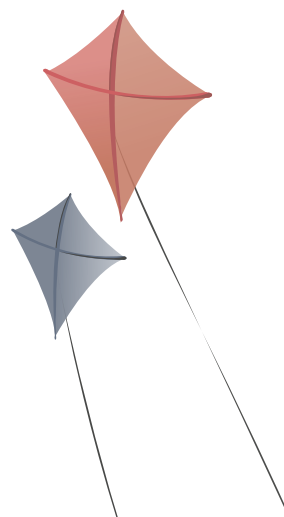


Social responsibility report 2010





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This is Energinet.dk's second progress report to the UN Global Compact. The report describes Energinet.dk's social responsibility activities in 2010 and the activities planned for implementation in 2011.

Photos: Energinet.dk

For more information, see www.energinet.dk

Statement by the CEO

**Energinet.dk bases its work on
four core values:**

Development

Commitment

Business orientation

Responsibility

In Energinet.dk, we base our work on four core values. **Development. Commitment. Business orientation. Responsibility.** These values match Energinet.dk's wish to exercise social responsibility, also called CSR – Corporate Social Responsibility.

Over the coming decades, Energinet.dk will contribute a fundamental conversion of the power system in Denmark on the road to fossil-fuel independence from and more renewable energy. In the same way as the Internet is now an integral part of our everyday lives, the transition to the intelligent, efficient and renewable energy-based energy system of the future will also affect our everyday lives – more than anyone may be able to imagine. Energinet.dk carries a great responsibility for ensuring the transition to the intelligent, efficient and renewable energy-based energy system. This transition should be supported by carefully prepared solutions for the implementation of renewable energy sources and efficient energy utilisation and a well-planned and enduring infrastructure. It should also be supported by appropriate market mechanisms. When Energinet.dk launches new activities to expand the power infrastructure, motivates greater demand response and generation through market mechanisms and devises ways for the gas system to transport renewable energy gases, it is done on the basis of a deeply rooted social responsibility.

This is Energinet.dk's second report concerning our social responsibility. We have taken initiatives and achieved results within our three focus areas: human resources, procurement and climate and the environment. These focus areas stem from the ten principles of the UN Global Compact, which Energinet.dk joined in 2009. Moreover, Energinet.dk constantly focuses on responsibility in such areas as working environment in the enterprise as well as openness and dialogue with society as this is essential in order to fulfil our tasks satisfactorily. Energinet.dk is determined to integrate its social responsibility in its strategic business objectives.

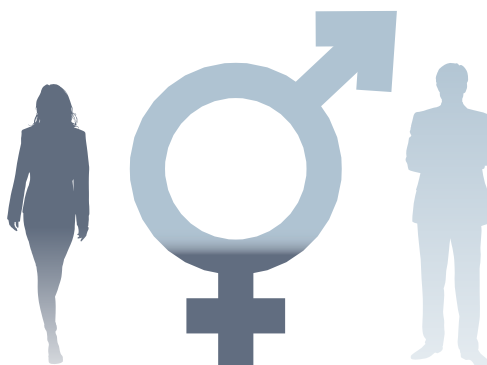
It is crucial for Energinet.dk that we as an enterprise are continually aware of our responsibility to society, and that we address this responsibility and ensure transparency about how we actively accomplish this task to the world around us. Consequently, Energinet.dk fully supports the UN Global Compact and its ten principles, which will also serve as a yardstick for Energinet.dk's work with social responsibility in future.



Peder Østermark Andreassen,
President and CEO

Brief description of Energinet.dk

At the end of 2010, Energinet.dk had 545 employees distributed as 167 women and 378 men.



Form of business enterprise and facts

Energinet.dk is an independent public enterprise owned by the Danish state as represented by the Danish Ministry of Climate and Energy. Energinet.dk is a so-called 'break-even' enterprise and as such need not generate profit. It has its own Supervisory Board and is subject to the Danish Act on Energinet.dk. The enterprise has annual revenue of approximately DKK 8 billion, and at the end of 2010, Energinet.dk had 545 employees in total, distributed as 167 women and 378 men.

Energinet.dk's core values are development, commitment, business orientation and responsibility, and we consistently place great emphasis organisational development.

