power over 90% of the time.

And the more wind farms you have in different countries, the more stable the power supply becomes, because countries can trade and exchange energy among themselves.



DONG Energy's Danish offshore wind farm Horns Rev 2 produces power over

**90%**  
of the time.

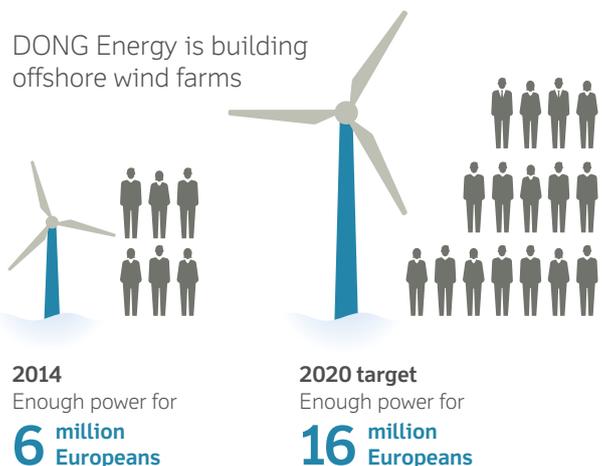
### PROGRAMME

## Development of offshore wind

Offshore wind is a clean, reliable and scalable solution to how Europe can renew its energy supply in a green direction.

By 2020, DONG Energy's target is to have installed 6.5 gigawatts of offshore wind power – enough to provide power for 16 million Europeans. Working together with our partners, DONG Energy has become the world leader in deploying offshore wind. We have built more capacity than any other company in the world, and we build offshore wind farms faster and more efficiently than anyone else.

By continuing to build offshore wind farms we maintain our market leading position and support European countries in building energy systems that are green, independent and economically viable.



## Power to a quarter of a million homes

The offshore wind industry is delivering power to more and more households and businesses. In 2014, the completion of West of Duddon Sands in the UK made a significant contribution.



Peter Rom Poulsen, Project Director at DONG Energy, at the inauguration of West of Duddon Sands in October 2014.

DONG Energy shares the ownership of West of Duddon Sands with ScottishPower Renewables. DONG Energy has constructed the wind farm and will also be operating it. Up to 1,000 people, from construction workers to marine biologists, have been involved in the construction. First power was delivered two months ahead of schedule and to budget. Just four months after first power, the final turbine was hoisted into position.

Our key contractors for this project include Siemens who supplied the turbines, Bladt who supplied the foundations, A2SEA who supplied the installation vessel, and CT Offshore who installed the array cables.

Peter Rom Poulsen, Project Director at DONG Energy, said: "The success of the construction is based on a robust project plan, experienced contractors that we have worked with on other projects, and a very dedicated and skilled project team. The project team of more than 100 people at peak time, staffed with both our own and our partner's employees, really went the extra mile."

With West of Duddon Sands, our UK wind farms can now generate enough electricity for 4.4 million UK citizens. And there is more ahead. We currently have another offshore wind farm under construction in the UK and more are under development.



## How do we fill the gaps?

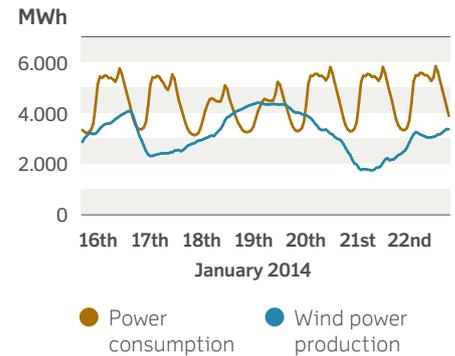
Wind energy is a reliable part of the solution to how Europe renews its energy supply. But when wind speeds drop, we need other types of energy to fill the gaps between how much power the wind produces and how much power people use at any time of the day. Power stations that run on sustainable biomass is a good partner for wind energy.

We can turn power stations up or down, and their flexibility enables us to fill the

gaps when wind power does not cover the consumption. Moreover, when power stations run on sustainable biomass, they contribute to renewing the energy supply in a greener direction.

Also, power stations ensure that we can continue to heat up our living rooms easily in the wintertime. When power stations generate both power and heat, efficiency is at its highest.

Wind power vs. power consumption in Denmark



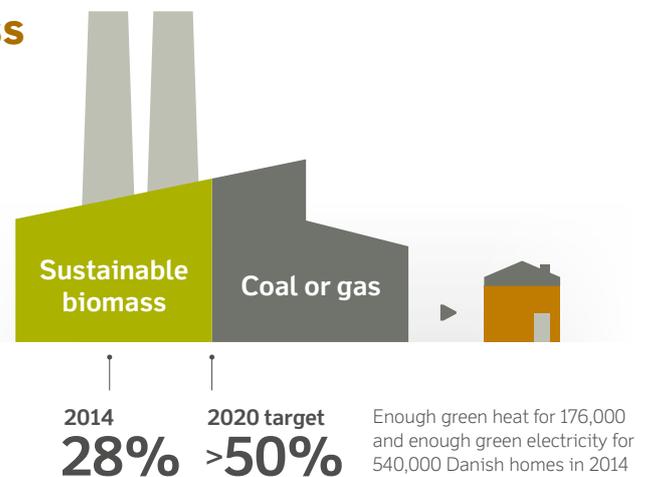
### PROGRAMME

## Converting power stations to biomass

Power stations fired with sustainable biomass can fill the gaps when wind speeds drop. At DONG Energy, we convert our power stations from coal and gas to biomass such as wood pellets and wood chips. This extends their lifetime and anchor their role in the transformation towards more renewable energy.

We operate some of the most flexible and efficient power stations in the industry. By 2020, DONG Energy's target is that at least 50% of the power and heat generated by our central Danish power stations will come from sustainable biomass. Our programme to convert power stations makes us the global leader in the use of biomass.

The conversions allow us to stay competitive as supplier of heat and power in Denmark, while providing green heat and power to our customers.



## Warming up with wood chips

In 2014, DONG Energy and our partners decided to give the Skærbæk power station a new and greener life by converting it from gas to sustainable biomass.



The Skærbæk power station will be running on sustainable wood chips.

The Skærbæk power station provides heat for 60,000 homes and enough power for 216,000 homes in Eastern Jutland in Denmark. DONG Energy is partnering with TVIS, the local heat transmission company, to convert the power station. From 2017, it will be running on sustainable wood chips for at least 20 years.

The conversion requires a lot of rebuilding, including the construction of two new boilers, storage facilities and an extension of the harbour facilities. The contract for the two boilers with B&W Vølund is the biggest single delivery for the conversion. B&W Vølund will be using their existing knowledge and tried technologies for what they describe as an important project:

“For a long time, there has been reluctance, both in Denmark and internationally, to invest in new biomass-fired plants. This is an

important step towards demonstrating that energy production from biomass is a good and climate-friendly investment to go for,” said CEO John Veje Olesen from B&W Vølund.

Two thirds of the district heating that TVIS delivers for 180,000 people in the area is from the Skærbæk power station. When the power station becomes biomass-fired, it can continue to deliver a stable heat supply at a competitive price – and step in when we need more power than the wind and the sun can provide. The conversion is another step towards the green transformation.



## Oil and gas remain important

While we create a Europe fuelled by more renewable energy, oil and gas remain important. Today, more than half of Europe's energy demand is for oil and gas, and it is expected to stay that way for years to come. While oil is mainly used for transport and heating, it is also an important ingredient in mobile phones, bottles, clothes, shoes and many other everyday necessities.



Besides transport and heating, oil is used for many everyday products.

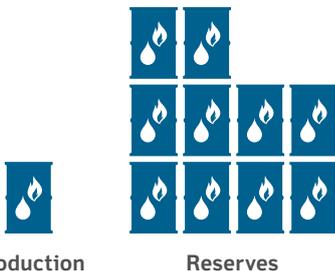
### PROGRAMME

## Oil and gas production

Although reserves are decreasing, there is still more oil and gas to find in Europe. In 2014, DONG Energy produced 115,000 barrels of oil equivalent a day, enough to cover 10 million Europeans' annual consumption.

In 2014, we had 9 times as much oil and gas in reserve as we produced. By 2020, our target is to have at least 10 times as much in reserves as we produce per year. By ensuring enough oil and gas reserves, we can continue production and maintain security of supply.

In 2015, we will produce oil and gas in Denmark, Norway and the UK, when the UK fields Laggan-Tormore come on-stream. This strengthens DONG Energy's regional position in North-Western Europe within oil and gas production and helps meet the continued demand.



DONG Energy's target is to have at least 10 times as much oil and gas in reserves as we produce per year by 2020

## In deep water

The Ormen Lange gas field helps Europe keep the wheels turning. It produces the equivalent of 20% of UK gas consumption, and will continue to do so for the next 10-15 years. It is one of the largest and most demanding industrial projects ever to have been completed in Norway.



Activity at the Ormen Lange gas field in Norway (Photo: Norwegian Shell A/S).

DONG Energy owns 14% of Ormen Lange. This may not sound like a lot, but the gas field is the second largest in Norway. Together with our partners from Shell, Statoil, Exxon and Petoro, we work to make the most of the field.

As part of this, we drilled new wells in the autumn of 2014. The deep water and seabed conditions meant that this was not without challenges.

"By drilling these wells we might be able to extend the field to the South. Another production well will also be drilled in 2015. One of the challenges at Ormen Lange at this stage is to minimise the areas where we could leave undrained gas at the end of field life," said Dagfinn Onshus, Asset Manager for Ormen Lange in DONG Energy.

"In late field life, pressure decline will lead to low pressure in the reservoir, preventing these wells from being drilled. We therefore have to start drilling while there is still enough pressure in the reservoir. That is why another well has been scheduled for 2015."

The Ormen Lange field helps meet gas demand and delivers a significant share of DONG Energy's gas production and revenue. It is also worth noting that natural gas only emits half as much CO<sub>2</sub> as coal does when used to generate power. Today, 75% of DONG Energy's hydrocarbon production is gas.

## Exploring up North

There is still oil and gas left in the North Sea, but also further North. One area which may contain undiscovered oil and gas reserves is the Barents Sea in the Northern part of Norway.

With four licences, DONG Energy is present in the Barents Sea along with more than 30 other oil and gas companies. We explore the oil and gas reserves below the seabed and conduct seismic surveys. We currently have no production in the area.

We operate with the highest safety standards and care for the environment when we explore, and we will continue to do so if at some point we decide to develop reserves into production.



# An increasingly dependent Europe

As the North Sea oil and gas fields are running low, the EU imports more and more of its energy. Is this a problem?

In general, trade in energy is a good thing. When one country or region imports energy that another country or region produces cheaper, we all benefit from trade.

But too large a share of imported energy can become an economic problem because it hurts the balance of trade. The more energy the EU buys from other parts of the world, the more money is sent abroad. In 2013, every EU citizen spent EUR 888 on energy imports.

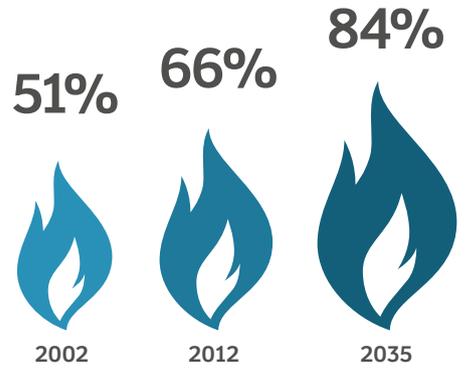
If energy is imported from a few suppliers, this poses another risk for society. With only a few suppliers, they can more easily dictate the price and conditions. And because

society cannot function without energy, it is a strong political tool.

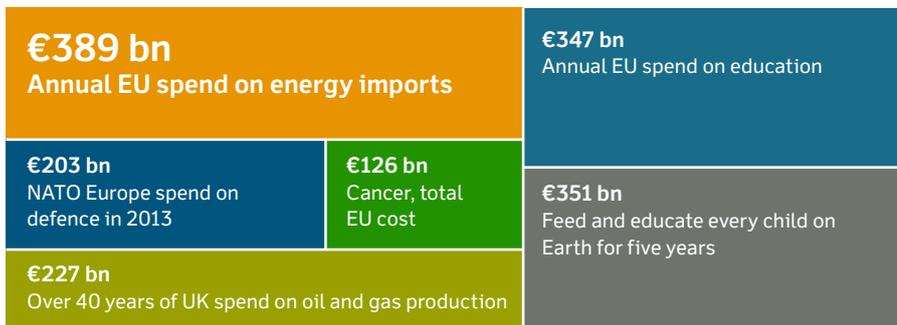
In 2014, EU gas imports were in focus because of the Russia and Ukraine conflict. Europeans use gas for industry, cooking and heating and already import two thirds of all the gas they consume. Over the coming years, gas imports will increase as the EU's own gas production drops. By 2035, the EU is expected to import 84% of its gas consumption.

