

# *Communication on Progress*

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NEAS  ENERGY

Neas Energy A/S  
Skelagervej 1  
9000 Aalborg  
CVR/VAT: 20293195

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# Introduction

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Neas Energy is an independent energy asset management company that provides physical and financial optimization of renewable and conventional energy assets operating on energy markets in Europe. Based on more than 15 years of experience from liberal energy markets Neas Energy today has activities in all major energy markets in Europe. Our company headquarters are located in Aalborg, Denmark with offices in London, Hamburg and Stockholm.

Neas Energy has been a member of the UN Global Compact since 2009.

Markets

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New markets

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# *Business model drives corporate responsibility*

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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 includes the entire group.

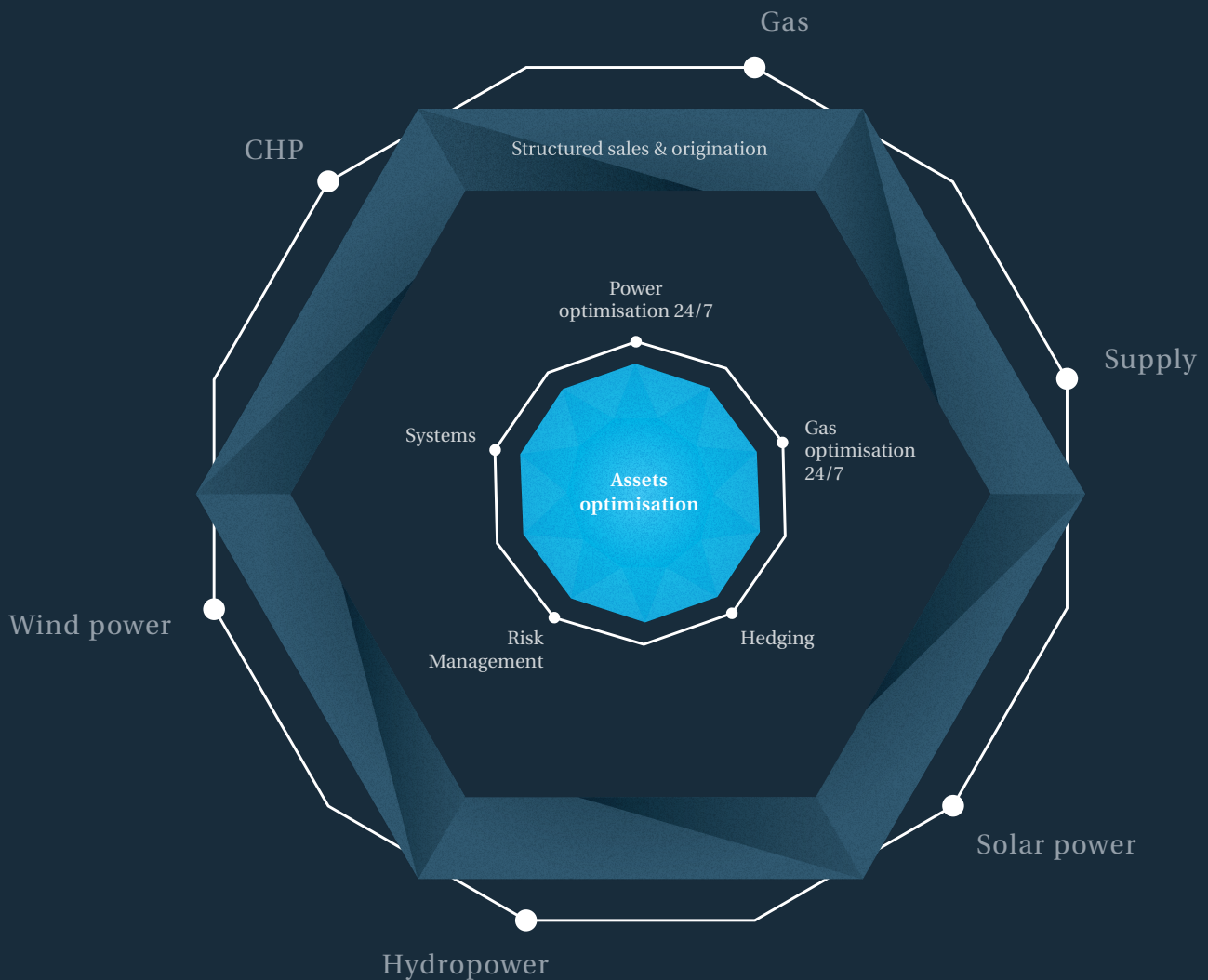
## **Neas Energy's core business model**