Our mission

As the owner of the overall electricity and natural gas systems in Denmark, Energinet.dk is responsible for securing the supply of energy to Danish society and creating the framework for efficient electricity and gas markets.

We ensure the efficient integration of renewable energy into the electricity and gas systems. We support research and development of environmentally friendly energy generation and administer the payment of public subsidies to renewable energy.

Our vision

Using international and preferably market-based solutions, we will facilitate the increased use of renewable energy and help to solve the global energy and climate challenges.

Energinet.dk and the gas system

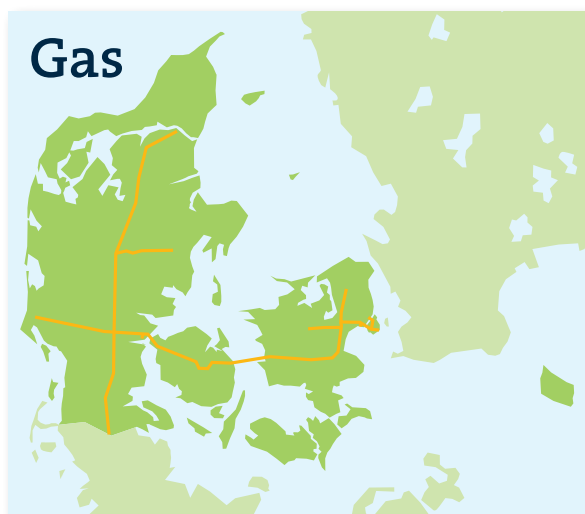
Energinet.dk owns, operates and constructs large pipelines and places them on equal terms at the disposal of those companies that produce, transport and trade gas. We develop the gas network in readiness for the energy consumption of tomorrow. In addition, Energinet.dk is constructing new pipelines to other countries and is working to introduce new and more climate-friendly gas types into the gas system.

Energinet.dk and the power system

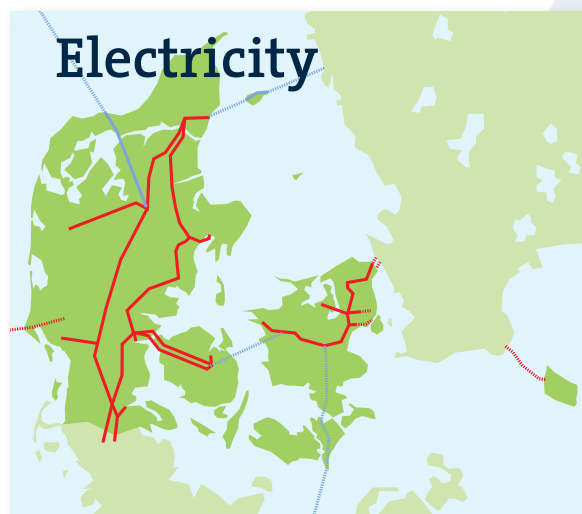
Energinet.dk owns, operates and constructs the high-voltage grid, which ensures the supply of electricity and connects Denmark to its neighbouring countries. We increase the capacity of the international interconnections and the power grid, undergrounds and restructures parts of the transmission grid with a view to ensuring security of supply, integrating renewable energy and maintaining well-functioning markets.

Energinet.dk owns the 400 kV electricity transmission grid, a regional 132 kV grid (in north Zealand) and is the co-owner of the interconnections between Denmark and Germany, Sweden and Norway. Moreover, Energinet.dk has all of the 132 kV and 150 kV electricity grids in Denmark at its disposal.

Energinet.dk is working to increase power system flexibility and improve the preconditions for increased demand response and flexible power generation. We support power system balancing through targeted work to ensure effi-



Gas



Electricity

cient and international markets and an increased interaction between the energy systems.

Energinet.dk and R&D

Energinet.dk administers several research and development programmes. The objective of the programmes is to develop Danish energy systems, focusing in particular on the gas and electricity infrastructure, and contribute to setting up the world's best renewable energy-based energy system. In this way we help the Danish government to fulfil its climate targets. Energinet.dk collaborates with other Danish energy research programmes and research institutes in Denmark and abroad. Our activities also include the development of the electricity and gas markets.