Europe should do its best to take advantage of its own oil and gas and renewable resources to achieve higher energy independence.

## EU gas imports



## The EU spends more on imported energy than on education



The amount that the EU spends on importing energy every year is so large that it can be hard to get one's head around it. It helps to compare the amount to what else the world spends money on. Everything shown in the diagram is less expensive than the EU's annual energy imports.

For example, you could feed and educate every child on Earth for five years for less than the EU's annual spend on importing energy.

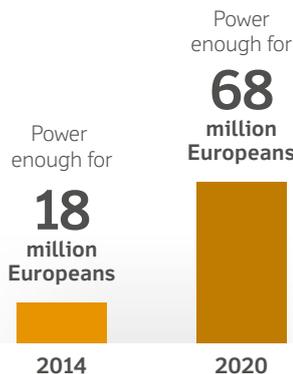
## Making use of Europe's own wind resources

Offshore wind is an abundant energy resource and the fastest growing energy technology in Europe. It is an important energy resource that Europe can use to become more independent of importing energy.

The potential of offshore wind depends on many factors – first and foremost on how the technology evolves. The EU countries' current plans to build offshore wind farms illustrate the potential. If their plans are realised, it is estimated that offshore wind can cover the annual power consumption of 68 million Europeans by 2020.

DONG Energy contributes to this with our plans to build offshore wind farms to supply enough power for 16 million Europeans by 2020.

## The EU's planned offshore wind capacity





# Hejre field helps Danish independence

The Hejre oil and gas field will add years to Denmark’s high energy independence.



Patrick Put from Heerema inspects the jacket for the Hejre field before installation.

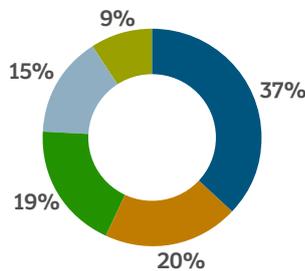
Denmark has been self-sufficient in energy since 1997, especially due to the oil and gas from the North Sea. In 2013, Denmark was no longer self-sufficient for the first time in two decades. It is getting more and more difficult for oil and gas companies to find fields that are worth investing in, but there is still a big oil and gas potential below the Danish seabed. One of the fields with potential is the Hejre field.

Almost 300 kilometres West of Esbjerg, DONG Energy and its partner Bayerngas are building the new Hejre platform. It will be the first major Danish oil and gas field going into production for almost 20 years. And at a depth of 5-6,000 metres, it is the first of the challenging fields under high pressure and high temperature. This type of field requires new competencies and strong equipment.

We installed the supporting structure of the Hejre platform in the North Sea, the so-called jacket, in 2014: “It has been a challenging task to manufacture the jacket. We have worked very hard to make sure the jacket was ready on time and to the agreed quality in close dialogue with DONG Energy. It is a great pleasure to see the result,” said Patrick Put, Project Manager, from the Dutch company Heerema.

In May 2014, Heerema transported the jacket from the Netherlands to the Hejre field. On a cold and windy day the 8,400 tonnes of steel were dropped into the water and put in place. After installation of the Topside in 2016, the Hejre field will be operational from 2017. For DONG Energy, the Hejre field will strengthen our regional position within oil and gas in North-Western Europe.

## Ensuring a wide range of gas suppliers

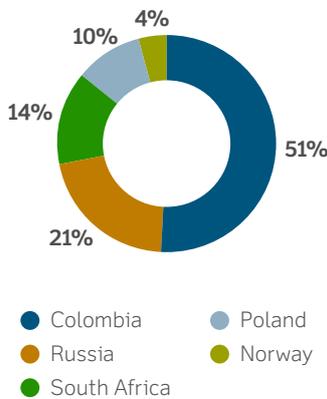


- DONG Energy's own gas production
- Danish part of the North Sea
- Outside Europe
- European gas exchange
- Other

The EU cannot cover its own gas consumption, and gas production in the North Sea is declining. It is important to source gas from a wide range of suppliers in order to not be exposed to the risk of being dependent on very few suppliers.

DONG Energy sells gas to homes and businesses in Denmark, Sweden, Germany and the UK. Our own production equals 37% of the gas we sell, we buy 20% from other suppliers in the Danish part of the North Sea, and 15% on the European gas exchange. 19% comes from suppliers outside of Europe. This includes liquefied natural gas transported by ship from across the world and gas from Russian Gazprom transported by pipeline.

## A global coal market



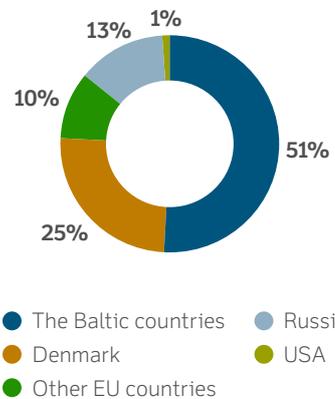
- Colombia
- Russia
- Poland
- South Africa
- Norway

In DONG Energy, we have reduced our use of coal by 65% since 2006, and we will continue to produce less power and heat from coal. But for some years we will still need coal for some of our Danish power stations.

“European countries used to produce big quantities of coal, but today Europe’s own coal production is very limited. We still buy coal from Norway and Poland but the majority we buy from overseas,” said Niels Bojer who oversees DONG Energy’s coal procurement.

“In general, we see the coal supply situation as one with many and reliable suppliers.”

## A sustainable biomass market



- The Baltic countries
- Denmark
- Russia
- Other EU countries
- USA

Using sustainable wood chips and wood pellets at power stations is a way to produce clean, flexible and cost-effective energy. Biomass is to a large extent imported from Europe.

“Today, most of our biomass originates from European forests,” said Michael Schytz, who specialises in sourcing of biomass at DONG Energy. “But as we increase our use of biomass, we will source more from USA where there are big quantities of surplus wood available.”

Read more on page 27 on how we ensure the sustainability of our biomass.



## We always need energy

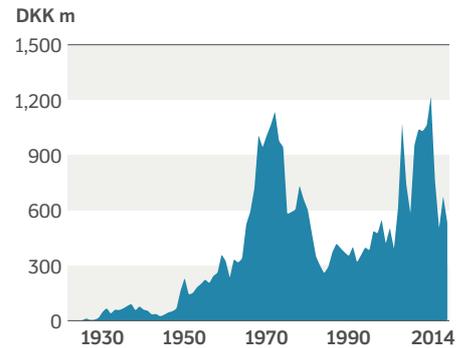
Europe constantly has to renew its energy supply. But there is more to it than how we produce energy. It is also about ensuring that power and gas are available to businesses and households when they need it. The roads of the energy system have to be renewed constantly to provide energy security all year round.

The power grid is getting older; a few parts of the Danish power grid are very old. The major expansion of the grid took place in the 1960s to 1980s as the modern welfare society increased energy

consumption. Thanks to the last 10 years' large reinvestment activities, most of DONG Energy's grid is now in good shape. As parts of the grid age, we continue to invest to keep it in good shape.

Besides investing in the grid, we need to ensure that more wind and solar energy does not compromise the grid's security of supply. At the same time, new appliances such as electrical cars and heat pumps will lead to a more fluctuating use of electricity. That makes the balance between demand and supply more difficult to manage in the grid.

Historic investments in DONG Energy's existing power grid



### PROGRAMME

## Modernising the grid

The power and gas grid constantly has to be renewed and cared for, so businesses can operate and people can go on with their daily lives. In Denmark, DONG Energy owns and operates 20,000 kilometres of power cables around Copenhagen and 6,600 kilometres of gas pipes in Southern Jutland and Zealand.

We reinvest in the grids to deliver the same high continuity of supply at the lowest possible cost. We do it by investing in new technology where it makes sense, by maintaining the old parts for longer, and by using the capacity better.

We can never avoid power outages. However, if the grid fails or when we take parts of it out for maintenance, we monitor the critical spots. And we work with new technology that will make it possible to automatically redirect the power to reduce the impact for consumers.

Towards 2020 we will install almost one million remote meters to replace old meters. This will lay the foundation for dynamic prices and give incentives to use power when it is cheapest: at night and when windy.



More than

# 99.995%

of the time, on average, our almost 866,000 Danish electricity customers had power in their outlets in 2014.

## The last cable from air to ground

In 2014, the last overhead power line of DONG Energy's low voltage grid was replaced by an underground cable.



The last low voltage cables are cut.

From Copenhagen to Rome and back again. This is the total distance covered by the power lines that we have removed in the Northern part of Zealand and the Greater Copenhagen area. Approximately 4,200 kilometres of overhead power lines are gone from residential areas and roads, and 8,000 kilometres of cables have been buried. In 2014, we completed one of the largest infrastructure projects in Denmark and created an even more reliable supply for our customers.

"The planning of the cable laying began back in 2000 after a severe hurricane hit Denmark at the end of December 1999. With the last cable in the ground, customers in our grid area no longer have to fear major power cuts when storms hit and tear down power lines," said Anders Vikkelsø, Vice President at DONG Energy.

A number of large construction companies worked on the project. Per Visler, electrician at H. Helbo Hansen, is one of the people who has cut down kilometres of overhead power lines every day for many years:

"You see things from a different perspective from above the rooftops. For more than 100 years, the overhead lines were part of the landscape. When they were removed, you could really see the change in the areas."

## The art of balance

The Faroe Islands have a challenge. Aiming for 80% renewable energy, they find it difficult to balance supply and demand of energy. Without this balance, power may go out.

DONG Energy and Schneider Electric are working on a joint solution. Schneider Electric supplies data and IT systems that provide a unique insight into what goes on in the Faroese energy system. The data is processed by DONG Energy's Power Hub which, based on the availability of renewable energy, plans the use of energy when it is plentiful and cheap. Power Hub also maintains grid stability even in the event of sudden changes in renewable generation, for instance by switching off big industry freezers. That makes Power Hub one of the answers to how power can stay on when we integrate still more renewable energy into the grid.

"This state-of-the-art solution on the Faroe Islands will be an important step towards intelligent electricity distribution and the transformation towards renewable energy," said Claus Steengaard, Vice President for smart grid and offshore solutions at Schneider Electric Denmark.



# COST-EFFECTIVE ENERGY

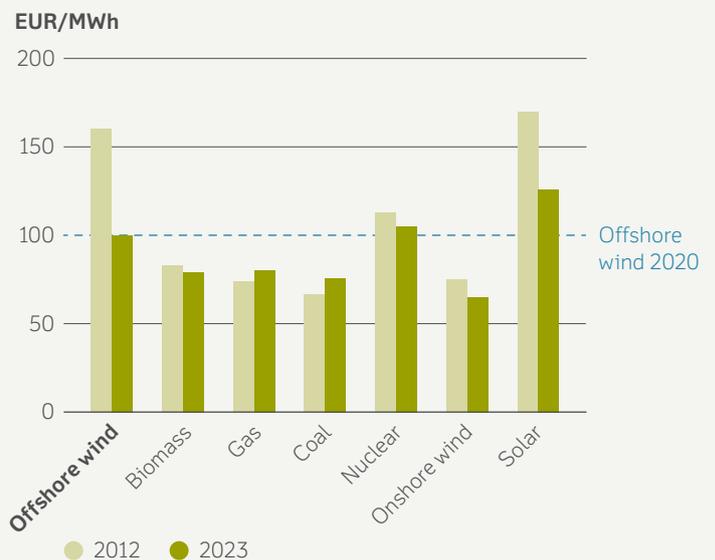
How do we provide cost-effective energy and contribute to the creation of growth and jobs?

Europe is facing a major task to renew its energy supply and make it greener. The challenge is that most types of green energy costs more than energy from conventional sources such as coal or gas.

DONG Energy has a target to reduce the cost of offshore wind with 35-40%. By lowering the cost, offshore wind can become more competitive with other energy technologies. This makes the energy transformation more cost-effective for private customers and businesses. The reduction of cost is achieved as we work with the industry to build new wind farms, which enables us to find new and cheaper solutions. The more offshore wind farms we build, the more we learn.

Building new energy infrastructure can create local value. DONG Energy actively supports local businesses to participate in tenders for our major construction projects.

