

Communication on Progress

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1. Corporate responsibility driven by core business

At Neas Energy we give high priority to improving the group's impact on social and environmental conditions. The group's CSR policy (Corporate Social Responsibility) is based on the UN Global Compact's 10 principles for social and environmental responsibility. Neas Energy's CSR policy has been approved by the Board of Directors and comprises the entire group. Neas Energy (previously Nordjysk Elhandel) has been committed to the UN Global Compact (GC) since 2008.

For Neas Energy the approach to the practice of CSR is centered on business-driven CSR. Several of our business areas are directly related to the transition from fossil fuels (coal, oil and lignite) to renewable energy (hydro, wind and solar power).

More Value in Renewable Energy

Our services in production management and trading of renewable energy and renewable energy certificates on liberal energy markets in Europe is essential to:

- Increase the competitiveness of renewables
- Secure profitable investments in renewables
- Reduced CO₂ emissions from energy generation

Neas Energy is an independent trading and management company. The group owns no production facilities or distribution grids. But Neas Energy has been operating more than ten years on the liberal energy market and investing heavily in development of IT-systems for production management of power generation. Neas Energy has utilized this knowledge and systemic setup to increase the profitability of our clients' renewable energy generation. Neas Energy's services is essential to the revenue and earnings from renewable power generation:

- The settlement price on power (fixed, floating and structured)
- The settlement price on certificates (fixed, floating and structured)

Our services help promote the basis for more renewable energy and it helps to build a sustainable basis for the low-carbon economy shaping the future energy market and renewable supply. In fact we use our social competences – namely the knowledge, visions and ideas of our employees to develop the group's business in renewable energy generation and contributing to a better environment from renewable low-carbon supply. This is why we argue that our business de facto goes hand in hand with CSR.

2. General scope for our CSR policy

The company's head office is situated in Aalborg Denmark¹. All employees are employed under the Danish labor legislation prescribing excessive labor rights and anti-discrimination and anti-corruption laws which in fact are issues of little prevalence in Denmark. Operating strictly as a trading and management company with no energy production facilities and only limited energy consumption our most comprehensive efforts in the support of the GC are made thru our business activities within renewable energy. In terms of extraordinary CSR efforts the group company NE Climate that operates within the UN Clean Development Mechanism (CDM) has engaged in a number of CSR projects e.g. schooling for children of workers in palm oil plantations, better health care for local villagers, education of women on women's rights and recycling etc. For these activities we have implemented a code of conduct with guidelines for establishing knowledge on matters of human rights, labor rights and anti-corruption.

2.1 Defining our policy on GC

For Neas Energy the group CSR policy is our specific interpretation of the UN Global Compact's 10 principles for social and environmental responsibility within internal as well as external focus areas. The general policy is similar to the CSR policy presented in our 2011 COP with the exception of the origination of renewable power and offset of carbon emissions which (this will vary each year). In general Neas Energy will continue to pursue consistency in our policy making within CSR.

2.1.1 Internal focus areas

Neas Energy offers all employees excellent opportunities for professional and personal development. We are committed to ensuring proper treatment of all employees and to guaranteeing flexible working conditions that ensure a balance between their work and personal life. Neas Energy is focused on recruiting managers and employees who support the company's values in respect of competence accumulation and innovation throughout the organisation.

Diversity

Neas Energy does not discriminate on the basis of sex, race, colour, religion or faith, political opinion, sexual orientation, national, social or ethnic origin, age or disability. Neas Energy aims to ensure that there is no discrimination in connection with recruitment, dismissal, transfer, promotion, remuneration, working conditions or training. All decisions relating to recruitment, promotion, dismissal, remuneration and other working conditions are based on relevant and objective criteria. Diversity is an important and necessary characteristic of Neas Energy, which enables the company to function under a variety of changeable conditions. Discrimination is seen as an unacceptable social principle and a barrier to the company's business development.

¹ In 2013 Neas Energy has now established offices London, UK, Hamburg, DE and Stockholm, SE which will be included in the our COPs going forward

Health

Neas Energy aims to help promote the general health of its employees. This is to be achieved by improving health conditions for employees in terms of a good working environment and initiatives aimed at promoting a healthier lifestyle and greater well-being among the company's employees. Good health is essential for our employees' well-being, at work and during leisure. Employees at Neas Energy are offered a health check-up, and a number of exercise options are available at the workplace and outside. The company encourages its employees to participate in events that combine social interaction and exercise such as company soccer, relay race etc. The company's headquarters in Aalborg have an award-winning canteen with full-time kitchen staff who put together a menu and buffet according to healthy diet principles and featuring a wide selection and variation, making it possible for employees to eat healthy at work.