Neas Energy is an independent trading and management company and the group does not own any production facilities or distribution grids. Neas Energy has been operating on liberal energy markets for 15 years and has longstanding knowledge about the European energy markets. The company has invested in development of IT-systems for production management and optimization services for power generation in order to increase profit potential for its customers' energy generation. Neas Energy's services are essential to ensure sustainable investments in sustainable and intelligent power generation.



# Core business model

The company's business model is developed on the basis of the underlying markets (the European energy markets), which are undergoing fundamental changes away from fossil fuels towards renewable and sustainable energy generation. These changes make commercial conditions highly complex and requires intelligent and dynamic services from asset managers/operators, which are important in terms of ensuring new investment and making renewables competitive on liberal energy markets. Neas Energy's services helps form the basis for more renewable energy and it helps build a sustainable basis for the low-carbon economy shaping the future energy market and renewable supply.



# General scope for CSR policy

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The company's head office is located in Aalborg, Denmark. All employees are employed under Danish labour legislation prescribing excessive labour rights and anti-discrimination and anti-corruption laws - all 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 through our business activities within renewable energy. In terms of extraordinary CSR efforts the group company NE Climate, which operates within the UN Clean Development Mechanism (CDM), has engaged in a number of CSR projects. For these activities we have implemented a code of conduct with guidelines for establishing knowledge on matters of human rights, labour rights and anti-corruption.

## Defining our policy on GC

For Neas Energy the group's 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 as their nature means that they vary from year to year. In general, Neas Energy will continue to pursue consistency in our policy making within CSR.

## Internal focus areas

Neas Energy offers all employees attractive 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 work life 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

At Neas Energy we view our continuous growth in cultural and national diversity and different backgrounds as a strength and source of creativity. 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 and workplace diversity at all levels is encouraged. 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 group and on the Board of Directors with a horizon up to 2016 and a strategy to achieve the targets implemented.

The targets has been 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 2014 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 2014 comprised three males and a female CFO. On the management level the female representation was 4 out of 14.

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 above targets, 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. 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, not only at work but also during free time. Employees working shifts at Neas Energy are offered a health check-up in recognition of their special working conditions. In addition to this all fulltime employees in Denmark are offered immediate physiotherapy if needed and ergonomic guidance at the work station in order to avoid injuries.

A number of exercise options are available at the workplace and outside, and the company encourages its employees to participate in events that combine social interaction and exercise such as mountain biking, 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 a knowledge-based company with specialists employing key positions, why 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 regularly be 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.

In addition to the above initiatives Neas Energy has started a graduate program during the 2014 reporting period. The purpose of the program is to give talented graduates a comprehensive knowledge of Neas Energy and the European energy markets. This supports the goal of attracting capable personal and accumulating knowledge resources.

### **Climate**

Neas Energy's total consumption of energy is CO<sub>2</sub> neutral. This year (2014) the group's consumption of power is certified wind power from Danish wind turbines, and carbon emissions directly attributed to the group's property are neutralised through cancellation of approved CO<sub>2</sub> credits. This year CER credits from CDM project "Community-Based Renewable Energy Development in the Northern Areas and Chitral (NAC), Pakistan". 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.

### **External focus areas**

#### **Customer relations**

To Neas Energy long-term and mutually profitable customer relations are of high importance. 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 services 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. We aim to achieve a high degree of customer satisfaction at a permanent basis.