In 2020, the offshore wind that DONG Energy invests in and that starts to produce in 2023 has to be 35-40% cheaper compared to 2012



Explore this focus area

## 18

Investing in the energy transformation

## 19

Offshore wind is a small part of the electricity bill

## 20

The cost of offshore wind can be reduced

## 21

Local jobs and economic activity



## Cost of the green transformation

The need to replace Europe’s existing energy supply with new energy means that European countries have to invest. It is not a question of whether to invest or not but a question of what types of energy to invest in. If Europeans are to have a cleaner and more sustainable future, we have to invest in more renewable energy. For instance offshore wind, which is a clean, reliable and scalable energy source that the industry aims to make significantly more competitive with fossil fuels by 2020.

The question is: will the energy transformation towards more green energy be more expensive than if we renewed the energy supply using fossil fuels? It is not an easy question to answer as the answer relies on a number of assumptions about the future.

An analysis by the UN Global Commission on the Economy and Climate tried to answer the question. Advised by a number of the world’s leading economists, the Commission published the “Better Growth, Better Climate” Report in 2014. The report showed that the global cost of transforming to a low-carbon society – EUR 66 trillion – does not have to be higher than the cost of staying on the path that the world is on today – EUR 67 trillion.

The UN working group also argued that to renew the energy supply requires big investments. The energy companies cannot carry all of these investments themselves. That is why external investors from outside the energy industry, such as the big pension funds, must bring in part of the capital needed.

Global expenses on carbon-emitting sectors 2015-2030



### PROGRAMME

## Significant investments

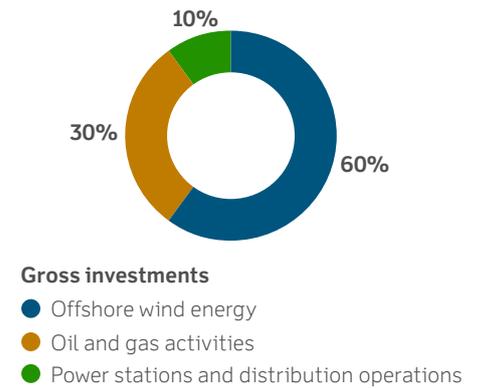
We have to invest to renew Europe’s energy supply in a greener direction. DONG Energy has one of the most intensive investment programmes among comparable companies in Europe when investment sizes are compared to the value of the asset base.

In 2014 alone, DONG Energy invested EUR 2.1 billion; and in 2015-2016, we expect to invest EUR 4.7-5.4 billion more. Towards 2020, around 60% of the investments are expected to go to offshore wind energy. 30% will go to oil and gas activities as we still need this to keep society’s wheels turning

while we build more renewable energy. The remaining 10% is expected to go to power stations and distribution operations.

Attracting capital from new investors is important for DONG Energy to realise our strategy. In 2014, Goldman Sachs and the Danish pension funds ATP and PFA decided to invest EUR 1.5 billion in DONG Energy which constituted a major equity injection. Also, as part of our business model, we sell off parts of the wind farms we build to raise capital.

Distribution of DONG Energy’s expected investments towards 2020



## Attracting capital from outside the energy industry

DONG Energy attracts capital



● Wind partnerships ● Equity injection

To invest in the energy transformation, we need to attract capital from investors outside the energy industry. At DONG Energy, we sell up to half of the wind farms we build to

investors. The task is to match the investors’ risk and return profile with the profile of an offshore wind farm. With our partnership model, we have attracted EUR 4.5 billion to the offshore wind industry since 2009. In 2014, we entered into partnerships with investors on three of our offshore wind farms.

One of our investors is the pension fund La Caisse, one of the largest institutional fund managers in Canada and North America:

“This is an opportunity to invest, alongside established partners, in a quality asset in a growth-driven sector. We have invested in London Array with a long-term horizon and expect to generate attractive returns for many years ahead,” said Macky Tall, Senior Vice President at La Caisse.

In 2014, Goldman Sachs, PFA and ATP bought 26% of DONG Energy’s shares in return for an equity injection of EUR 1.5 billion. The investment from Goldman Sachs caused a lot of debate in Denmark. The capital injection was part of a financial action plan to strengthen DONG Energy’s capital structure and enable us to continue to pursue our investment-driven growth strategy, including investments in offshore wind.

Attracting capital from outside the energy industry creates value for our owners by allowing us to continue to pursue our strategy – the Danish state being the largest shareholder with 59%. And it allows us to continue to deploy greener, more independent and cost-effective energy.



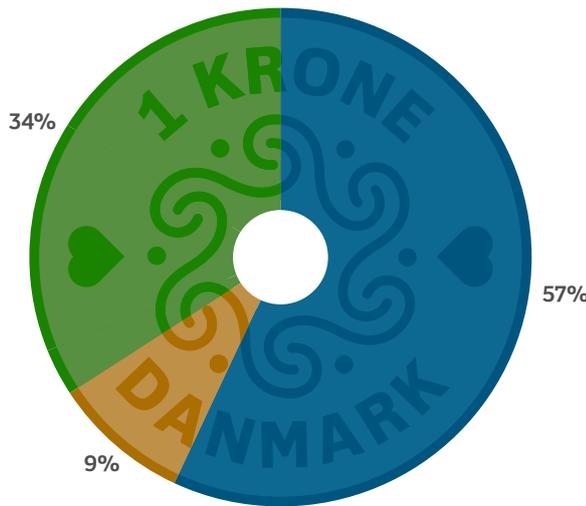
# How much do you pay for offshore wind?

Offshore wind is a clean, reliable and scalable part of the solution to how Europe can pursue the energy transformation. But how much do energy customers actually pay for the energy transformation? To answer this question we need to look at the electricity bill.

DONG Energy works to develop and build offshore wind farms. Offshore wind is the fastest growing energy technology in Europe. In just two decades, Europe has installed enough offshore wind to supply 18 million Europeans with power. However, it is still a maturing technology so energy from offshore wind costs more than energy from gas, coal or onshore wind. To find out exactly how much energy customers actually pay for the energy transformation, we need to look at the electricity bill.

All countries have different ways of putting together an electricity bill. If we look at Denmark as an example, electricity customers pay more taxes through their bill than in any other European country. 57% of the bill is made up of taxes that companies collect on behalf of the state. These taxes do not go to energy but to state expenses such as hospitals, police or roads.

Only 34% of the bill actually pays for the power itself and for the development and maintenance of the grid that transports the power. The remaining 9% of the bill is subsidies for renewable energy, such as offshore wind.



Most of the Danish electricity bill pays for other things than electricity

- VAT and taxes that the energy companies collect on behalf of the state to fund hospitals, schools, roads, etc.
- PSO tariff, including support for renewable energy
- Electricity price, distribution and transmission costs

Of the 9%, how much then goes to offshore wind? This also varies from country to country. Denmark has installed more offshore wind per inhabitant than any other country in the world. 2.7% of an average Danish family's power bill pays for offshore wind support.

The UK has also built a lot of offshore wind – more capacity than any other country in the world. 1.8% of an average UK family's energy bill supports offshore wind. Germany is also ambitious within offshore wind. In Germany, the figure is 1.1% of an average German family's energy bill.

In Denmark, the UK and Germany, a small part of an average family's electricity bill supports offshore wind

# 2.7%

of a Danish family's electricity bill supported offshore wind in 2014

# 1.8%

of a British family's electricity bill supported offshore wind in 2014

# 1.1%

of a German family's electricity bill supported offshore wind in 2014



## Cheaper offshore wind

As European countries renew the energy supply in a greener direction, it could mean that a family or a business would have to pay more to support offshore wind. To avoid this, the offshore wind industry has a major task to reduce the cost of offshore wind so it becomes more competitive with fossil fuels. The industry must reduce costs by producing more with less and thereby help society become more productive.

And because offshore wind is still a young and maturing technology, the potential

to reduce costs is there. The challenge is that the industry needs to develop and standardise components and processes to achieve the objective. This can only happen through the combined efforts, knowledge sharing and innovations of many players throughout the supply chain.

To the degree that the industry faces up to the challenge, costs will be reduced as the technology evolves and the scale of offshore wind farms increases. Just as we have seen it with onshore wind.

Scale can bring down the price of offshore wind – as it did with onshore wind



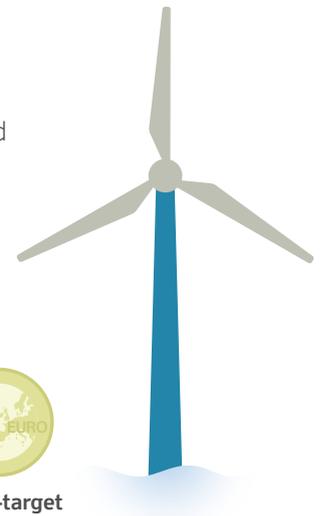
### PROGRAMME

## Reducing the cost of offshore wind

The cost of offshore wind has to come down. In 2012, DONG Energy set a target to cut costs by 35-40% for offshore wind projects getting the go-ahead in 2020 and that start to produce from 2023. Offshore wind will then be significantly more competitive with conventional energy technologies if fossil technologies are charged with a fair CO<sub>2</sub> cost.

In order to reach our target, we are developing a standard concept for an offshore wind farm based on a standardised design, standard components and construction at sites that have optimal conditions when it comes to wind speeds, distance to the coast, sea depth and sea bed conditions. In this way, we do not have to reinvent the wheel every time we plan a new wind farm. Meeting our target requires stable regulatory frameworks that allow the industry to scale up so the cost can come down. Cost reductions are necessary if the offshore wind technology is to continue its growth.

DONG Energy's offshore wind must be 35-40% cheaper from 2020 compared to 2012



## And five of those substations, please

To bring down the cost of offshore wind, the price of parts in the entire wind industry supply chain need to be reduced. That includes offshore substations.



Dave Nettleship (right) and his colleague from Atkins discuss a substation design.

An offshore substation collects the power from the many wind turbines and sends it to the customers on shore.

At DONG Energy, we have awarded Atkins in the UK contracts to provide offshore substation designs for three of our wind farms that are currently under development in the UK: Race Bank, Walney Extension and Burbo Bank Extension. The substation design work will be undertaken by teams of Atkins' experts in the UK.

"Our UK-based team will be working together with DONG Energy to apply the lessons on these large, complex projects enabling us to set new benchmarks in stripping off any fat for an industry that needs to become more and more competitive with other energy sources," said Dave

Nettleship, Director of Atkins Power and Renewables.

Having Atkins on board will enable a production-line approach to fabrication, rather than a bespoke solution for each substation, and will reduce costs without compromising safety and reliability. It becomes more like buying off-the-shelf rather than ordering a unique product. And that brings cost savings.

For DONG Energy, partnerships like these help us progress towards a standardised offshore wind farm which will reduce the costs of constructing and operating our wind farms.



# Local value from investments

Local communities naturally expect large energy projects in their areas to bring local jobs and economic activity. The offshore wind industry is a good example of how this can happen.

It requires sizable investments to renew Europe's energy supply in a green direction. Because it is ultimately the citizens who pay for these investments in new energy, local communities naturally expect that new energy infrastructure, such as a wind farm or a power station, brings local jobs to the region and the country.

The offshore wind industry is a good example of how energy investments create jobs. Especially as offshore wind farms are often located off the shore of rural areas in need of jobs. Today, the offshore wind industry directly and indirectly employs 75,000 people in Europe – and the number is rising. Moreover, when a large number of people are located in the area to work on the wind farm in the construction phase, these people need transportation, food and services. This creates jobs in other industries. And when the wind farm is in operation, people are needed to operate and maintain it.

But the majority of the people who work in the industry work to produce the many components that go into a wind farm. Sometimes only very few companies in a

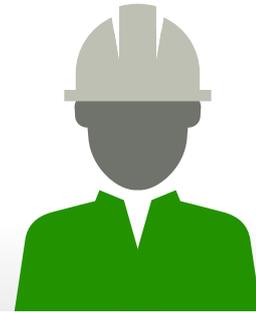
The growing offshore wind industry in Europe creates direct and indirect jobs



2014

75,000

full-time equivalents



2020

178,000

full-time equivalents

local area or a country have the necessary competencies to produce and supply wind farm components. But this is changing. While a lot of jobs within the offshore wind industry are located in Denmark today, more jobs will be located in other countries who invest in offshore wind going forward.

More jobs in more places is not only a good thing for local areas but for the entire industry. When countries see jobs created from offshore wind, they are more willing to invest in offshore wind. This will grow the industry further.