Each year, we provide approximately DKK 160 million for external research into amongst others wind power, biogas, fuel cells, solar energy, wave power and Smart Grids. The financing is primarily derived from the PSO tariff, which all the electricity consumers pay at a rate of approximately DKK 0.005/kWh. Moreover, we also administer a DKK 5 million external energy research programme concerning gas. Its activities are aimed at advancing the development of new environmentally friendly gases while limiting the environmental impact of using natural gas.

We also have a statutory duty to initiate a number of internal research and development projects with a view to maintaining the high degree of security of supply and developing the electricity and natural gas systems to the benefit of the environment, society and customers. Through

the ForskIN programme, Energinet.dk implements large and small R&D activities for the development of the Danish power system, primarily in the electricity sector. This is done in cooperation with external partners and research institutes.

Our mission

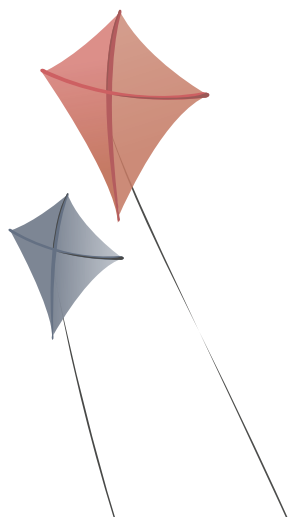
As the entity responsible for the electricity and natural gas systems we own the main energy infrastructure, ensure reliable energy supply and create the framework for well-functioning energy markets and effective integration of renewable energy.

We ensure the efficient integration of renewable energy into the electricity and gas systems. We support research and development of environmentally friendly energy generation and administer the payment of public subsidies to renewable energy.

Our vision

Using international and preferably market-based solutions, we will facilitate the increased use of renewable energy and help to solve the global energy and climate challenges.

Energinet.dk and social responsibility



Energinet.dk is responsible for securing the supply of energy for Danish society and developing the energy system to generate as much value as possible for society as a whole. Consequently, responsibility and consideration for the world around us play an integral role in all areas of our business and form a part of our common awareness and behaviour. We have been working systematically with corporate social responsibility since 2009, and we are heading towards even greater social cohesion between our core tasks and our work with responsibility.

By working strategically with social responsibility within selected focus areas, we are able to systematise our work with responsibility. We are focusing on setting specific objectives, documenting and reporting progress and thus increasing the transparency of our work with social responsibility.

Corporate social responsibility

As a state-owned enterprise based on a break-even principle, we have a specific responsibility to administer our business and finances optimally and create value for society. It is therefore important that we can legitimise our focus areas around social responsibility in relation to our overall business strategy and our obligation to exercise economic responsibility. We also see that in the work with social responsibility a strong link between the two areas creates a natural drive and involvement amongst the employees.

Energinet.dk's social responsibility initiatives are thus based on two main principles:

- Our activities with social responsibility should be corporate driven
- Social responsibility should be integrated throughout the entire enterprise as a natural part of our work.

Accordingly, we strive to ensure that the initiatives augment Energinet.dk's core business and becomes an integral part of the employees' approach to solving tasks on a daily basis.

UN Global Compact and focus areas

In 2009, Energinet.dk joined the UN Global Compact and at the same time committed itself to work actively in support of the ten principles. Within the UN Global Compact principles, we identified three primary areas that our work with social responsibility should focus on: Human resources, Procurement and Climate and the environment. Three of the principles relate to environmental responsibility while the remaining seven principles relate to human rights, labour and anti-corruption. All ten principles are, however, relevant to our cooperation with suppliers. Through targeted work in these specific areas, we ensure that our tasks associated with planning the power system of the future are conducted in a business-oriented manner with due consideration for citizens, nature, the environment and socioeconomics.



UN Global Compact's 10 principles

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Businesses should make sure that they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Businesses should uphold the elimination of all forms of forced and compulsory labour.
5. Businesses should uphold the effective abolition of child labour.
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.
7. Businesses should support a precautionary approach to environmental challenges.
8. Businesses should undertake initiatives to promote greater environmental responsibility.
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.
10. Businesses should work against corruption in all its forms including extortion and bribery.

