

Communication on Progress

July 2014

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1. Introduction

Neas Energy is an independent international energy asset management company with activities in power, gas and related commodity markets throughout Europe.

Our business model is centered around optimization of our customers' energy assets with a central value proposition of "Maximizing Value by Managing Risk".

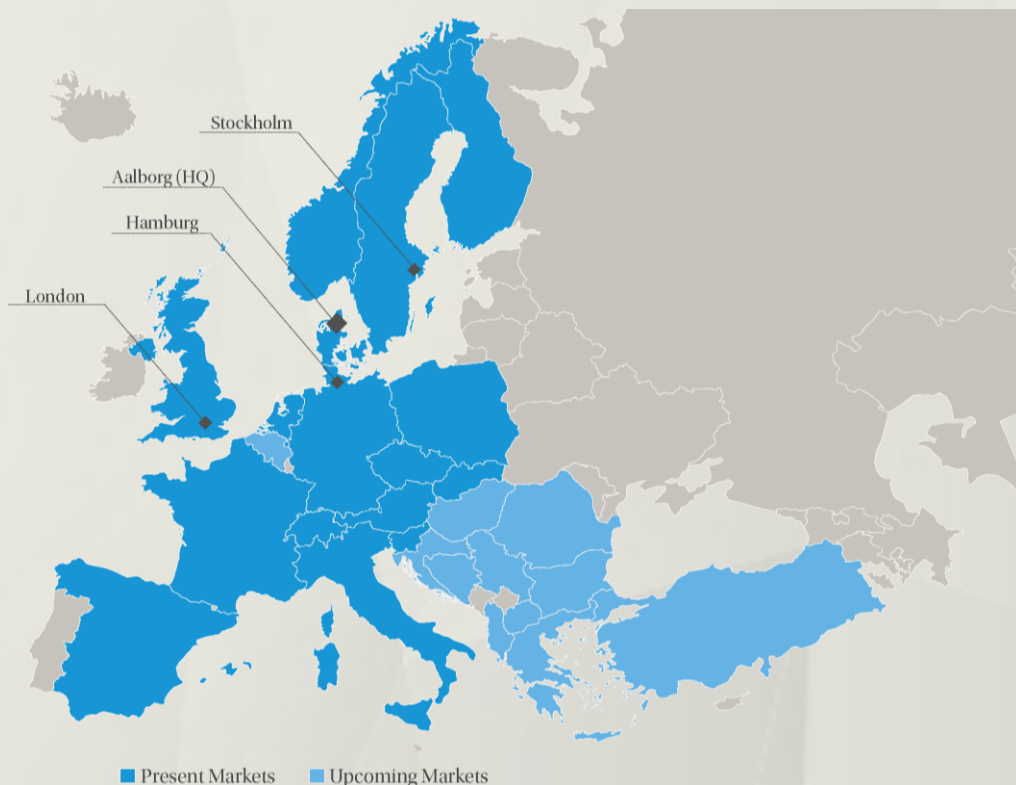
The headquarter is located in Aalborg, Denmark and the company has offices in London, Hamburg and Stockholm.

Neas Energy trades physical and financial power, from long term forward contracts to intraday. We trade with a broad range of market players including:

- Power Plants
- Combined Heat and Power Plants
- Wind & Photovoltaic Power Generators
- Utilities
- Trading Houses
- Supply Companies

Neas Energy has a track record of more than 10 years of handling thermal and renewable power assets operating on market terms. We want to be the preferred partner for Independent Power Producers (IPPs) on the European power market by providing the markets' best solutions for energy asset optimization.

Neas Energy has been a member of the UN Global Compact since 2008.

