Energy for a **sustainable** future

Sustainability report 2016

DONG energy

Our geographic footprint

Walney Extension (659MW) ∘
Walney 1&2 (367MW) ∘
West of Duddon Sands (389MW) ∘
∘ Barrow (90MW)
∘ Burbo Bank Extension (258MW)
∘ Burbo Bank (90MW)
REnescience Northwich
∘ Westermost Rough (210MW)
∘ Hornsea 1 (1,200MW)
∘ Race Bank (573MW)
∘ Lincs (270MW)

United Kingdom

Borssele 1&2 (700MW) ∘
∘ Gunfleet Sands 1&2 (173MW)
∘ London Array 1 (630MW)
Enecogen

∘ Gode Wind 1 (330MW)
∘ Gode Wind 2 (252MW)
∘ Borkum Riffgrund 1 (312MW)
∘ Borkum Riffgrund 2 (450MW)

Netherlands

Germany

Sweden

∘ Anholt (400MW)

Denmark

Herning
Studstrup
Kyndby
Horns Rev 1 (160MW) ∘
Horns Rev 2 (209MW) ∘
Esbjerg
Skærbæk
Asnæs
2x
∘ Middelgrunden (20MW)
Svanemøllen
H.C. Ørsted
Avedøre 1&2
∘ Nysted (165MW)

Symbols

- In operation
- Under construction
- Business development
- (MW) Total wind farm capacity
- In operation
- Under construction
- Sale of power and/or gas
- ···· Power distribution in Denmark

United States – Business development

∘ Bay State Wind
∘ Ocean Wind

Taiwan – Business development

∘ Formosa 1

We are the energy company in Europe that has come the furthest in the green transformation

Leading the green transformation

2016 was the warmest year on record, and the concentration of CO_2 in the atmosphere is at the highest level ever measured. To slow down climate change, we must transform society with CO_2-neutral solutions. This also applies to the way we produce energy. Energy must be based on renewable sources rather than fossil fuels. At DONG Energy, we want to lead the transformation to renewable energy, while at the same time operating a sustainable business, which is respectful of society, the environment and people.

We are the energy company in Europe that has come the furthest in the green transformation. In 2016, green power and heat accounted for 50% of our energy generation. And we have reduced our CO_2 emissions with 52% since 2006. We now raise the bar with new ambitious targets. By 2020, our CO_2 emissions must be reduced by 78% relative to 2006, rather than our previous target of 60%. And by 2023, we want to achieve a 96% reduction.

The transformation is driven by our investments in offshore wind farms and our conversion of power stations to biomass. By 2025, our ambition is for our installed offshore wind capacity to be able to supply green electricity to 30 million people. This development is partially driven by a continuously declining cost of offshore wind. And we want to continue the conversion of our power stations from coal and gas to sustainable biomass. We have now set ourselves the target to be completely rid of coal by 2023.

In 2016, we decided to divest our oil and gas production activities. This means that over the coming years, we will be phasing out the production of oil and gas as well as the use of coal. Gas is a flexible fuel that emits only half as much CO_2 as coal, and we therefore still believe that gas can play an important role in the transition to a green future. We will therefore continue to trade, transport and sell gas.

In 2016, we achieved the best results ever for employee safety and job satisfaction. It makes me proud, because it is a sign that our company is characterised by a strong culture and robust processes.

In 2016, DONG Energy's Board of Directors approved an updated policy on sustainability – our Sustainability Commitment. In the policy, we commit to running our business in a way that supports the UN Sustainable Development Goals. Moreover, for the tenth consecutive year, we commit to promoting the UN Global Compact principles on respect for human rights, labour rights, the environment and anti-corruption.

In this report, we describe how we work with sustainability.

Henrik Poulsen
CEO

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This report constitutes DONG Energy's compliance with the statutory disclosure on corporate social responsibility, see the Danish Financial Statements Act §99a, and the gender distribution on management levels, see the Danish Financial Statements Act §99b.

UN GLOBAL COMPACT
COMMUNICATION ON PROGRESS

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

We welcome feedback on its contents.

DONG Energy Sustainability Commitment

We want sustainable energy to empower people, businesses and societies to unleash their potential without having to worry about harming the planet or reducing the opportunities for future generations.

As a company, we commit to operating in a way that creates progress towards the UN Sustainable Development Goals. Through our commitment, we want to help preserving the environmental, social and economic assets that are fundamental for society and important to our long-term value creation. To guide the way we work with sustainability, we adhere to the UN Global Compact principles on environment, labour and human rights and anti-corruption, as well as sustainable economic development.

Environment
In our work to minimise our environmental impact, we prioritise three areas: climate change, biodiversity and resource management. We commit to taking action to combat climate change, promoting access to sustainable energy and advancing energy efficiency. We strive to reduce the cost of green energy because cheaper green energy technologies will increase the share of renewables in the global energy mix. In our own operations and in our supply chain, we commit to protecting the ecosystems, sourcing from sustainably managed forests and avoiding, minimising or restoring biodiversity loss. As for the natural resources that we rely on in our business, we commit to pursuing recycling and reuse to create more sustainable consumption and production.

Labour and human rights
With a significant number of employees and a global supply chain, we can make a positive difference in many people's lives by enforcing labour and human rights. We commit to safeguarding and strengthening labour and human rights, to promoting safe working conditions, mental health and well-being and to giving our employees good learning opportunities in their work. We commit to treating all people with respect, to working against discrimination in all its forms and to be an inclusive organisation, which respects individual characteristics such as gender, age, sexual orientation, nationality, religious and political beliefs.

Rule of law and anti-corruption
The rule of law and absence of corruption are a precondition for sound business and well-functioning societies. We commit to complying with all applicable laws and regulations and to working against corruption and bribery in all their forms. We have zero tolerance of bribery, fraud and other types of inappropriate business behaviour. We pledge to uphold sound business practices in our organisation and to promote such practices amongst our business partners.