The UK, for instance, has had few businesses in the offshore wind industry historically, but is now investing a lot in offshore wind. The challenge for local business is then to develop and strengthen competencies that are useful in the offshore wind industry. Local companies need to make sure that they can compete for the orders; that they know how to participate in the tender process and understand what they have to do to get the job. DONG Energy works to help local companies gain better knowledge of this – and we are already seeing progress.

## PROGRAMME

### Local engagement

Stakeholders naturally expect that energy investments in their regions and countries will create local jobs or other types of value. DONG Energy's procurement is subject to EU tender law requiring that all large purchases are subject to competitive tenders. While we comply with this, we also work to activate companies from the local supply chain to compete in tenders related to our big investment projects in our footprint.

We look beyond our direct suppliers as we urge our suppliers to procure locally – and we work to make sure that local sub-suppliers are aware of and have access to project tenders. Moreover, we have training initiatives aimed at qualifying the local workforce to apply for jobs created by the projects.

In some cases, we support local initiatives by targeted sponsorships. When it is appropriate and customary, we establish Community Benefit Funds. Local communities can apply for the funds to support development projects.

### Three pillars for local access to tenders

#### Communication

Often, local suppliers who have not worked with offshore wind before need to be made aware of the possibility to bid for the project.

#### Transparent process

If local suppliers know and understand the process, they are more likely to bid.

#### Availability

As the developer, we must be available for answering questions to ensure that the suppliers have the necessary information to submit their bids.

We call it the Anholt model because it helped local suppliers win EUR 60 million worth of orders when DONG Energy built Anholt offshore wind farm in Denmark in 2012 and 2013. We use the same model for other construction projects, for example for our biomass conversions on the Skærbæk power station.

### A Siemens factory in the UK

More jobs within offshore wind are coming to the UK. In 2014, the wind turbine producer Siemens decided to invest EUR 385 million in building a major offshore wind turbine manufacturing site on two locations in the Hull area. This will create up to 1,000 direct jobs in the area once both sites are in full operation from 2017 onwards. Additional jobs will be created during construction and indirectly in the supply chain.

Clark MacFarlane, Managing Director, Wind Power Division at Siemens UK said:

“Siemens is a leader in offshore wind, and the investment demonstrates our ongoing commitment to UK manufacturing and confidence in the industry. The development of local manufacturing will provide a huge boost to the UK renewables industry and will help unlock other major projects and investments.”



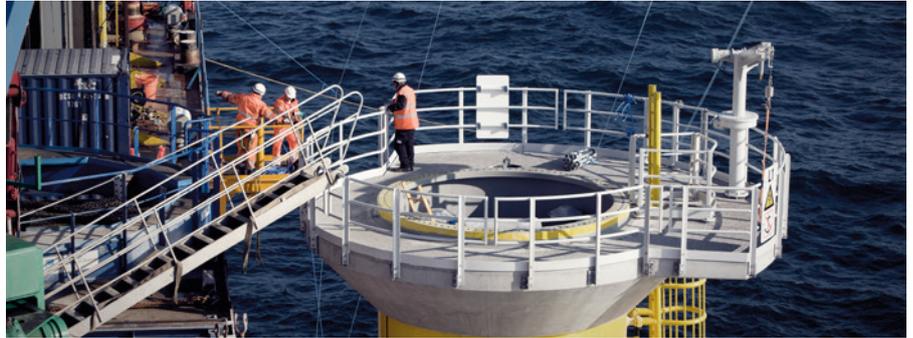
## A renewable energy hub in the UK

Thanks to investment from a number of leading renewable energy pioneers, including DONG Energy, the Humber region on the UK's East coast is now well on its way to becoming a UK and European renewable energy hub and a major contributor to the national economy.

Coastal areas around the UK have enjoyed being a focal point for regeneration in recent years with the development on new industries in these areas creating much needed job opportunities and economic investment. This includes the Humber region which is home to the cities of Hull and Grimsby. There is great potential for further development in the Humber that will support the local and regional economy. A key part of this is the development of renewable energy, using the great wind resources from the North Sea to generate electricity through offshore wind.

At DONG Energy, we plan to have a long-term presence in the Humber. We currently have three offshore wind farms under development in the Humber Region and one of these, Westermost Rough, is currently under construction and due to be fully operational by mid-2015. Over 900 people have been involved in the construction works, including crew transfer vessels and contractors. Once operational, we expect to directly employ up to 100 people at Westermost Rough, and around 90% of those employed will be from the local areas. For this wind farm alone, we expect to invest a total of EUR 14.3 million in Grimsby and the Royal Dock.

Councillor Chris Shaw, leader of the North East Lincolnshire Council, said: "Our vision is for the Humber to be a leading force in



A foundation for a wind turbine is installed at Westermost Rough off the Humber region's coast.

the international renewable energy industry. With our location, expertise and maritime traditions, we are in the perfect position to lead the way in operations and maintenance for offshore wind. The fact that DONG Energy is bringing hundreds of direct and indirect jobs to the borough furthers our drive to make the Humber the UK's energy hub."

At DONG Energy, we further signaled our commitment to the area by opening the Grimsby operations and maintenance facility in December 2014. A local supplier, Hobson & Porter, secured the EUR 4.2 million contract with us to construct this facility, including a new office building and the refurbishment of an existing warehouse. Hobson & Porter is

a family owned and managed construction contractor, and they directly employ over 130 people in the Humber region. Furthermore, their team is supported by supply chain partners drawn mostly from the Humber and North East Lincolnshire area.

"The Humber region is playing a key role in building up a UK renewable energy market. This is our first job for an offshore wind farm and if we deliver the job successfully we can use this project to give clients confidence in our ability to carry out similar work in the future," said Paul Taylor, Business Development Manager at Hobson & Porter.

## The lively harbour of Norddeich – now with renewable energy

Norddeich harbour has been known for tourism. Now it is also becoming known for offshore wind.



Buildings on their way at the harbour.

280 kilometres West of Hamburg is the small village Norddeich with around 1,750 inhabitants and a lively harbour. Now the harbour is becoming even livelier. At DONG Energy, we have placed the operations and maintenance facilities for all three of our German offshore wind farm projects here.

"Thanks to the short distance to the wind farms, we will be able to run everything from this one location," said Mathias Albrecht, Head of Operations at Borkum Riffgrund, DONG Energy.

For many years the ferries have shuttled to and from the small islands, making it the third largest passenger port in Germany. Together with the three marinas, it is a popular destination for locals and tourists alike. So far, DONG Energy has invested EUR 10 million in building roads and buildings in a previously unexploited part of the harbour.

The mayoress of the City of Norden, Barbara Schlag, is hopeful about DONG Energy's presence in the region:

"I believe that DONG Energy will improve the harbour. Due to the fact that we have 250,000 guests and 1.4 million overnight stays each year, Norddeich is mainly known as a ferry port and for tourism. But it is also a harbour for the maritime industry. The image of our harbour as an offshore or renewables harbour will be strengthened with DONG Energy. That's where we come full circle: tourism, sustainability, renewable energy – this fits perfectly. And, we are very pleased that additional jobs have been and will be created."

We expect to need 80 full-time positions until the end of 2015. It is further estimated that up to 4,000 people will participate in the offshore works, with many of them passing through Norddeich.



## From fish to energy

It used to be all about fish. Today it is all about energy. The city of Esbjerg has gained a lot of local jobs from energy.



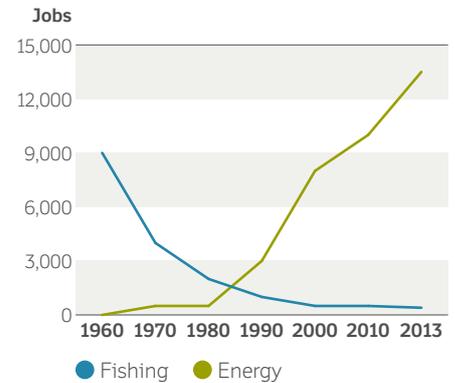
The CEO for Esbjerg Port, Ole Ingrisich, appreciates the growing energy industry in Esbjerg.

Across Europe, traditional industries and jobs have been disappearing, especially from areas outside of the big cities.

The same goes for the Danish city of Esbjerg, sitting on the Danish North Sea coast with 75,000 inhabitants. Fishing was traditionally the most important industry in Esbjerg. “From the 1960s the importance of the fishing industry declined. Instead we focused on another offshore industry: energy,” said Ole Ingrisich, CEO of Port of Esbjerg. “Today, 13,500 people work in 250 energy related companies in Esbjerg. The Port and the city have adapted to the changed situation and have transformed their activities from fish to energy.”

According to Tom Nielsen, Director of Business Development Esbjerg, the success is the consequence of many good initiatives coming together. “The municipality has pushed the development and the Port of Esbjerg has modernised its facilities to handle oil, gas and wind turbines. Energy companies have invested in oil and gas fields as well as wind farms. And they have opened offices and production sites in Esbjerg,” he said. “Thanks to these investments, the number of supplier companies has grown as well. They drill wells, fly crew to and from platforms or supply wind turbines or cables, and today export their know-how to other countries”.

Energy has replaced fishing as the biggest industry in Esbjerg due to activities around oil, gas and offshore wind



“When it comes to DONG Energy, they are one of the biggest energy companies in Esbjerg with around 360 employees,” said Ole Ingrisich.

In Esbjerg, DONG Energy produce and transport oil and gas, have built two offshore wind farms, and the Esbjerg power station dates back to 1946.

Since 2000, DONG Energy has annually invested around EUR 134 million on average in energy in the Esbjerg area and worked with hundreds of suppliers. This has enabled us to grow our North Sea business within oil, gas and wind, and it has supported Esbjerg in growing its energy industry.

## Major construction works on Shetland

Natural gas is set to become an important source of revenue for the Shetland Islands – a group of islands North-East of the Scottish mainland. The Laggan-Tormore gas fields are creating jobs and long-term revenue in the region.



TOTAL employees at Laggan-Tormore.

back many years and the infrastructure being built by the project will provide a vital hub for the processing and export of gas from the region long into the future.

“We are facing a very exciting and important year ahead as we expect to start production of gas from the fields in 2015, which will mark our first production in the UK,” said Simon Slater, DONG Energy’s representative for Laggan-Tormore.

The Laggan-Tormore project is jointly owned by DONG Energy and TOTAL who operate the day-to-day activities – DONG Energy has a 20% share. Our investment in the project goes

Robert Faulds, TOTAL’s Project Director, elaborates on the local value that the project brings: “At its peak, the project has involved over 2,500 temporary construction workers

based on Shetland. In addition, the project has provided business opportunities for many local companies, ranging from construction and transport to catering and hotels. We expect that the newly constructed gas plant will create up to 80 full-time jobs related to daily operations and maintenance and will continue to provide ongoing opportunities for local business.”

The economic benefits of the project and the following production will have significant impact, both locally and nationally. It is anticipated that this development will contribute over EUR 230 million to the Shetland economy over its lifetime.



# GREEN ENERGY

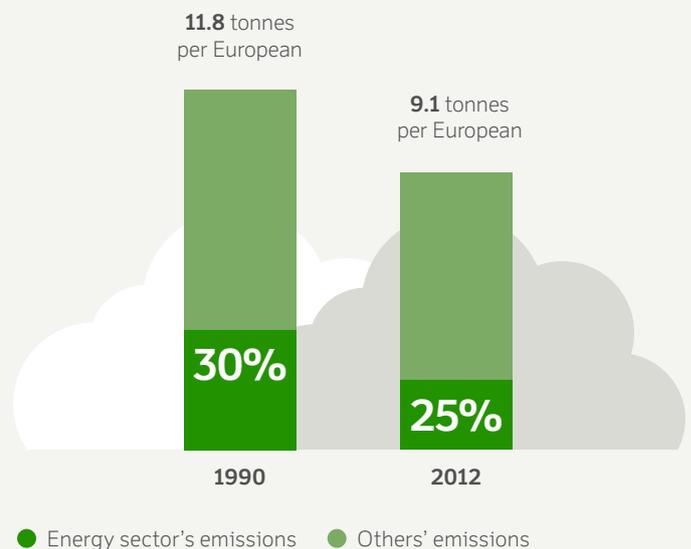
## How do we produce greener energy?

Consumers should have access to greener energy. The production of energy still accounted for a quarter of European greenhouse gas emissions in 2012. The transformation towards more green energy has begun, but energy companies still have an important role to play in limiting emissions.

When Europe has to replace its numerous old coal-fired and nuclear power stations over the next two decades, it should do so with green energy. At the same time, it is important that we use energy as efficiently as possible in order to minimise CO<sub>2</sub> emissions.