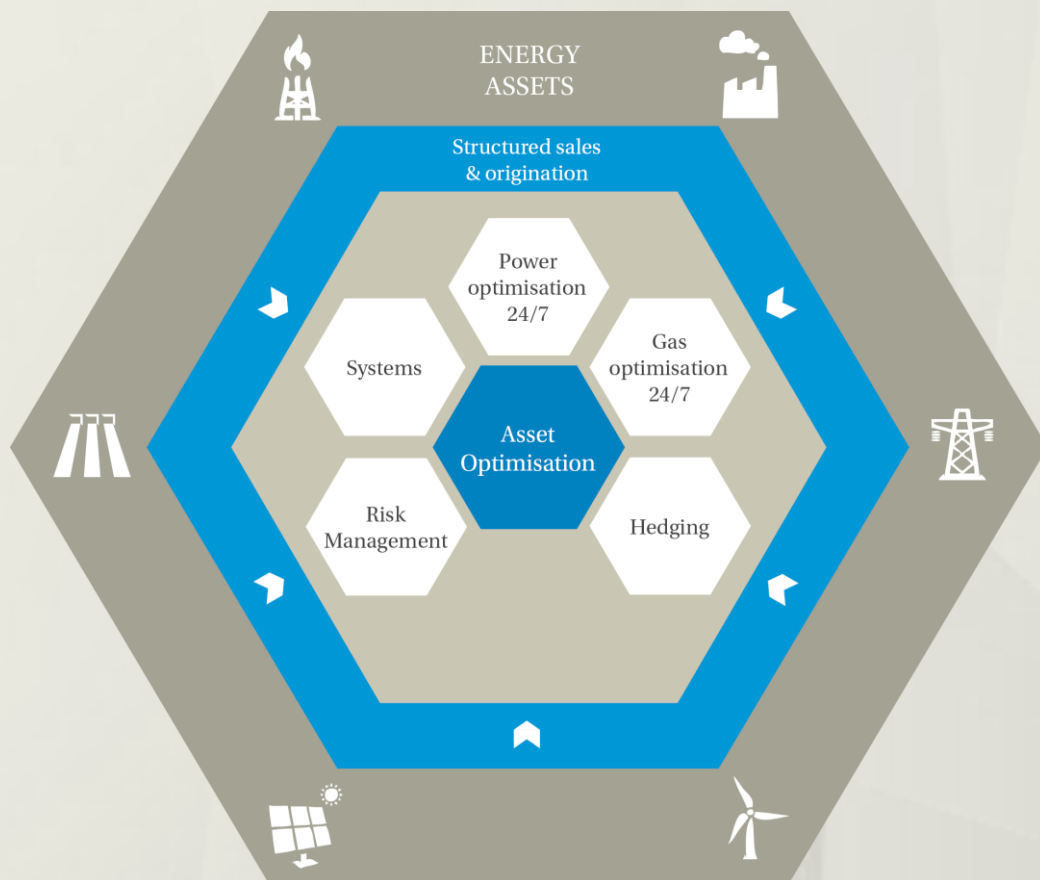


2. Business model drives corporate responsibility

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 corporate social and environmental responsibility. Neas Energy's CSR policy has been approved by the Board of Directors and comprises the entire group. Neas Energy has been a member of the UN Global Compact (GC) since 2008.

2.1 Neas Energy's core business model

Neas Energy is an independent trading and management company. The group owns no production facilities or distribution grids. But Neas Energy has been operating on liberal energy markets for more than ten years. The company has invested in development of IT-systems for production management and optimization services for power generation. Neas Energy to increase the profitability of our customers' energy generation. Neas Energy's services are essential to ensure sustainable investments in sustainable and intelligent power generation.



The company's business model is developed on the basis of an underlying market (the European energy markets), which are undergoing fundamental changes away from fossil fuels towards renewable and sustainable generation, which makes commercial conditions highly complex and requires intelligent and dynamic services from asset managers/operators. E.g. in terms of ensuring new investment and making renewables competitive on liberal energy markets Neas Energy's 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.

3. General scope for CSR policy

The company's head office is situated in Aalborg Denmark. 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. For employees at our international offices the respective national labor rights, anti-discrimination and anti-corruption laws apply.

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 through 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.

3.1.1 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 the latest 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.

3.1.2 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.

Gender equality

The following accounts for Neas Energy's policy for gender equality, and include targets on female representation on management level, executive and on the Board of Directors with a horizon up to 2016 and a strategy to achieve the targets implemented. The targets has set and approved by Neas Energy's Board of Directors.

Neas Energy's corporate strategy targets a female representation (the under-represented gender in Neas Energy) of at least 40 % in all management functions and corporate supervisory functions – this include:

- The board of directors
- The executive group
- Managers (heads of departments)

During 2013 the board comprised two female members out of a total of seven board members - one staff-elected member and one externally appointed member. The executive group in 2013 comprised only males but post 2013 a female CFO has been included in the executive group. On the management level the female representation was 4 out of 15.

In order to achieve a higher degree of gender equality, the following objectives have been employed by the Board of Directors and are to be achieved by 2016:

- For the executive group and managers, female representation is to be a minimum of 40 %.
- For the Board of Directors, female representation among the members elected by the general assembly is to be a minimum of 40 %.

To achieve the targets implemented, Neas Energy commits to eliminate any differences in remuneration between men and women carrying out the same type of work, or similar work to provide for equal opportunities and focus solely on individual capabilities and performance.

The day-to-day responsibility for equal treatment of employees and fair and equal terms for recruitment lies with Neas Energy's HR department and the policy for gender equality is communicated to all heads of departments for corporate commitment in all managerial levels.

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

3.1.3 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.

4. Progress

Since the 2013 COP Neas Energy has placed special attention to s increased the volume of energy production under management from 3.668 MW in 2011 to 4.307 MW. The increase in installed capacity covers 3.232 MW renewable power generation primarily situated in Scandinavia, Germany and the UK – both small and big scale generators. For renewable power generators the services provided by Neas Energy are essential for financing with banks and to secure a sustainable investment climate for renewables. Also Balance Responsible Party services provided by Neas Energy is mandatory requirements from TSO's for generators operating on liberal market terms and has become increasingly important as the influx from "uncontrollable" renewables makes balancing of production/consumption highly complex.

4.1 Underlying market development triggers progress

The liberalization of power and gas markets will continue to spread across Europe within EU-member countries. The EU relies on liberal energy markets to ensure globally competitive energy prices.