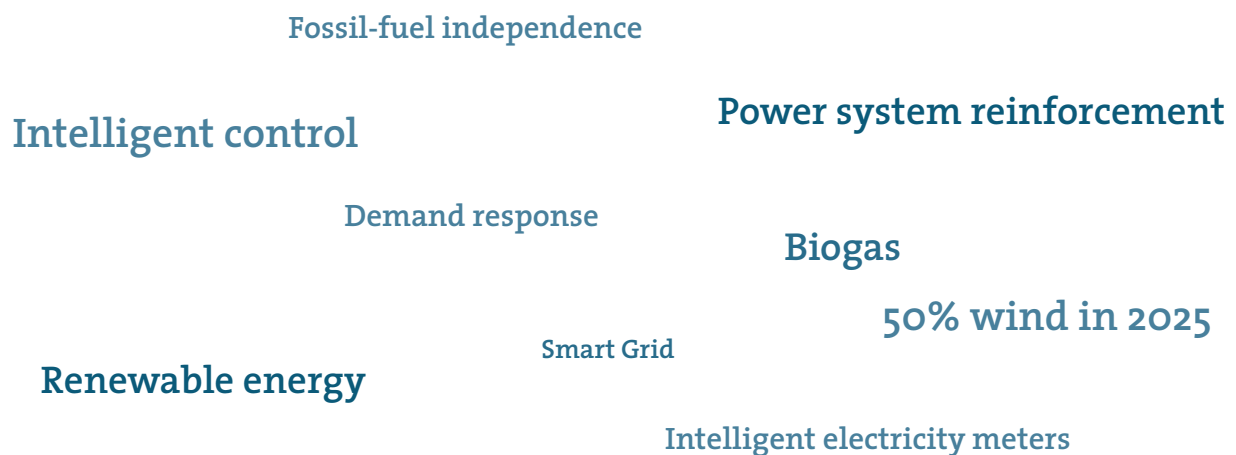
A more detailed description of this initiative within the focus areas is provided in the following chapters.

Apart from the three focus areas, Energinet.dk also prioritises such areas as consideration for and dialogue with neighbours/landowners in connection with the development and operation of our electricity and gas installations. We consider this dialogue and its resulting input to be an essential precondition for successfully solving our tasks.

Integrated organisation across the enterprise

To ensure widespread application of and participation in our work with social responsibility, we have established a cross-organisational working group. The group comprises managers and employees from various sections across the enterprise, with each representative contributing knowledge, responsibility and perspectives for prioritising focus areas. The group provides a common cross-organisational overview, contributing to developing and driving forward the work with social responsibility in Energinet.dk. The responsibility for coordinating the activities of the working group and recording the development of social responsibility rests with Management.