And whether the energy is green or black, energy infrastructure impacts the environment. As an energy company, we have to care for the local environment around our wind farms, power stations and oil and gas platforms.

### The energy sector still accounts for a large part of the EU's greenhouse gas emissions



Explore this focus area

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From black to green energy

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Biomass must be sustainable

#### 28

Energy efficiency is a package solution

#### 29

We need to care for the environment

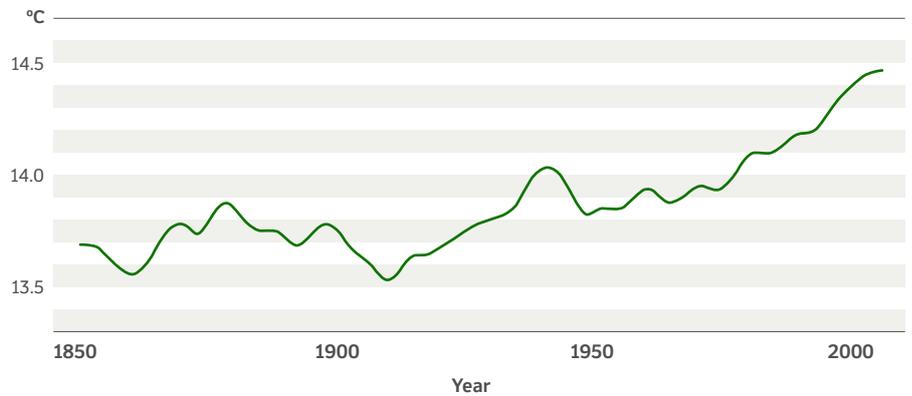


## Human caused climate change requires human action

It is now clear that human activity is extremely likely to be the dominant cause of the global warming of the climate system. Limiting climate change and the resulting weather changes requires dedicated efforts to bring down global CO<sub>2</sub> emissions. The energy industry accounts for around a quarter of greenhouse gas emissions and therefore has an important role to play.

The good news is that if we act now rather than later, the transformation to cleaner energy will be less expensive as we can take advantage of the fact that capacity needs to be replaced anyway.

Global average surface temperature



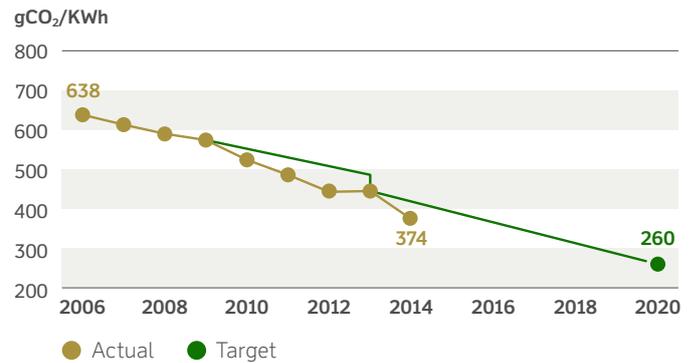
**PROGRAMME**

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

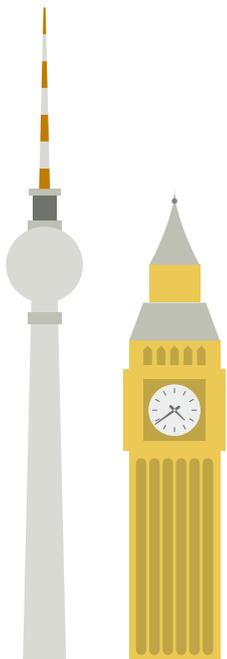
In DONG Energy, our target is to reduce CO<sub>2</sub> emissions from our electricity and heat generation by 60% in the period between 2006 and 2020. We are well on our way by converting our power stations from coal and gas to biomass and by installing offshore wind farms. In 2014, we had reduced our CO<sub>2</sub> emissions by 41%.

Our own analysis shows that we have reduced our CO<sub>2</sub> emissions at a faster pace than our European peers. Being ahead of the pack gives us a strong position in the market for green energy technologies, which attracts competencies and capital to our business.

41% reduced CO<sub>2</sub> emissions in DONG Energy, 2006-2014



## Reduced CO<sub>2</sub> emissions from our electricity and heat generation in 2014



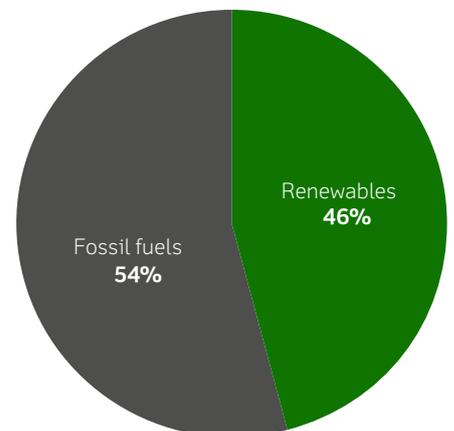
Compared to 2006, DONG Energy has reduced the same amount of CO<sub>2</sub> as more than

# 6 million

cars emit in one year. That equals taking all cars off the streets of both London and Berlin for a year and a half.



46% of DONG Energy's electricity and heat generation was based on renewable energy in 2014





## Less coal is less CO<sub>2</sub>

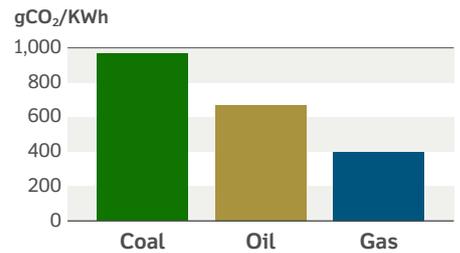
In 1990, 41% of the EU's power generation was coal-based. In 2012, 29% still was. This is problematic as coal is the most CO<sub>2</sub>-intensive fuel energy companies can use at their power stations.

In DONG Energy, we are reducing our use of coal at our power stations. Today, we have transformed from being one of the most coal-intensive utilities in Europe to becoming a global leader in renewable energy. Since 2006, we have reduced our use of coal by 65% and we intend to continue the development. This will reduce our CO<sub>2</sub> emissions significantly.

We are converting our Danish power stations so that coal and gas is replaced by sustainable biomass. Biomass is a cost-effective way to meet CO<sub>2</sub> reduction targets as it is cheaper to rebuild existing power stations than to build an entirely new energy infrastructure.

In 2020, at least 50% of our electricity and heat generation at Danish central power stations will come from sustainable biomass, compared with 28% in 2014. The conversions will give our customers the green energy they demand.

Coal is the most CO<sub>2</sub> intensive fuel



The values represent the average amount of CO<sub>2</sub> per KWh of electricity produced in OECD member countries 2009-2011. Actual values may vary considerably due to e.g. input/output efficiencies.

In DONG Energy, we have reduced our use of coal by 65% since 2006



## From coal to wood pellets

Today, around a quarter of a million people in Aarhus, Denmark, receive their district heating from DONG Energy's Studstrup power station. From the end of 2016 they can look forward to their heating turning green when sustainable wood pellets replace coal.



Lars Lærkedahl, Project Manager for the Studstrup conversion.

Together with Aarhus Municipality's heating supply company AffaldVarme Aarhus (AVA), we are converting the Studstrup power station to run on sustainable wood pellets from the end of 2016. DONG Energy is managing the conversion.

"Millions of tonnes of coal have since 1962 been used to run the Studstrup power station. Now we are changing this. The green

conversion of the power station ensures a significant reduction in the power station's annual coal consumption," said Lars Lærkedahl, project manager for the Studstrup conversion.

But exactly how sustainable is it to use wood pellets instead of coal? Lars explained: "The wood pellets will be transported by ship from Europe and North America to the power station's harbour. Even including transportation and processing, the wood pellets will reduce CO<sub>2</sub> emissions by approximately 90% compared to coal and thus save the environment up to 800,000 tonnes of CO<sub>2</sub> per year. This is as much as 89,000 Europeans emit in a year."

"This CO<sub>2</sub> reduction contributes significantly to Aarhus' target of becoming CO<sub>2</sub> neutral by 2030," said Bjarne Munk Jensen, Head of AVA. "And it is achieved in a cost-effective way that ensures stable heat prices for the citizens of Aarhus in the coming years."

## A new bio solution

DONG Energy's Inbicon technology is a new bio solution that has potential to reduce CO<sub>2</sub> by replacing black energy with green energy.

Inbicon can effectively turn many types of low-value agricultural byproducts into high-value, renewable energy products. One of these products is second-generation bioethanol which is a green fuel for cars, and another is lignin that can be used at power stations to produce green heat and power. While first generation bioethanol is based on food crops, second-generation bioethanol is based on byproducts only.

We have established partnerships on Inbicon in Brazil, China and Denmark. Brazil is the world's second largest bioethanol market and we have partnered with Odebrecht Agroindustrial to investigate opportunities for Inbicon:

"We aim to integrate a first-generation bioethanol plant with the Inbicon technology. The solution will utilize the byproducts from the first-generation bioethanol plant to produce further ethanol from the existing farmland," said Henrik Maimann, Vice President for New Bio Solutions at DONG Energy.



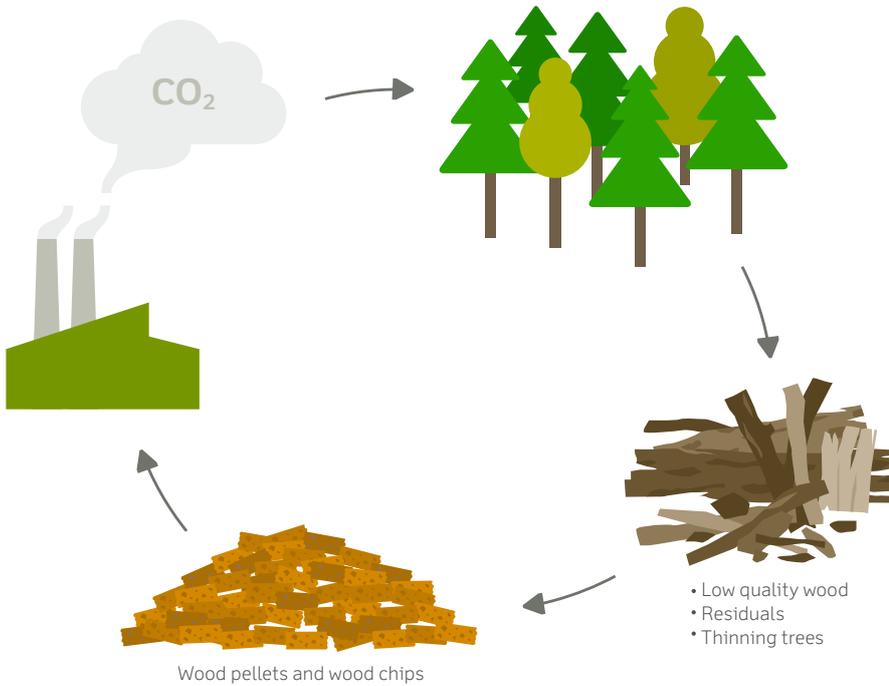
# What makes biomass sustainable?

To realise the energy transformation we need more green energy. Power station fuelled by wood pellets and wood chips can complement the more unstable wind and solar energy. But the biomass, of course, has to be sustainable so that it actually does reduce CO<sub>2</sub> emissions and preserves the ecosystem and biodiversity. If done in the right way, biomass can be sustainable.

In modern forestry, when trees are cut down new trees are planted so the size of the forests is maintained. When trees are replanted, they absorb the same amount of CO<sub>2</sub> that was emitted when they were cut down. This creates a CO<sub>2</sub>-neutral, closed-loop life cycle.

When trees are cut down, they are made into timber used for houses, furniture and paper. The remains from this process – around 4% – are used for wood pellets or chips. In modern forestry, forests are also thinned out gradually to help the forests stay healthy. This low quality wood is also used for energy.

There is good and bad biomass. What is important is to find a way to make sure that the biomass we use for energy is produced in a good and sustainable way. This requires sustainability criteria, certification and audits.



## PROGRAMME

### Sustainable biomass

All biomass that we use must be sustainable. Heat and power production based on sustainable biomass is CO<sub>2</sub>-neutral. Even if we take into account processing and transport, emissions are reduced by 80-90% compared to coal or gas.

To ensure this, we have developed the DONG Energy Programme for Sustainable Biomass Sourcing. Under this programme, our suppliers must comply with specific sustainability requirements. When the programme is fully implemented in 2019, all the wood pellets and wood chips we use will be certified by a third party auditor. Already next year we will be able to start documenting that the biomass is in compliance with our requirements.