#### **Development of market and society**

As the physical energy supply mix is changing with the inflow of renewables the commercial environment in energy markets also change and new mechanisms for sustainable balancing and trading of energy must be established. Along with stakeholders from the entire

energy sector Neas Energy in 2014 participated in selected initiatives on invitation from trade organizations and politicians to debate new market designs and prepare proposals for politicians and public servants on energy regulation – including:

- **Market design 2.0**  
Preparing a proposals for updates to the Danish electricity market design. Organized by Danish TSO Energinet.dk
- **MiFID/REMIR/EMIR**  
Participating in stakeholder meetings with regulators to debate the implementation of new legislation on energy trading. Organized by Danish energy trade organization Dansk Energi

### **Knowledge and innovation**

Neas Energy continuously work to contribute to scientific knowledge development and competence accumulation within the field of energy and create understanding of the energy markets. This is of high importance since the organisation and regulation of energy markets, energy supply and energy infrastructure are closely connected to science and political decisions. Neas Energy will actively work 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.



# Progress

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During the last reporting period (2014) Neas Energy has paid special attention to increasing capacity of production under management. In the period capacity under management has increased from 4,307 MW in 2013 to 6,680 MW in 2014. This increase has primarily been made within the field of renewable energy in Germany. Neas Energy has 5,020 MW capacity from renewable energy under management in Denmark, Sweden and Germany and the UK, and with the considerable increase on the German market this is now the biggest market for renewable energy for Neas Energy. Neas Energy manages power from both small and large scale generators, and the services Neas Energy provides are essential to these to secure financing from banks. Consequently, Neas Energy's work help create the foundation of a sustainable investment for renewables. Also, Balance Responsible Party services provided by Neas Energy are 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.

## Increase in volumetric revenue secures functioning of market mechanisms

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.

In 2014 the input of renewable energy increased continuing to change the European energy market towards a larger amount of 'unstable' power production. This is in line with the political targets on increasing production from renewable energy sources to secure

sustainable energy supply. This change calls for services that can handle the balancing of production/consumption, which becomes very complex as the output from 'uncontrollable' energy sources increases. These services are essential for Independent Power Producers (IPP's) as they do not have the software nor trading possibilities to handle their imbalances. Neas Energy's business model is therefore designed to handle these imbalance. In 2014 Neas Energy increased its volumetric revenue making it possible to handle even more market volume, which helps the market mechanisms function as it provides the needed flexibility to markets across Europe making it possible to utilise a larger amount of the available renewable energy.

To meet this need of flexibility Neas Energy in 2014 continued to invest strongly in strengthening software solutions, the trading team 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 low cost renewable power to high price areas increasing the integration of renewable energy in the pan-European energy supply.

## New initiatives supporting carbon pricing

In addition to the increase in volumetric revenue Neas Energy stated its support for the Private Sector Forum for Carbon Pricing founded by the World Bank and UN, which was most recently held in New York, September 2014. In addition to this Neas Energy has become an official signatory to UN's Caring

for Climate. This is the world's largest voluntary business and climate initiative aimed at advancing the role of businesses addressing climate change. Here Neas Energy has become a Carbon Pricing Champion, which means that Neas Energy supports carbon pricing as an effective way to encourage low-carbon growth and lower greenhouse gas emissions. As an additional initiative to this Neas Energy also supported the Business Leadership Criteria on Carbon Pricing, which was promoted by the UN in Financial Times and The New York Times for the summit in New York. The criteria comprise three dimensions: integrating carbon pricing into long-term strategies and investment decisions, responsible policy advocacy, and communication on progress. Read more about Carbon Pricing Champions and the Business Leadership Criteria here: [www.caringforclimate.org/carbonpricing/champions](http://www.caringforclimate.org/carbonpricing/champions)

These new initiatives are a clear statement on how Neas Energy considers it of high importance to put a price on carbon as it is believed to be a necessary and effective measure to tackle the climate change challenge. We believe that a consistent economic signal can help shift investments towards clean energy, and by joining these initiatives we encourage other businesses and Governments to support carbon pricing as well.