Energinet.dk's responsibility for the energy system of the future

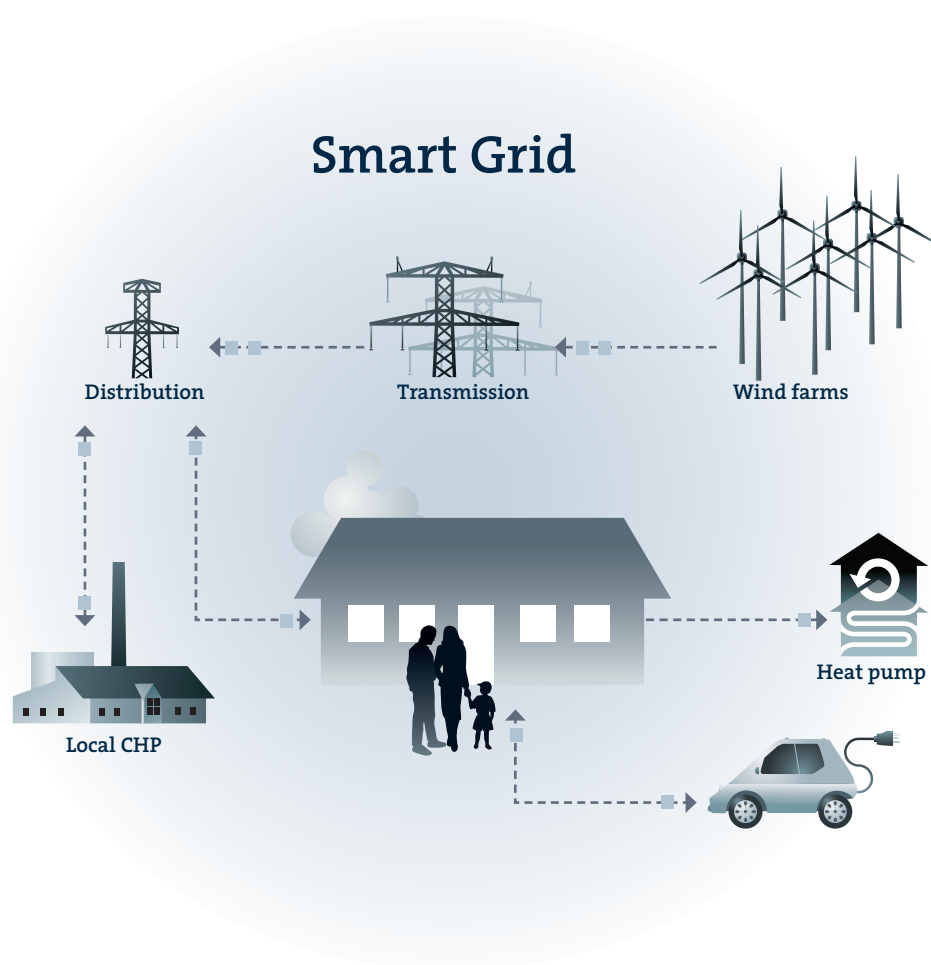


In Denmark, there is widespread political consensus for significantly reducing the emission of greenhouse gases and becoming independent of fossil fuels. This should occur through, for instance, increased utilisation of renewables, greater flexibility in energy generation and demand as well as intelligent management of the electricity infrastructure. A future society based on renewables will entail a fundamental conversion of the energy systems over the coming decades, which could have such a profound impact on society and the everyday lives of individuals that some compare it to the expansion of the internet.

The power system plays a larger role

Energinet.dk is working with an overall strategy to support a significant expansion of wind power in the short, medium and long term. Specifically, Energinet.dk is working to develop and expand the power system in order to facilitate increased wind power generation, which should constitute 50 per cent of electricity consumption within the next 10-15 years. To accommodate this challenge, Energinet.dk has implemented a series of initiatives aimed at integrating wind power into the power system via market-based solutions, while ensuring a continued high level of security of supply.

These initiatives include reinforcing and expanding interconnections to other countries and the transmission grid in Denmark. Moreover, greater flexibility should be created in both electricity demand and generation. The power system should change from allowing demand to control generation to allowing generation to control demand in the future. In this way, we balance the challenges associated with energy sources with fluctuating generation and increase the efficiency of energy consumption. The consumers will play a far more active and central role in the regulation of the energy system, which assumes their increased awareness as consumers and players in the supply of energy. The preconditions for increased flexibility are improved through targeted work towards effective and international markets and increased interaction between the various energy sectors as well as increased consumer demand and price awareness by implementing amongst others intelligent electricity meters, thus supporting power system balancing. Increased electricity consumption in such sectors as transport and heating will also reduce the total energy consumption as electricity-based solutions are generally characterised by a high degree of energy efficiency.



Smart Grid – the intelligent power system of the future

Intelligent communication between electricity demand and generation promotes an efficient interaction between demand and generation based on price signals in the market. Apart from the active participation of the consumers, central monitoring and control through intelligent communication in the system will lead to far more efficiency in the relationship between generation and demand. The power system increasing the digital intelligence and the control of energy generation and demand is in itself at the core of the change for which society and in particular the consumers should prepare themselves in the future. Smart Grid could become the leading contributor in a conversion towards a sustainable society based on renewables that benefits humans, the economy and the environment.

The gas system as stepping stone to 100 per cent renewables

The gas system also plays a central and long-term role as a stepping stone to an energy system based exclusively on renewables. Energinet.dk addresses in its strategy the two main challenges facing the gas system: to maintain security of supply when Danish natural gas production in the North Sea starts to decline and to prepare for the integra-

tion of new renewable energy-based gases, such as biogas, into the gas network. In the short-term, natural gas can replace fuels with a higher CO₂ content (oil, coal and petrol, for example) and thus reduce CO₂ emissions. In the long-term, the gas system could potentially solve some of the challenges associated with, for example, the storage of fluctuating renewable energy sources such as wind and solar power. By converting generated electricity into a gaseous form, the gas system can function as an effective energy storage facility and thus contribute to the flexibility of the main energy system. Energinet.dk has therefore focused on utilising the existing natural gas infrastructure in the long-term, which is both expedient from a socioeconomic standpoint and efficient in terms of security of supply.