The programme is based on the Danish industry agreement which again is based on the currently most stringent requirements for biomass in the EU. With the programme we get access to the sustainable biomass that we need to give new and greener life to our coal fired power stations. And we help develop a new market for a green alternative to coal and gas on power stations.

#### Our programme for sustainable biomass ensures that:

- Trees are continuously replanted so that the volume of the forest is stable or increasing which makes the forest able to constantly recapture and store the CO<sub>2</sub> emitted from burning wood pellets and wood chips.
- The forests ecosystems and biodiversity are protected to ensure the forest's health and vitality.
- Social and labour rights are respected.

## Partnership to certify sustainability



Peter Kofod Kristensen, Lead Sustainability Advisor at DONG Energy.

Together with six other European energy companies we have developed a sustainability certification system designed specifically for woody biomass. We call it Sustainable Biomass Partnership (SBP).

We have established the partnership because internationally there are no mutually agreed legal guidelines for defining when biomass can be defined as sustainable. Moreover, the sustainability certification schemes that do exist have not been widely implemented in all source areas and do not meet the need for measuring total CO<sub>2</sub> emissions throughout the value chain.

"The SBP system enables energy companies to record energy and carbon data along the

supply chain and to demonstrate any CO<sub>2</sub> reduction compared to fossil fuels. The SBP system is the most ambitious available being specifically designed to meet the requirements of the European market" said Peter Wilson, Executive Director of SBP.

In the future, DONG Energy's biomass supply will be based on SBP-certified suppliers. "To ensure that our wood pellets and chips comply with our own sustainability programme and consequently the Danish energy industry agreement, we will use the SBP certification. Independent third party auditors will audit the suppliers on the implementation," said Peter Kofod Kristensen, Lead Sustainability Advisor at DONG Energy.



## PROGRAMME

## Customer energy savings

Energy efficiency is a package solution: It limits climate change and pollution, it contributes to less energy imports and last but not least, it minimises the amount of money spent on energy. With regard to limiting climate change, energy efficiency accounts for half of the CO<sub>2</sub> savings that the countries of the world are planning towards 2040.

In DONG Energy, we advise our private and business customers on how to use less energy. This includes our climate partnerships with around 100 businesses, local authorities and public institutions – and at the moment we are increasing our focus on how we can best help our private customers save energy. We also take our own advice by working on our own energy efficiency in our office buildings.



### Energy savings with DONG Energy's Danish customers

Since 2006, we have worked with our Danish customers to save a total of 2.2 TWh – the same as almost

# 32 million

A+++ fridges use in a year.

## Saving money and CO<sub>2</sub> through climate partnerships

Through around 100 climate partnerships, we work with our partners to reduce their energy costs and CO<sub>2</sub> emissions, to support investments in new renewable energy and to share knowledge. For instance, in 2013, Egetæpper used 21% less energy than they did in 2006. Their total CO<sub>2</sub> savings amount to 24,000 tonnes, corresponding to the emissions of almost 2,600 Danes in one year.



“Our responsibility and climate strategy has been converted into specific activities on which we work systematically,” said Jan Ladefoged, CSR Manager at Egetæpper.

We work with our climate partners to save energy. And by giving our partners certified climate-friendly power from offshore wind farms or bio natural gas, we are able to cover all or part of their power consumption with renewable energy.

Our climate partners range from companies such as Novo Nordisk and Daloon to KMD and Tivoli. In 2011, we entered into a partnership with the Danish carpet manufacturer, Egetæpper:

“DONG Energy is assisting us in structuring our efforts even further, so that we ensure

continuous focus and progress in the climate partnership and monitor how far we've come compared to our objective. The result is that our responsibility and climate strategy has been converted into specific activities on which we work systematically,” said Jan Ladefoged, CSR Manager at Egetæpper.

Together we have managed to reach the target of reducing both Egetæpper's energy consumption and CO<sub>2</sub> emissions by 20% through energy saving projects. We reached this target one year ahead of schedule in 2013. The savings are furthermore invested in renewable energy through offshore wind from Horns Rev 2.

To build on this success, we renewed the partnership with Egetæpper in 2014. One of the new ambitious targets is to cut Egetæpper's energy consumption and CO<sub>2</sub> emissions in half by 2020 compared with 2006.

Through the climate partnerships, we build strong relationships with important business customers. We work through common value sets to use less energy and help transform the energy supply to more renewable energy.



PROGRAMME

## Environmental management

Big infrastructure projects and energy production impact the environment. These effects can be reduced, but not fully prevented.

DONG Energy used to be one of the most coal intensive energy companies in Europe. Today, we are a leader in renewable energy. Still, CO<sub>2</sub> emissions account for a significant part of our impact on the environment. We therefore work strategically to reduce our emissions. We are committed to minimising the resource consumption and environmental impacts related to our activities.

To do this, we naturally focus on complying with all legal as well as other environmental requirements. We also strive to minimise our most significant environmental risks by addressing the environmental aspects of our activities, products and services. Among other things, these include our emissions to air, use of energy, impact on the biodiversity and the sustainability of the biomass we source.

Last but not least, any accident in the exploration, production, generation and distribution of energy can potentially have severe

impacts on the environment. We therefore identify and minimise the risk of emergency situations and environmental incidents, and we ensure that our response is prepared, should an accident happen.

## A small but important fish

The capelin is a small but important fish in the ecosystem of the Barents Sea. DONG Energy is supporting a research project with Akvaplan-niva to determine the effect of capelin spawn being exposed to a simulated oil spill combated with chemicals.



Capelin spawn is important to the eco-system.

Capelin is common in large parts of the Barents Sea where DONG Energy is present with four oil and gas licences. Capelin is the most important prey for cod and therefore crucial for the development of the North-East arctic cod population. It is also important prey for the harp seal and sea birds. DONG Energy is supporting the Norwegian research organisation and consultancy Akvaplan-niva with EUR 120,000 to find out exactly how damaging an oil spill would be to capelin spawn. Akvaplan-niva are specialised in Arctic environmental research.

Marianne Frantzen, scientist and project manager at Akvaplan-niva, explained the amount of time and flexibility that the project has required: "We have spent a lot of time monitoring known spawning beaches to make sure that we detected fertilised eggs as soon as possible after a spawning had taken place. And since the capelin seems to prefer to spawn during Easter Holiday this has

demanded 'flexible scientists'. After gathering the eggs, we have dedicated many hours to the microscope every day to monitor the developing embryos and make sure that any effects were detected."

Lill-Gøril Seljelv, QHSE Manager at DONG Energy E&P Norway, has been following the experiment: "The eggs are exposed to a simulated oil spill which is combated with chemicals. The chemicals accelerate nature's own dispersion of oil spills."

So why is this experiment important? "Today, we don't know what impact the chemicals and the dispersed oil have on the eggs and the larvae. An experiment like this has never been undertaken before, and the result is important since capelin is a key species in the Barents Sea, and many other species feed on it. The experiment will determine both the mortality rate, malformation and the effect on hatching," said Lill-Gøril.

The partnership between DONG Energy and Akvaplan-niva brings new in-depth knowledge on a topic that is relevant for regulatory authorities and the industry as well as environmental management in general. For DONG Energy, it contributes to us being a committed and active partner in Barents area, and the knowledge we obtain from the experiment will also be important to our activities in other areas. It is important for us to gain substantial knowledge to preserve biodiversity no matter where we have activities.

## Mitigating underwater noise

Installation of foundations for offshore wind turbines by piling the foundations into the seabed creates noise under the water. At close distance, the noise is loud enough to potentially impact the hearing system of marine mammals such as seals and porpoises, and over considerable distances from the construction site the noise can affect their behaviour.

"In DONG Energy, we always make sure to follow the relevant national requirements and agree with the authorities on how to mitigate environmental risks before we begin the construction of a wind farm. At the same time we participate in and support relevant biological research projects in order to ensure that any requirements are in line with the best available scientific knowledge," said Stine Andersen, Head of Environment & Consents in DONG Energy.

"When it comes to mitigation of underwater noise we used a new mitigation tool in 2014 for the construction of our German wind farm Borkum Riffgrund 1 in order to meet the strict German noise requirements; a so called noise mitigation screen," said Stine.

She elaborated: "It consists of a double-wall steel screen with an air gap in between providing a noise barrier. The screen surrounds the foundation during the piling operation which reduces the noise transmitted through the water. In combination with a modified piling strategy, the screen made us able to reduce the noise emission to the acceptable level and thereby preventing a potential impact on the marine mammals in the area."



# PEOPLE MATTER

How do we promote safety, the right skills and a motivating working environment?

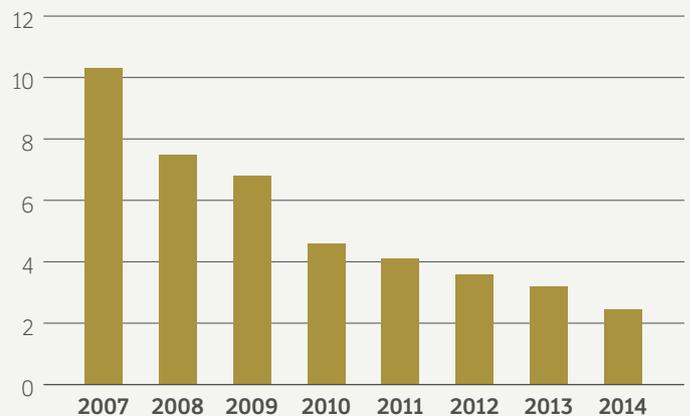
In the energy industry, people work with large structures and machines, sometimes offshore where powerful natural forces are at play. We have to make sure that everybody gets home safely to their families every day.

People also matter because unless we have skilled people in the energy industry, there will be no energy transformation. We need to find the right people and help them develop their skills so they can push the transformation forward.

And if we in DONG Energy manage to create a motivating and healthy working environment, our people will feel better when they are at work and at home, and they will be more satisfied.

## Fewer accidents in DONG Energy

LTIF



Lost Time Injury Frequency (LTIF) is the number of accidents which lead to absence of a day or more per one million working hours.

Explore this focus area

### 31

The safe way or no way

### 32

We need skilled people

### 33

Satisfied, motivated and healthy employees



PROGRAMME

## A safe workplace

In the energy industry, people work with large, heavy structures and machines – and often at sea and at height. Here, even the slightest mistakes can lead to serious accidents. Ensuring safe working conditions based on a solid safety culture is a constant challenge.

In DONG Energy, we never compromise on safety standards. By 2020, our LTIF must be below 1.5. In 2014, we continued on the right track as we lowered our LTIF to 2.4.

Three elements are paramount to ensuring high safety in DONG Energy: 1) maintaining and improving safety systems based on systematically identifying and mitigating risks to reinforce a solid foundation for safety performance; 2) strengthening the safety culture to inspire and motivate each employee to integrate safety into their work; and 3) working with contractors to ensure high safety performance for all parties.

## Fewer accidents in DONG Energy



Lost Time Injury Frequency (LTIF) is the number of accidents which result in absence of a day or more per one million working hours. The figure includes both DONG Energy employees and contractors' employees working on sites which are either owned or operated by DONG Energy.

## Strengthening safety culture

In DONG Energy, safety is an integral part of our everyday work. We work to strengthen the safety culture in all areas of our business.

“Because not two projects are the same and because accidents do not only happen in construction and operation sites, solid safety procedures cannot do it alone. Also, administration employees’ work way affect the safety of colleagues on-site, for example through purchase choices and project management. Safety has to be an intrinsic part of the culture across our business,” said Charlotte Bryldt Theisen, Manager for Occupational Health and Safety at DONG Energy.

In August 2013, we launched a safety culture programme across all business areas called ‘Safety through the Line’, signalling that it is a line responsibility to ensure a strong safety culture. This means that shaping the right mindset starts with a commitment from the top management and filters down through our leaders to every employee.

“An important focus in Safety through the Line is that all employees have the responsibility to proactively seek to prevent accidents. An important tool for this is to register and describe any near misses that they observe so that preventive measures can be implemented. Our motto is: ‘You see it, you own it!’,” said Charlotte.

We see that our efforts are working. Since ‘Safety through the Line’ was launched, our LTIF has dropped by 38%.

## Contractors committed to safety

To achieve a safe working environment, we gathered the contractors and suppliers for the Gode Wind offshore wind project with one item on the agenda: obtaining a shared commitment to safety.