Knowledge

Neas Energy is very much a knowledge-based company, which has appointed specialists to fill key positions. Attracting and retaining capable employees has very high priority. We therefore want to actively accumulate and maintain knowledge resources among company employees by stimulating a knowledge-based working environment, dedication to a high degree of professionalism and skills development.

Neas Energy will contribute to each employee's career development, and talented employees will be regularly coached to ensure job satisfaction and adequate challenges. Our extensive innovation activities are also actively used in the development of talented employees and the company aims to nurture interdisciplinary cooperation and expand collaboration with scientific institutions and relevant interest organisations.

Climate

Neas Energy's total consumption of energy is CO₂ neutral. This year (2012) the group's consumption of power is certified hydro power from Swedish producer Landforsen, and carbon emissions directly attributed to the group's property are neutralised through cancellation of approved CO₂ credits. This year CER credits from CDM project "Baotou Iron & Steel Coke Dry Quenching and Waste Heat Utilization for Electricity Generation". In our facility management we are constantly striving to limit our energy consumption through energy savings and improvement of energy efficiency. See consumption figures below

2.1.2 External focus areas

Customer relations

Neas Energy wants to have long-term and mutually profitable customer relations. Customers must be treated with respect in all situations – and with respect for the individual customer's situation and needs. We want to offer existing as well as potential customers the best possible service and we will exercise good business ethics in connection with consultancy and customer relations in general. All customer groups must be guaranteed easy access to Neas Energy's services and we aim to achieve permanent and a high degree of customer satisfaction.

Development of market and society

Neas Energy wants to contribute to society through development of the energy markets towards increased liberalisation, more renewable energy and less CO2 emissions. We also want to contribute and commit ourselves to the development of society on a cultural and social level, for example through sponsorships and support for various cultural and social events.

Knowledge and innovation

Neas Energy will work to contribute to knowledge development and competence accumulation within the energy area. The organisation and regulation of the energy markets, energy supply and energy infrastructure are closely connected to science and political decisions. Neas Energy will work actively to develop the 'energy of the future' through cooperation with educational and research institutions and the political system.

Anti-corruption

Neas Energy's climate project development activities under CDM will continue to be expanded and will focus on development in LDCs (Least Developed Countries), where corruption can also be a real problem. In line with the principles of the UN Global Compact, no Neas Energy employee may give or receive unjustified benefits to/from Danish or foreign public or private sector employees. Neas Energy will follow and enforce Danish legislation in accordance with the European Council corruption convention and OECD convention on combating bribery in international business transactions.

3. Progress in 2012

The most notable progress in 2012 I related to a solid increase in the volume of renewable energy production under management from 2.600 MW in 2011 to 3.008 MW in 2012. The increase in installed capacity of renewable power generation is a result of an expansion in Sweden and Germany where developers continue to invest in new wind farms – both small and big scale. For developers Neas Energy provides price settlement strategies to match requirements for financing with banks and secure a profitable investment environment. Even though both power prices and renewable energy certificates have had a downwards price trend in 2012 we have successfully increased our portfolio and contributed to facilitate new investments in renewables.

3.1 Booming Certificate Markets

Sales of certificates are becoming an increasingly important source of income for renewable energy producers. Neas Energy specialises in accreditation of production facilities and trading of certificates in all acknowledged European schemes.

In 2012 Neas Energy has built up strong competencies in certification, sourcing and origination in certificates in the Nordic region and Continental Europe from all predominate renewable energy sources:

- Wind
- Hydro
- Bio
- Solar Power

3.2 An Important Asset for Renewables

Different standards and regimes of certificates are emerging and the pan-European market for certificates is growing fast. Based on a major portfolio of renewable energy under management in both the Nordic region and Continental Europe Neas Energy has built up extensive knowledge of the different certificate schemes and the accreditation processes to help our business partners retain the best prices for their renewable energy certificates. Neas Energy has the necessary insight into markets and regulation to provide renewable energy producers with a substantial upside on this new emerging asset class. At Neas Energy we believe that the growth of certificate markets can facilitate a liberal and market based support to continue the transition from fossils into renewables in Europe and we will continue to explore the potential in certificate markets for our clients in renewable energy going forward.