Energinet.dk plays a key role in this comprehensive conversion and is responsible for developing optimal solutions capable of ensuring a safe and well-planned transition with as many benefits as possible for society. This represents our most significant responsibility to society in the coming decades. Consequently, we focus on how to simultaneously achieve more renewable energy in the energy system, maintain security of supply and develop the markets.

Human resources



The employees of Energinet.dk are our most valuable asset and a fundamental precondition for accomplishing our tasks and meeting our responsibilities. Consequently, their welfare and rights are natural focus areas in the management and strategy of the enterprise.

The UN Global Compact in its ten principles highlights both human rights and the rights of workers as being crucial areas for the social responsibility of any enterprise. In Energinet.dk's work with social responsibility, we place particular emphasis on employees' conditions and job satisfaction. In signing up to the ten UN Global Compact principles, we also show our concern for the working conditions in the world around us. This we address in particular through our Code of Conduct for our suppliers.

Energinet.dk employs 545 people, mostly academics (49 per cent), technicians (20 per cent) and office personnel (14 per cent). The enterprise mainly has employees in three large professional fields: Engineering, Economy and IT, which are all areas traditionally dominated by men. This is reflected in the composition of the workforce, of which only 31 per cent were women in 2010.

Attracting and retaining employees

Energinet.dk is a development and operating enterprise charged with the sizeable responsibility and task of developing innovative green solutions to meet the energy challenges of tomorrow, such as the integration of even larger

volumes of renewable energy and the rolling out of Smart Grid. This makes Energinet.dk a very special place to work! Our profile attracts highly qualified professional workers who are extremely committed and result-oriented. Maintaining our ability to attract and retain personnel by thinking holistically and marketing our usefulness to society is a high priority for us.

Energinet.dk is focused on creating balance between health, working life and private life, increasing job satisfaction as well as ensuring personal and professional development of employees and teams alike. Energinet.dk acknowledges that sometimes it can be difficult to combine work and private life and therefore offers flexible and reduced working hours. In addition to 14-week maternal leave with full salary for our female employees, Energinet.dk also offers twelve weeks paid childcare leave to its male and female employees with small children.

Energinet.dk offers its employees a health care scheme, which comprises a health policy (with physical and psychological initiatives) and a retention policy in cases of long-term illness. In this way, we strive to take active responsibility for a growing social issue of lifestyle-related diseases. For example, one of the objectives for 2010 was to offer stop-smoking courses to employees who expressed an interest in quitting - an initiative which will continue into 2011.



Gender equality was also a central theme in 2010, and efforts have been made to increase the number of female leaders in the enterprise. These initiatives included the establishment of mentor teams who support aspiring leaders and the introduction of a quota system for female participation in Energinet.dk's leadership talent programme.

Graduates and trainees

Energinet.dk offers access to new workers in a variety of ways. Each year, our graduate programme enrolls six school leavers, who apart from 3 x 8 months rotation in the enterprise are also offered relevant technical courses. Since 2006, around two thirds of our graduates have subsequently been offered permanent or temporary employment in the enterprise.

In 2010, we focused on the growing issue of finding traineeships for both ethnic and non-ethnic Danes. Our objective was to employ eight new trainees in all, four with an ethnically Danish background and four with another ethnic background. Five trainees were employed, however a lack of interest from applicants with different ethnic background meant that only one of the trainees employed was from that group.

Safety and working environment

In 2009 and 2010, Energinet.dk focused particularly on updating its OHSAS certified management system (Occupational Health and Safety Assessment Series). All health and

safety processes were thus reviewed in terms of improvement, efficiency and implementation. In that connection, a team of occupational health and safety auditors were trained. This team have conducted systematic OHS audits in the enterprise to establish whether the OHSAS certified management system has been effectively implemented and functions as intended.