Politically the EU target increasing production from renewable energy sources to secure sustainable energy supply. Subsidy schemes for renewables continue to attract investments, but in 2013 was saw a fundamental shift in subsidy schemes towards market based subsidies to gradually decrease fixed tariffs and offset market risks from governments/Transmission System Operators to commercial marketers. On the other hand the Influx of price-independent and uncontrollable renewables causes increasing volatility in short term power and gas markets which poses substantial risks for IPPs (i.e. negative prices, spiking gas prices). To relieve/offset risks Neas Energy in 2013 invested heavily in short term forecasting i.e. expert meteorology forecasts and "big data" management – critical to both generators (conventional and renewable) as well and TSO's.

The massive inflow of wind and solar power is changing the energy market. In 2013 we saw the importance of flexibility markets i.e. short term markets, balancing markets and capacity markets increase substantially as means to manage the unstable production from renewables.

For this Neas Energy again in 2013 invested heavily in building up the strongest possible team for trading and management of our clients exposure in flexibility 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.

Notable progression for our market based business driven service to promote low carbon energy supply 2013 include:

- Providing asset management in increasingly volatile short term markets (and increasing concerns on safety of supply/demand for ancillary services)
- Providing flexibility services – systemic (Virtual Power Plant), market access (24/7 Europe-wide) and ancillary (emerging throughout Europe)

4.2 New collaborations with scientific institutions

We believe that development of high quality scientific research on energy markets and energy system design is critical for intelligent design of future energy systems and markets.

Within the last year we have given special attention to strengthen collaborations with universities and other scientific institutions to contribute to knowledge building and exchange of information and knowledge within contemporary energy market design.

For us the access to cutting edge scientific research contributes important perspectives and data on our markets and company business model. For students, researchers and other scientific personnel the access to real life case studies and data is important for empiric quality and potential commercial utilization of research.

Since the 2013 COP we have entered into a number of new scientific collaborations as displayed in the summary below:

Thesis Instructions

Marco Boss (AU):

- Working title: "Calculating the 1-day Value at Risk on a Portfolio Consisting of Gas Forward Contracts and Cross-Border Gas Transportation Capacities (GTC)"
- Status: "in progress"

Christopher Strandbygaard Christensen (AU):

- Working title: "Modelling the Electricity Forward Market"
- Status: "in progress"

Anca Pircalabu, Rikke Preisler Vilstrup and Thomas Hvolby (AAU):

- Working title: "Modelling Volumetric Risk in Wind Power Trading"
- Status: The "right handed"

Dennis Lind-Bruhn (AU):

- Title: "An Investigation of the Volumetric Risk and its Implicit Dependence Structure of a Power Market with a High Wind Penetration Ratio"
- Status: "submitted and defended in the spring"

Jannick Severin Johanson (AU)

- Working title: "Gas Storage Valuation Using Monte Carlo Methods"
- Status: "in progress"

Commerce PhD.

Anca Pircalabu has been appointed. 1/8-2014 and we expect to apply for a Commerce PhD. Fellow pr. 1/9-2014.

Collaborations

Professor Olav Geil Math, AAU:

Formulation of project proposals for the 2nd semester Mat-Econ, AAU, spring semester 2014. All 2nd semester Mat-Econ-made project based on VPP optimization problems. (The three projects are attached)

Presentations

Mat (c) hMaking Event, AAU, May 20th, 2014

- Title: "Mathematical modeling to Quantitative Analytics, Neas Energy"

Additionally Neas Energy is engaged in four EU projects with multiple participants and stakeholders.

5. Account on energy consumption

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:

5.1 Figures & origination

	2012	2013
Heating	6,966 m ³	6,814m ³
Electricity	482,012 kWh	546,990 kWh

There has been an increase in electricity consumption in 2013, which is caused by an increase in the number of employees from 132 to 192 (ultimo 2013). The decrease in heating we expect is due to a milder winter period.

This year Neas Energy chooses to buy wind power from small scale Swedish wind turbines with Guarantees of Origin to match equal to the group's electricity consumption in 2013. Renewable power (hydro) has a significantly lower emission factor than the emission factor of 558g CO₂/kWh for the traditional Danish electricity mix.

With respect to the consumption of heating, we are favored 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 2013 is offset with Certified Emission Reduction credits (CERs) from the Clean Development Mechanism (CDM) project "Baotou Iron & Steel Coke Dry Quenching and Waste Heat Utilization for Electricity Generation" (the same project as in 2012). The project is managed by the World bank for Danish Carbon Fund in which Neas Energy is a member with other Danish industry leaders.

6. Statement and signatory

"At Neas Energy we believe that our business and corporate responsibility are mutual supplements with added value for our clients and our group. Our core business model is directly consistent with the continued expansion of renewable energy and intelligent low-carbon energy system. As an international and pan-European asset 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

A square box containing a handwritten signature in black ink. The signature is stylized and appears to read 'Bo Rydahl'.

Bo Lynge Rydahl