In the spring of 2014, DONG Energy invited the senior management of seven major contractors and suppliers for the Gode Wind 1+2 projects to a safety kick-off day in Copenhagen. This was the first event of its kind prior to an offshore wind project. The purpose of the day was for the participants to discuss how to achieve a high level of safety and to sign a safety charter stating a joint commitment to no life-changing events. We want to make sure that the number of people coming to work in the morning is the number of people leaving unharmed in the afternoon.

The contractors appreciated the initiative: “In GeoSea we work continuously with safety improvements and it is one of our focus areas, so it is part of how we conduct our business. Therefore we welcome the concept of getting the senior management from the different contractors and suppliers committed to a shared safety attitude,” said Luc Vandenbulcke, General Manager at GeoSea.

“It was great to see that everybody was committed and deeply engaged to improve safety on the Gode Wind project. The discussions showed that the attitude regarding safety is spot-on. This will benefit the Gode Wind project as well as future projects,” said Jan Thomsen, Programme Director at Gode Wind.



Samuel Leupold, Executive Vice President of DONG Energy Wind Power, is committed to safety.

According to Samuel Leupold, Executive Vice President of DONG Energy Wind Power, the event will be repeated for future construction projects: “Getting all the CEOs in the same room and have them committed to a vigorous safety focus is a great way to prepare for the construction of the project.”



## Being ambitious requires the best people

The energy industry is changing rapidly. We constantly need new competencies, including highly technical expert knowledge, to make sure that we can drive the energy transformation forward. This does not happen by itself. Companies have to be able to attract the best people and to retain them to succeed in being ahead in a constantly changing market.



PROGRAMME

### Performance and development

DONG Energy's vision is to lead the energy transformation. This rests on the hard work of our highly skilled and deeply committed employees. Therefore we make a dedicated and persistent effort to attract and retain the best people.

We work systematically with getting the right people on board, managing our employees' performance, developing their skills and supporting their careers. We invest in our employees to retain a workforce with the right skills and to ensure high performance.

We believe diversity will help ensure that we have an attractive workplace creating value for customers, owners, employees, the broader society and other interested parties. Therefore, we make an effort to recruit broadly and ensure equal opportunities through transparent recruitment and performance management processes.

## Cultivating a performance culture

A wide range of highly skilled specialists and managers work at DONG Energy. We need to make sure that they perform their best and that we discover and develop the talents that stand out.

Managing performance is first and foremost a matter of setting clear objectives, rewarding results and handling poor performance openly and actively.

"In order to ensure a continuous focus on growing our employees and providing them with feedback, all employees have a Performance & Development Dialogue (PDD) with their immediate manager twice a year. The purpose is to evaluate performance, define objectives for the present year and to discuss general wellbeing, career planning and competence development," said Hanne Blume, Head of People & Development.

"In addition, all managers and several specialists are evaluated through a

structured annual People Review to assess their performance and the potential within the organisation. It helps managers develop their employees' skills and abilities, and it is the foundation for next year's performance management cycle."

In many cases, our specialists are among the best in the industry. To ensure that we continue to have highly qualified people, training is of great importance. In addition, we emphasise the interpersonal skills of our specialists and project managers. We have three talent programmes for employees and leaders who have proven high performance and whose development potential is considered high. The programmes prepare talents at different levels of the organisation to advance to the next level.

## More POWERful women for the energy sector

To ensure that we make use of the entire pool of skills available and to promote diversity, DONG Energy has a specific focus on promoting women in management. We have developed a policy and set targets to improve the share of women at all management levels.

In DONG Energy, 30% of our employees are female. It is a challenge for us as well as the industry to increase the share of women in management. We support a number of initiatives to attract more women to the energy sector, including the POWERful Women UK campaign.

"DONG Energy has been one of the early driving forces behind POWERful Women – recognising the need to boost female leadership within our energy sector as part of

building stronger businesses," said Baroness Verma, UK Minister for Energy and Climate Change and Co-Founder of POWERful Women.

	2014	2020 target
Top management (top 50)	14%	>22%
Leadership forum (top 400-50)	20%	>25%
Other managers	24%	>32%

DONG Energy has set targets for women in management





## PROGRAMME

## Employee satisfaction and motivation

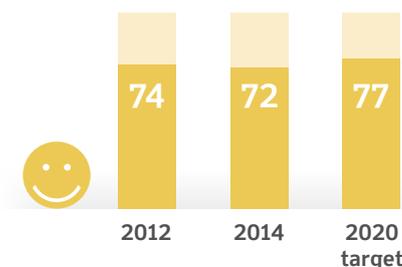
Our employees spend a lot of their time with DONG Energy. We need to ensure that they enjoy coming to work and that, when they return home in the evening, they are satisfied with their contribution. Importantly, satisfied and motivated employees are more likely to stay with us.

Each year, we ask all employees to rate their satisfaction, motivation and a number of other factors in our People Matter survey. 94% of employees responded to this year's survey, which was the highest response rate to date. This is evidence of wide support from the employees.

By 2020, our target is to reach 77 out of 100 on employee satisfaction and motivation in the annual People Matter survey. In 2014 it was rated at 72 out of 100, whereby it fell by two index points since the survey in 2012. The fact that we have been subject to immense media attention in Denmark is, of course, reflected in the figures. The result is still higher than the average for the Danish labour market so it is a small change from a high level. But it is a challenge that we need to address.

Each department in DONG Energy makes a targeted effort to ensure satisfied and motivated employees through performance and development dialogues. Another specific initiative is increased focus on employee health.

Satisfied and motivated employees are important to DONG Energy's success



Rating on a scale from 0 to 100

## A stake in the company to increase motivation

In 2014, DONG Energy launched an employee share programme that gave all employees the possibility of investing their own money in shares up to a value of approximately EUR 5,370. The price of the shares was the price paid by our investors, with a special discount of 25% for the employees. Moreover, our employees can be awarded matching shares when DONG Energy is expected to go public and be listed on the Danish stock exchange, depending on the performance of DONG Energy at that time compared with a benchmark group of European energy companies.

"The purpose of the programme is to promote a common interest among the employees, the management and our shareholders in supporting the value creation in DONG Energy. The employee share programme gives all employees in DONG Energy an opportunity to get a share of that value creation," said Hanne Blume, Head of People & Development.

Just over 3,000 employees chose to buy shares. One of them was Katrine Ostenfeldt, Application Consultant at DONG Energy:

"I think that it is a very good opportunity for me as an employee to invest in the company I work for. Of course there are always risks associated with buying shares. But I believe that we will acquire a listing and a good return on investment."

## Employees' health and energy is vital to our organisation

Our success is highly influenced by the performance of every employee in DONG Energy. As we invest in developing employees' skills, we also invest in their well-being.



Employees participating in Tour de DONG Energy in Denmark.

"Helping employees to maintain a high energy level will increase their resilience and general performance over time. And we acknowledge that health is a key influencing factor on the energy level. Investing in employee health is not only a protection of our human assets, but also a performance enabler for the future," said Hanne Blume, Head of People & Development in DONG Energy.

"We offer our employees a variety of health benefits depending on their location, including fitness facilities, sports events, healthy food and health insurance. In 2011, we offered a health check for all our employees which was followed up by targeted initiatives and another health check in 2013/14."

The two health checks showed that our employees' health is generally high and above average compared to other large Danish companies. Also, we saw a significant improvement of the weakest 10% in the two years. But we can still improve:

"The lowest health scores turned out to be with the youngest group of employees aged below 30. When you consider that these people are the future, and that they are expected to stay in the job market until they reach their 70s, it is important to address this challenge," said Hanne.

We plan to increase our focus on employee health in 2015. Because of the overall good results of the health checks, we will be looking at preventing rather than remedying general health issues going forward.



# BUSINESS INTEGRITY

How do we ensure that we operate our business with high integrity?

At DONG Energy, we want to be open and trustworthy and uphold high ethical standards. We take pride in running a business where high integrity is the fundamental basis for everything we do.

But it can be a challenge to always know what is the right decision to make. We work in a competitive and challenging environment. As a company and as individuals, we are faced with financial, technical, commercial and human challenges every day. But we have to do the right thing. We therefore have a range of initiatives and processes in place to ensure good business conduct.

In the last few years, DONG Energy has gone through a period of turbulence which has made many Danes question our integrity. While we believe that we operate our business with integrity, we acknowledge that it takes time to win back the public's trust.



Explore this focus area

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## **35**

To do the right thing

## **36**

Customers are the basis of our business

## **37**

Responsibility reaches beyond our own walls

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A responsible approach to tax



## Operating with high integrity

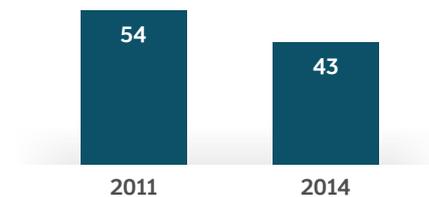
Integrity is important to DONG Energy, because we have a responsibility to do the right thing and because companies with integrity are simply more healthy companies.

When we look at how we are perceived, we can see that we have a challenge in Denmark. When the Danes are asked if they trust DONG Energy, we are given a score of 43 on a scale from 0-100. This is a significant change compared to a few years back. There

can be many reasons for this. The debate that took place in Denmark in early 2014 around new owners investing in the company could be one reason.

We need to demonstrate through our actions that DONG Energy is a company that can be trusted. We have to make the right decisions and ensure that we have a culture that promotes integrity.

The Danes' trust in DONG Energy has declined



Respondents are asked if DONG Energy is a company they trust. Rating on a scale from 0 to 100.

### PROGRAMME

## Good business conduct

Making the right decision is not always straightforward. Because our employees are only human it can be difficult – even for someone with the best of intentions.

DONG Energy's Good Business Conduct Policy gives guidance to how employees should act. It states how employees should act in situations that could lead to inappropriate or even illegal behaviour, such as fraud, bribery, corruption, use of insider information or anti-competitive behaviour. The policy was updated in 2014. That same year, we also established a Compliance

Committee, chaired by our CEO, Henrik Poulsen. The committee monitors how we conduct our business and it handles issues when they arise.

Our Internal Audit function is one of our most important tools to uphold high integrity standards in our business conduct. It is an independent body controlling that our processes, controls and governance support compliance with our rules and that the decisions are made in the right way. It was established in 2013 and in June 2014 the international Institute of Internal

# 97%

of DONG Energy's employees had in 2014 completed our e-learning in good business conduct.

Auditors (IIA) completed an External Quality Assessment to document that the function generally conforms with the IAA's Standards for Professional Practice of Internal Auditing. This ensures that the quality of Internal Audit's work is in line with international requirements for a value-adding Internal Audit function.

## Listening to whistleblowers

During its first year, DONG Energy's new Whistleblower Hotline has shed light on a number of cases involving inappropriate and illegal business conduct.



Gerda Retbøll-Bauer, head of DONG Energy's Internal Audit.

DONG Energy relaunched its Whistleblower Hotline in January 2014, followed by an extensive awareness campaign. Since then, six fully or partly substantiated cases of inappropriate and illegal business conduct have been reported.

Gerda Retbøll-Bauer, head of DONG Energy's Internal Audit, explained: "The cases involved issues such as misuse of credit cards, kickback from suppliers, breach of confidentiality, conflicts of interests and questionable supplier agreements."

DONG Energy's response is clear: "We examine all reports in depth. We cannot accept any breaches of our rules governing good business conduct. The six cases have all had consequences for the employment relationship of the employees involved, and in one case the matter was reported to the police," said Gerda.

Last year, the number of cases filed was zero. The question is then whether our business culture has changed or people have become better at reacting to suspicious matters?

"In general, I find that DONG Energy has a culture of high ethical standards that we should definitely maintain and develop further. I am happy to see that the new hotline is effective. It's important that the employees feel comfortable using the set-up," Gerda responded.

She continued: "At the same time, there should be no doubt that we take all reports very seriously. We also focus on preventing that similar cases occur again, and in this context line management has a responsibility for ensuring that all employees understand the Group's set of rules and expectations concerning good business conduct."



## A reputation that could be better

No business can exist without satisfied customers. At DONG Energy, we want to be the preferred supplier for our customers. We have customers in Denmark, the UK, the Netherlands, Sweden and Germany. We are among the largest power and gas suppliers in Denmark and the third largest gas supplier to the UK industrial and commercial market.

In the UK and Germany, most people do not know much about DONG Energy, and those

who do mainly know us as an offshore wind company because of our visible activities there. In Denmark the story is different. DONG Energy is one of the big, well-known companies in Denmark and the Danes are part-owners the company through the partial state ownership. The Danes therefore have a stake in DONG Energy.