Against the background of the Danish Working Environment Authority's stricter requirements for contractors, Energinet.dk has trained a large team of safety coordinators. These coordinators are responsible for coordinating and documenting safety and working environment in connection with project engineering and construction projects.

In 2010, Energinet.dk prepared for the new rules from the Danish Working Environment Authority regarding the organisation of working environment tasks that came into effect on 1 October 2010. In this connection, Energinet.dk drafted an action plan for working environment tasks in 2010 and 2011.

Energinet.dk had three notifiable industrial accidents in 2009 and two such accidents in 2010. All these accidents occurred in administrative buildings or on public roads. Compared with other sectors and the country as a whole, Energinet is well placed in the statistics.

Procurement

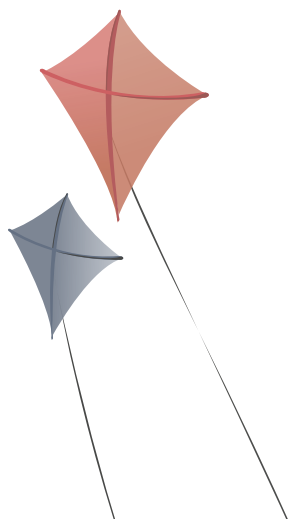
Energinet.dk has a responsibility not to support through our procurement any businesses that fail to comply with the UN Global Compact. Consequently, Energinet.dk has implemented a Code of Conduct, which our suppliers must sign. In this way, they commit themselves to observe the ten UN Global Compact principles.

Energinet.dk procures products and services for more than DKK 2 billion every year. The purchases are wide ranging, from substantial investments in the Danish electricity and gas systems to smaller purchases within administration and maintenance. Although Energinet.dk conducts the majority of its activities in Denmark, the enterprise also participates in large international projects. Consequently, we need a broad composition of both local suppliers based in close proximity to our facilities and suppliers who operate in the global market for supplies to the energy sector.

In 2010, we implemented Energinet.dk's Code of Conduct (prepared in 2009) in connection with procurement for large-scale construction projects. All new suppliers are informed of our Code of Conduct and required to acknowledge their acceptance of it. Our Code of Conduct outlines a set of standards that our suppliers, as a minimum, are expected to observe. Although we assume responsibility for instilling our Code of Conduct in the first links of the supplier chain, we also encourage our suppliers to communicate our Code of Conduct to their suppliers further down the supply chain.

In addition to having a Code of Conduct, Energinet.dk is also a member of a Scandinavian procurement network for the energy industry. This network has implemented a pre-qualification system for its suppliers.

Climate and the environment



Energinet.dk's activities regarding climate and the environment are an extension of our core values and are closely related to the UN Global Compact principles concerning the environment. Our task of preparing the Danish energy system for the integration of large volumes of renewable energy means that our employees are especially focused on the area of climate. Considerable emphasis is placed on both climate and environmental initiatives in the daily planning of new tasks and the performance of operational and maintenance duties. Our employees' commitment is reflected in, for instance, the proactive initiatives they take daily to think environmental and climate responsible solutions into planning and operational tasks.

The operation of the Danish electricity and natural gas systems mainly results in the following activities, which directly or indirectly impact the climate and the environment:

- Transmission losses in the power grid
- Environmental impacts in connection with the installation and operation of the electricity and gas systems
- Consumption of heat, electricity and water in offices and facility buildings
- Transport energy consumption.

We actively take steps to reduce the environmental impact of all the points listed above. This may be achieved in several ways, although typically it involves reducing consumption, replacing processes or materials with more environmentally friendly or efficient ones, or consciously





selecting a specific technology at the planning stage because it is more environmentally friendly.

Throughout 2010, Energinet.dk implemented initiatives to reduce energy consumption further in our buildings and at several of our facilities. Condensing boilers, which are more efficient and consume less natural gas, were installed at our natural gas storage facility and five M/R stations in the gas network. In addition, a compressor at Lille Torup natural gas facility was replaced with a new one that uses the cooling water to heat domestic water. Ventilation systems in the control room and the compressor buildings were replaced with new heat recovery systems.

Energy savings were also achieved in the office buildings by continuously implementing such new technologies as LED lighting and low-energy fluorescent lamps. All of these initiatives have a positive impact on the climate. In 2010, Energinet.dk overhauled the circuit breakers in its substations, which is also significant for the climate, as it resulted in reduced consumption of SF₆ gas, a strong greenhouse gas that is an essential insulation medium in high-voltage circuit breakers.