### 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 as it will help power a clean world in the future.

Within the last report period we have strengthened our collaboration with universities and other scientific institutions to contribute to knowledge building and exchange of information and knowledge within contemporary energy market design. At Neas Energy the work force comprises 10 % student assistants and interns working throughout the organisation. By letting students gaining experience from real life work and being part of the daily work life we believe that the students will to a larger degree be able to apply their scientific knowledge at Neas Energy and develop new scientific results in their studies. By the end of the year 2014 the efforts to strengthening collaborations with scientific institutions resulted in the start-up of a business PhD in cooperation with Aalborg University, Denmark.

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. Consequently, this cooperation is mutually beneficial and of great importance for the future development of the energy markets.

Since the 2014 COP we have entered into a number of new scientific collaborations as displayed in the summary below:



#### **Submitted and defended in 2014:**

**Daniil Plotnikov**

**Thesis title:** “Customizing product portfolio for the German market”

**Field of study:** MSc. Sustainable Energy Planning and Management, AAU

**Dennis Lind-Bruhn**

**Thesis title:** “Estimation of the volume risk in the wind power market”

**Field of study:** MSc. Finance & Econometrics, AU

**Rune Hjorth Nielsen & Jannick Severin Johanson**

**Thesis Title:** “Gas storage: Trading strategy and valuation”

**Field of study:** MSc. Finance, AU

**Anca Pircalabu, Rikke Vilstrup, Thomas Hvolby**

**Thesis Title:** “Monte Carlo simulation of volumetric risk associated with wind turbines”

**Field of study:** MSc. Mathematics-Economics, AAU

**Björn Lämmerzahl**

**Thesis title:** “Agent-Based Modelling for policy analysis and scenario development. The case of RES-E.”

**Field of study:** MSc. Innovation, Knowledge and Economic Dynamics, AAU

**Line Bygum Bay-Jensen & Rikke Skak Harboe**

**Thesis Title:** “Challenges for Neas Energy – A case study of the challenges that Neas Energy faces regarding global employees and how the strategy on diversity management can help manage these”

**Field of study:** MSc. Culture, Communication and Globalisation, AAU

#### **Still in progress Spring 2015:**

**Andreas Juul & Christian Bjerre Hammild**

**Working title:** “Implementing Project Portfolio Management - A Case study at Neas Energy”

**Field of study:** MSc. IT-management, AAU

**Inke Alexandra Wenzel**

**Working title:** “Neas Energy’s Marketing Approach in Germany and the UK: Country-of-Origin Marketing in the Energy Sector”

**Field of study:** M.A. English and Business Communication, AAU

**Eszter Tamas**

**Thesis title:** Ebbs and tides within an organization – Multileveled communication at Neas Energy A/S.

**Field of study:** M.A. Culture, Communication and Globalisation, AAU

**Commerce PhD.**

Anca Pircalabu, Quantitative Analyst, has been approved for an industrial PhD-project by Innovation Fund Denmark. The project is a 3-year collaboration between Neas Energy's Quantitative Analytics team and Department of Mathematical Sciences at Aalborg University and is entitled "Managing volumetric risk in renewable energy markets"

**Collaborations**

Professor Olav Geil Math, AAU: Formulation of project proposals for the 2nd semester Mat-Econ, AAU, spring semester 2015. All 2nd semester Mat-Econ students are to make a project based on a case from Neas Energy (still in progress).

**External Membership of Study Board**

Thomas Aalund Fredholm, Head of Risk Management and Quantitative Analytics, is an external member of the Study Board for Mathematics, Physics and Nanotechnology. The purpose of this is to secure a high quality and relevance of the educations under the study board and come with suggestions for improvements.

**Research and development projects**

Neas Energy participates in a number of externally funded research and development projects. One of the main purposes of the R&D projects is to analyze and/or demonstrate how new solutions/technologies can provide grid balancing services. Consequently, these projects help develop the future of Europe's energy markets.