We have a challenge with our reputation in Denmark, as it has declined over the last

few years. Compared to other large Danish companies, our reputation is now below average.

However, people who know DONG Energy well, rank us higher. And those of our customers who have been in contact with us rate us significantly higher than the general perception. In the UK for instance, we have a proven track record of outstanding service, voted no. 1 for customer service a record seven times running.

### PROGRAMME

## Building good customer relations

At DONG Energy, we want to improve our reputation among our Danish customers. By 2020, our target is to be rated at 75 out of 100 on how positively our Danish private and business customers perceive us, respectively. In 2014, private customers rated us at 67 out of 100, while business customers rated us at 76 out of 100.

When our customers are asked what they think about DONG Energy, some of the specific criteria that they rank low are: trustworthiness, ethical behaviour and meeting the customer's needs. These are important areas that we focus on going forward.

We also want to improve our customers' experience in all the contact points that they have with us. One key contact point is our call centres where we, as part of a programme we call 'Customer First', are working strategically with improving our service. Another key contact point is the electricity bill which we have made more simple and transparent.

But in the end, most people just want a lower energy bill – so we want to help with this. In 2015, we will introduce an app to help the Danes save energy. Because even though our prices are some of the lowest in the market, it is really the amount of energy you use that makes the difference. Once you change your own energy behaviour, this is when you really feel it in your wallet.

We want our Danish customers to perceive DONG Energy positively



**Private customers**

2014 2020 target  
**67 75**



**Business customers**

2014 2020 target  
**76 75**

Rating on a scale from 1 to 100

## We want to provide outstanding customer service

Our customer centres are often the place where customers get a chance to talk to us. And even though our reputation could be better, the good news is that our customers are generally much happier with DONG Energy once they have talked to us.



Jan Peter Bjørnbak, Head of Operations at the customer centre in Virum, helping a colleague.

The customer satisfaction at our customer centre for private electricity customers in Virum, Denmark is high with an average of 84% in 2014. This is the result of the customer centre being on a cultural journey since 2013. Key parts of the journey have been optimising how quickly we can respond to the customers and developing the employees to help them become more service-minded. This has improved how the customers experience their contact with DONG Energy. And we are working to improve our customer service even further.

The customer centre in Virum receives more than 2,000 inquiries every day by email and phone. The service has to remain high regardless of who and how many people are calling.

“Positive customer experiences create high customer satisfaction. That is important because it strengthens DONG Energy as a company in an electricity market that is becoming increasingly competitive,” said Jan Peter Bjørnbak, Head of Operations at the customer centre in Virum.



## Step-by-step improvements

DONG Energy has more than 20,000 suppliers globally. Add to that thousands of sub-suppliers. Some of these are located in countries that do not meet international standards for human and labour rights, the environment or anti-corruption.

If a supplier repeatedly fails to live up to these standards, we can end the cooperation with the supplier. But in general, it is more

effective to work with the supplier and help the company to improve step by step. That creates real change for the employees who work for the supplier company or for the environment.

With this many suppliers, it is important to be able to identify the suppliers who need help and to work with them in a consistent and structured way so that they improve.



DONG Energy has more than  
**20,000**  
suppliers around the world.

### PROGRAMME

## Responsible sourcing

We work with our suppliers through our Responsible Sourcing Programme. In 2014, we launched an updated version of the Programme. We communicate our expectations in a Code of Conduct; we screen contracts to determine risks of poor practice; and we carry out assessments to work with suppliers to identify and address poor practice.

In connection with the programme, we hold internal training courses to ensure that responsible sourcing is well integrated in our procurement processes. Almost 150 procurement employees from all our business units participated in the training in 2014.

Improving conditions for people and the environment in our supply chain also benefits DONG Energy. It gives us a more stable supply chain where unforeseen and costly delays are less likely, and it improves our relationships with suppliers.

## Responsible sourcing at DONG Energy

<b>1</b>  Code of Conduct	All suppliers must accept our ethical, social and environmental expectations
<b>2</b> 	We perform risk screenings to identify medium and high-risk suppliers
<b>3</b> 	We assess supplier performance through site assessments or self-assessments
<b>4</b>	If supplier performance falls short of our expectations, we collaborate on the development of an improvement plan.  Our approach is based on dialogue in good faith and continuous engagement.



## Respecting human rights

At DONG Energy, we are committed to respecting human rights and not be complicit in human rights abuses. We address human rights in our supply chain through our Code of Conduct, and our Responsible Sourcing Programme ensures that we perform due diligence on our suppliers and engage with our suppliers in the event of adverse human rights impacts in the supply chain.

Most of our own employees work in Northern Europe where respect for human rights is generally at a high level. Regardless, we also need to make sure that human rights are always respected in our own operations. In 2015, we plan to do an assessment of human rights in DONG Energy to learn more about which human rights areas we should focus on.

## We demand Danish working conditions

In Denmark, salaries are determined by collective agreements and not stated by law. At DONG Energy, we support this model. The challenge is that it enables some contractors to legally provide services in Denmark based on much lower salaries to posted workers than local workers would receive. As the system works, it is up to labour unions to engage with contractors individually to check if they meet the local common minimum terms, potentially by threat of labour conflict.

We rely on the expertise of international contractors and the competition and ideas they deliver. However, we do realise that the increase of posted workers puts pressure on the efforts of the labour unions and the Danish labour market model as such. And the conflict situations that may arise can cause problems for the execution of our projects,

as we experienced during 2014 at our Oil Terminal in Fredericia.

We therefore make it clear to our contractors that we do not tolerate social dumping in Denmark. We explain to them how the Danish labour market model works and that they have to meet the Danish minimum standards protected by the EU Posted Workers Directive.

“We demand that posted workers for our contractors in Denmark receive salary and rights no less favourable than the most representative Danish collective agreement. In this way we encourage the fruitful competition of all contractors on a level playing field based on Danish working conditions,” said Susanne Monferré, Vice President for Group Procurement at DONG Energy.



## As simple as it sounds?

Companies' tax payments have been subject to much debate during the last couple of years. It is one of the issues that makes people question whether companies can earn their trust. Companies should, of course, pay their taxes. But determining and explaining tax payments is not always as simple as it may seem.

To DONG Energy, the nature of our business means that a number of different direct, indirect, and collected taxes apply, and that there are many transactions between DONG Energy business units, across national borders, and between different tax regimes.

When paying our taxes, a range of conditions therefore have to be taken into consideration. These include tax reliefs provided by governments, international and local tax requirements (which may at times be conflicting), and transfer pricing requirements.

Specific tax matters and the amounts paid are always a result of many local and international requirements and conditions. A tax policy can both help employees navigate in complex tax matters and communicate to stakeholders how tax affairs are generally managed.

### PROGRAMME

## Responsible tax management

In DONG Energy, we recognise the key role that tax plays for society. We also believe that a responsible approach to tax is essential to the long-term sustainability of our business in the countries where we operate.

In 2014, we updated our tax policy so that it better describes the principles we follow in all tax decisions.

One important principle is that we do not use contrived or abnormal tax structures that are intended for tax avoidance, have no commercial substance, or do not meet the spirit of local or international tax law. Another principle is that we use incentives and tax reliefs where they apply in areas where we have commercial substance and where this is the legislator's intention.

## Tax payments from the Danish North Sea

In 2014 a radio documentary on the DR P1 channel aired criticism of DONG Energy not having paid tax from our oil and gas activities in Denmark in recent years. The explanation is simple:

Our income from oil and gas production in Denmark has been limited in recent years due to significant technical problems with our Siri platform. Secondly, from the 1980s until 2013 the Danish state offered a high tax deduction on the North Sea investments. The intention was to promote investments in oil and gas production. Since 2006, DONG Energy has invested EUR 1.8 billion to build up a production of oil and gas in Denmark. We deduct these investments from our tax payments – in full accordance with the letter and intent of the law.

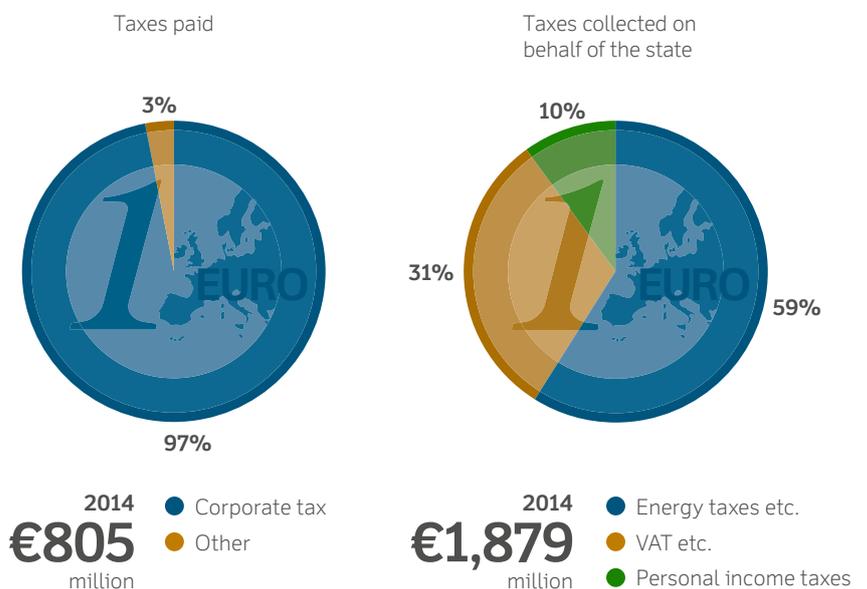
Therefore, we do not pay the Danish oil and gas tax on our production during the first years of the lifetime of our oil and gas fields. But as the deduction runs out after some years, we start to pay the oil and gas tax. An oil and gas field has a lifespan of decades, and the tax payments should also be counted over decades. The tax deductions have allowed us to help Denmark retrieve more of its oil and gas resources. And the taxes will be paid as the oil and gas fields mature.

## Our tax payments explained

Tax is one example of the economic value companies generate to society. In 2014, DONG Energy bore a total of EUR 805 million in taxes. These are taxes that we pay on our own behalf, mainly corporate tax. We also collected EUR 1,879 million on behalf of the states in the countries in which we operate, such as energy taxes.

In 2014, our total corporate income tax was EUR 777 million. In Denmark it was EUR 27 million. The primary reason our local Danish corporate taxes are low is that we are subject to international joint taxation. It is an arrangement that allows Danish companies to postpone a part of their Danish corporate income tax payments. How much, depends on how much they invest in Denmark and abroad. DONG Energy invests a lot outside of Denmark, notably in offshore wind and oil and gas. Therefore we can postpone a large part of our Danish income tax. The arrangement helps us invest in the energy transformation. When we opt out of the system, we will pay the taxes postponed.

## DONG Energy's tax payments in 2014 in all the countries where we operate



# DONG Energy's awards in 2014



## Energy Intelligence: Leadership in New Energy

At the annual Oil & Money Conference, DONG Energy received this award for being a company at the forefront of the energy transformation from fossil fuels to alternative energy forms.



## European Business Awards: National Public Champion

DONG Energy was voted Danish favourite among the public for Environmental and Corporate Sustainability.



## The Institute of Internal Auditors: Record-fast establishment of internal audit function

In record-time, our Internal Audit managed to establish a department which received top marks and a statuette for their work on ensuring quality and value for the business.



## Oil Gas Denmark (OGD): Safety award

DONG Energy received OGD's safety award in the companies' category for a very clear demonstration of the fact that safety always comes first and for having a very high safety level under difficult conditions at the Siri platform.

This report ensures DONG Energy's compliance with the Danish Financial Statements Act's section 99a which requires us to report on the company's policies, strategies, activities and results related to corporate social responsibility.



THE GLOBAL COMPACT

COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

# THE DONG ENERGY WAY

Our mission is to develop and enable energy systems that are green, independent and economically viable.

Our vision is to lead the energy transformation.

**The way we work is based on five guiding principles:**

## **Integrity**

We are open and trustworthy and uphold high ethical standards

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## **Passion**

We are passionate about what we do and proud of what we achieve

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## **Team**

We value diversity and collaborate in a non-hierarchical, respectful and trusting way

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## **Results**

We set the bar high, take ownership and get the right things done

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## **Safety**

We never compromise on safety standards

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[www.dongenergy.com](http://www.dongenergy.com)

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[www.dongenergy.com/sustainability2014](http://www.dongenergy.com/sustainability2014)

**DONG**  
energy