Energinet.dk intends to reduce paper consumption. Consequently, a number of regular publications will only be issued electronically. Moreover, we have changed printers and implemented new standard set-ups, which reduce pa-

per waste. It was also decided in 2010 that employees will receive digital pay slips in their e-Boks. This will be implemented in the course of 2011.

Energinet.dk is constructing a new office building in Ballerup for Energinet.dk's employees in Eastern Denmark. The office building will be a low-energy construction that complies with the strictest standards. As a particularly environmentally friendly feature, the roof of the building will be covered in a moss-like material, a form of organic carpet that limits solar thermal stress on the building. A catchment system will also be installed to collect rainwater for flushing toilets.

Energinet.dk has been calculating the direct and indirect emissions of greenhouse gases from our activities since 2008. These annual climate accounts constitute an important tool in identifying potential new focus areas for reducing our climate impacts. Within the area of environment, we have also initiated considerable mapping of focus areas where environmental initiatives could benefit both Energinet.dk and society.

Since 2006, Energinet.dk has prepared an annual environmental report, which details the environmental impact from operating the Danish electricity and gas systems. We also publish green accounts for Lille Torup natural gas storage facility. Both publications are available on our website.

Energinet.dk's objectives for social responsibility in 2011



Energinet.dk will continue in its efforts to work systematically with corporate social responsibility in 2011 so that the efforts are integrated into Energinet.dk's core tasks. Against the background of this balance, we will analyse and prioritise specific benchmarks within each of our three focus areas for working with social responsibility. Based on this exercise, we expect by 2012 to be in a position to present a specified foundation for the documentation and reporting of Energinet.dk's responsibility using designated essential indicators.

Within each of the focus areas, the following activities have been prioritised in our work with social responsibility in 2011:

Human resources

In 2011 and 2012, HR will mainly focus on issues concerning equal opportunities for men and women. In particular, we will be focusing on increasing the number of female leaders and specialists at management level. The target for 2011 is to increase the proportion of female leaders from 15 per cent to 16 per cent and further to 20 per cent in 2012. In relation to management specialists, the 2011 target for women is 8 per cent compared with 5 per cent in 2010 and 11 per cent in 2012.

Working environment

Energinet.dk has always had a great deal of focus on minimising the number of industrial accidents. The occupational health and safety committee in Energinet.dk has decided that from the beginning of 2011 the registration of industrial accidents should extend to external tradesmen and consultants, when they work at Energinet.dk or on Energinet.dk's installations or buildings.

Procurement

Against the background of the work conducted in 2010, we expect to complete the implementation of a more systematic evaluation/segmentation of our suppliers in 2011, creating a so-called Energinet.dk Supplier Bank. Here, we will segment our suppliers on the basis of a CSR-oriented risk profile, and depending on which profile the supplier achieves, we will initiate further mapping/auditing of the enterprise.

Climate and the environment

During 2011, Energinet.dk will continue mapping its environmental activities, focusing on issues such as the handling of waste, waste water and chemicals.





Table of specific initiatives in 2010 and planned initiatives in 2011

Focus area	Initiatives in 2010	Planned initiatives in 2011
Employees	Stop-smoking courses	Stop-smoking courses
	Establishment of mentor teams for aspiring leaders	More female leaders
	Gender quotas for women in management talent programmes	More female management specialists
	Admission of six new graduates	Admission of seven new graduates
	Five traineeships filled, one of them with a candidate with a different ethnic background	Implementation of specific indicators in connection with target management
	Training of a team of occupational health and safety auditors	Registration of industrial accidents to include external tradesmen and consultants
	Training of internal safety coordinators	
Procurement	Implementation of Code of Conduct	Supplier evaluation based on CSR profile
Climate and the environment	Condensing boilers installed at M/R stations	Electronic pay slips to employees
	Replacement and energy optimisation of compressor at natural gas storage facility	Mapping of environment-related activities
	Heat recovery system connected to ventilation system	Implementation of specific indicators for the purpose of target management
	Energy-saving initiatives in office and production buildings	Construction of low-energy office building