3.3 Regress on low carbon prices and political uncertainty

As carbon emissions prices in the EU Emissions Trading Scheme (ETS) have dropped dramatically over the last on and a half year and political uncertainty of the future of the ETS and CDM has put a stop to new projects and even straining the financing of projects already established. This being said, we will continue to manage our engagements in the CDM in the best interest of the respective project hosts and our own portfolio of Certified Emissions Reductions (CERs). In general the negative price development in the emissions markets and the lack of political agreement undermines the incentive to invest in renewable energy and clean tech. At Neas Energy we believe in market based systems and

also we have been engaged in successful CDM project with substantial carbon emissions reductions based on export of clean tech from EU to developing countries. These projects would never have been viable without the CDM.

Also we believe that a high carbon emission price is the best incentive for European business and the energy sector in particular to prioritize renewable energy and clean tech investments. In our opinion the development in the market caused by political uncertainty is an undesirable regressive development.

3.4 Managing the Unstable Wind and Solar Power is Essential

The dramatic inflow of wind and solar power is changing the energy market. The Short term markets, imbalances and capacity markets are becoming more important than ever to manage the unstable production from renewables. For this Neas Energy has invested heavily in building up the strongest possible team for trading and management of our clients exposure in the Short term markets across Europe. This will help our clients obtain new value and with the flexibility we provide we will be able to help the Transmission Systems Operators manage production consumption balances. Combined with a better energy infrastructure throughout Europe we will ideally be able to transport power low cost renewable power to high price areas increasing the integration of renewable energy in the pan-European energy supply.

4. Account on energy consumption 2012

Neas Energy is a pure trading company without energy intensive production facilities. Nevertheless, we still want to prepare climate accounts for the group's energy consumption at our headquarters in Aalborg. While in 2010 we stated emissions on the basis of monetary value, we will use the physical volume, i.e. the consumption of power and district heating, in the climate accounts for 2011. To be able to continue to state our climate impact in a cost-efficient manner and reduce emissions, we restrict our climate accounts to the consumption of electricity and heating. In case a best practice is established or a standard for climate accounting Neas Energy will implement this in our annual reporting. In 2011 the consumption figures for Neas Energy were:

4.1 Figures for 2012 & origination

	2012	2011
Heating	6,966 m3	6,738 m3
Electricity	482,012 kWh	473,264 kWh

There has been a slight increase in consumption in 2012, which is caused by an increase in the number of employees and a long cold winter in Denmark.

This year Neas Energy chooses to buy hydro power from Swedish hydroplant Landforsen to match the group's electricity consumption in 2012. Renewable power (hydro) has a significantly lower emission factor than the emission factor of 558g CO₂/kWh for the traditional Danish electricity mix. The purchase of GoO-certified Swedish hydro power corresponds to the total electricity consumption for 2012 of 482,012 kWh.

With respect to the consumption of heating, we are favoured by the location in Aalborg where district heating is produced at Nordjyllandsværket, Reno Nord and Aalborg Portland. The production of district heating at the latter is CO₂ neutral. According to recent information, the production of district heating at Reno Nord and Nordjyllandsværket emits 3.7 kg of CO₂/m³ district heating.

The consumption of district heating in 2012 is offset with CERs from a CDM project "Baotou Iron & Steel Coke Dry Quenching and Waste Heat Utilization for Electricity Generation". The project is managed by the World bank for Danish Carbon Fund in which Neas Energy is a member with other Danish industry leaders.

5. Statement and signatory

“At Neas Energy we believe that our business and corporate responsibility fuse in into added value for our clients and our group. Our core business is dynamic trading and management of modern energy which is directly consistent with the continued expansion of renewable energy. As an international and pan-European trading and management company we are dependent on international knowledge, socially diversity and cultural understanding to do expand our business activities. For us the UN Global Compact serve as guidelines for our practical interpretation of what we like to refer to as business driven CSR. We are proud to continue our support the UN Global Compact”

The Group CEO Mr. Bo Lynge Rydahl is the official signatory for Neas Energy's Communication on Progress



Bo Lynge Rydahl