Research and development projects for the 2014 reporting period are displayed in the summary below:



**Smart Grid Ready VPP Controller for Heat Pumps (READY)**

**Project period:** 5-2012 to 11-2014

**Partners:** Neas Energy (PM), Aalborg University, Aarhus University, Neogrid, PlanEnergi, EA Energianalyse

**Subsidy program:** ForskEL

**Technology:** Individual heat pumps

**TotalFlex**

**Project period:** 1-2012 to 7-2015

**Partners:** Neogrid Technologies (PM), Aalborg University, Copenhagen Business School, Nyfors, Neas Energy, Conscius, Zense Technology

**Subsidy program:** ForskEL

**Technology:** Electrical appliances in households

**Power-to-Gas via Biological Catalysis – phase 2 (P2G-BioCat 2)**

**Project period:** 2-2014 to 12-2015

**Partners:** Electrochaea (PM), Hydrogenics, Audi, HMN Gashandel, SVC Avedøre, Neas Energy, Energinet.dk, Insero Business Services

**Subsidy program:** ForskEL

**Technology:** Alkaline electrolysis and biological methanation

**MegaBalance**

**Project period:** 12-2014 to 12-2015

**Partners:** Neas Energy (PM), H2Logic, Siemens, EnergiMidt Infrastruktur A/S, Ringkøbing Fjernvarmeværk a.m.b.a.

**Subsidy program:** ForskEL

**FlexGas – Electric heater in domestic gas boiler for flexible energy consumption**

**Project period:** 7-2014 to 11-2016

**Partners:** Dansk Gasteknisk Center (PM), Insero Energy, Neas Energy, Neogrid, METRO THERM

**Subsidy program:** EUDP

**Technology:** Electric heaters

**Power2Hydrogen**

**Project period:** 2-2015 to 11-2017

**Partners:** Air liquide (PM), CEMTEC, Neas Energy, EMD, Aalborg University – Department of Development and Planning, Aalborg University – Department of Energy Technology

**Subsidy program:** ForskEL

**Technology:** PEM electrolysis

# 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. We will use the physical volume, i.e. the consumption of power and district heating, in the climate accounts for 2014. 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 2014 the consumption figures for Neas Energy were:

## Figures & origination

	2013	2014
Heating	6,814m3	5,611m3
Electricity	546,990 kWh	596,111 kWh

Again in 2014 there was an increase in electricity consumption, which is caused by an increase in the number of employees from 192 to 227 (ultimo 2014). The decrease in heating we expect is due to a milder winter period. In addition to the mild winter the increase in number of employees is also expected to have an impact in the decreased heating consumption since the increased number of employees means that work stations are placed closer to

each other with more IT equipment giving off heat, which reduces the need for additional space heating.

This year Neas Energy chooses to buy wind power from Danish wind turbines with Guarantees of Origin to match equal to the group's electricity consumption in 2014. Renewable power (hydro) has a significantly lower emission factor than the emission factor of 558g CO<sub>2</sub>/kWh for the traditional Danish electricity mix.

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 CO<sub>2</sub> neutral. According to recent information, the production of district heating at Reno Nord and Nordjyllandsværket emits 3.7 kg of CO<sub>2</sub>/m<sup>3</sup> district heating.

The consumption of district heating in 2014 is offset with Certified Emission Reduction credits (CERs) from the Clean Development Mechanism (CDM) project "Community-Based Renewable Energy Development in the Northern Areas and Chitral (NAC), Pakistan". The project is managed by the World bank for Danish Carbon Fund in which Neas Energy is a member with other Danish industry leaders.

# Statement and signatory

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*“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, social diversity and cultural understanding to 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**



# Contact

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For further information please contact Neas Energy Communications.

**Rasmus Buhl Møller**

Head of Corporate Communications

E-mail: [rbm@neasenergy.com](mailto:rbm@neasenergy.com)

Phone: +45 99 39 58 04

Mobile: + 45 41 31 78 15

**Maria Lundsgaard**

International Communications Specialist

E-mail: [mal@neasenergy.com](mailto:mal@neasenergy.com)

Phone: +45 99 39 58 10

Mobile: +45 40 30 26 23