Economic development
All societies need energy to develop. We commit to promoting affordable, reliable and modern energy systems, which will support the sustainable development of societies. We maintain and modernise our energy assets, and we provide innovative and competitive energy solutions to our customers. We recognise the role that tax plays for society to develop sustainably. We commit to complying with the intent and the letter of tax law and not using contrived or abnormal tax structures.

Dialogue
Sustainability is an area in constant development. We commit to reporting on our sustainability policies, targets and progress – and to engaging with our stakeholders to better understand how we can continuously improve our sustainability performance and contribute to a more sustainable world.

Business model

We are active across the entire power and heat value chain. We rely on key resources to create value for our customers, shareholders, employees and society at large. Our strategy for sustainable development supports that we contribute to sustaining and developing these key resources.

Key resources

Energy assets
We are leading the green transformation by investing in new renewable technologies.

Natural resources
We rely on natural resources such as biomass as well as locations with attractive wind speeds and seabed conditions.

Human resources
We rely on a highly skilled workforce to operate our business.

Stakeholder engagement
We depend on constructive relations with our key stakeholders to ensure supportive framework conditions for our business.

Innovative culture
We continuously develop cost-competitive energy solutions through innovation.

Financial capital
We finance our large investments through cash flow from operations, debt and divestment of partnership interests.

Core activities

	Develop and construct	Operate and maintain	Sell and optimise
Wind Power	Develop and build offshore wind farms	Own 21 offshore wind farms of which we operate 16. In addition, we have six wind farms under construction.	Utilise our partnership model and crystalise value
Bioenergy & Thermal Power	Convert our power stations from coal or gas to sustainable biomass	Own and operate ten power stations in Denmark and one plant in the Netherlands	Enter into long-term heat contracts with our heat customers and sell power into the market
Distribution & Customer Solutions	Modernise our power distribution grid in Denmark	Operate and maintain our grid infrastructure	Manage the Group's overall energy portfolio and provide gas, power and energy solutions for our customers

Value creation

Energy products
Our assets produce energy for society, while a reliable grid ensures high security of supply to our customers.

Sustainable energy
By developing green energy sources we reduce CO_2 emissions and contribute to mitigating climate change.

Highly skilled people
By investing in our employees we get safe, healthy, engaged and skilled employees.

Stakeholder support
More satisfied and loyal customers and broader stakeholder support.

Innovative solutions
Innovation to reduce the cost of electricity from offshore wind ensures the competitiveness of the technology and development of new sustainable solutions.

Financial return
Growing operating profit and increasing investor returns create a robust financial platform for future growth.

See pages 29-38 for our targets and performance.

Our value creation enables us to sustain and develop our key resources

Our strategy for sustainable development

We want to lead the transformation to renewable energy. We want to contribute to creating a world where people can use energy as a natural part of their everyday lives without the risk of climate change and limiting the opportunities for future generations.

It is important for us to operate a sustainable business that respects society, the environment and people. Our sustainability approach is expressed in our Sustainability Commitment adopted by our Board of Directors in 2016. The Sustainability Commitment supports the UN's 17 Sustainable Development Goals.

Sustainability programmes
We contribute to the Sustainable Development Goals through 20 sustainability programmes, and we manage our efforts and continuously measure our progress according to these programmes. The sustainability programmes are the foundation of our sustainability strategy.

The 20 programmes are categorised into four subject areas that are fundamental to our sustainability work:

- **Energy supply:** Programmes that develop our energy assets and contribute to a green and stable energy supply.
- **Climate and environment:** Programmes that limit climate change and protect natural resources.
- **People:** Programmes that develop human resources.
- **Communities:** Programmes that support our stakeholder relations.

Through our sustainability programmes, we work on sustaining and developing the six types of resources that we depend on to operate and develop our business: energy assets, natural resources, employees, an innovative culture, stakeholders and financial capital. On pages 7-8, we illustrate how the six resources are integrated into our business model.

Where we create most value
All our sustainability programmes contribute to creating a more sustainable society. Across the programmes, we have chosen three priorities that are especially important to us:

- **Green energy:** We want to contribute to creating a world that runs entirely on green energy and enables people to lead sustainable lives.
- **Smart energy:** We want to help our customers use energy smarter and more efficiently, enabling them to make the most of the energy they buy.
- **Sustainable working life:** We want to contribute to creating a sustainable working life where our employees thrive and find joy in their work.

This report describes our progress within all 20 sustainability programmes with particular focus on the three priorities. In the following, you can read cases about the way we work – including some of the challenges we meet, and how we address them.

Discontinuing activities
As a consequence of the decision to divest our Oil & Gas business, all results from these discontinuing activities are shown separately in the supplementary data appendix for this report, available on dongenergy.com/sustainabilitydata2016. All results in the present report exclude Oil & Gas, also historically, to ensure comparability.

Our vision and mission
Leading the energy transformation by delivering green, independent and economically viable energy solutions.

Our purpose
We want sustainable energy to empower people, businesses and societies to unleash their potential without having to worry about harming the planet or reducing the opportunities for future generations.

Priorities
We prioritise three areas where we make the biggest contribution to the UN Sustainable Development Goals.

Green energy
We want to contribute to creating a world that runs entirely on green energy and enables people to lead sustainable lives.

Smart energy
We want to help our customers use energy smarter and more efficiently, enabling them to make the most of the energy they buy.

Sustainable working life
We want to contribute to creating a sustainable working life where our employees thrive and find joy in their work.

Sustainability programmes
20 sustainability programmes are the foundation of our sustainability strategy. We have categorised the programmes into four subject areas, depending on which type of resource each programme contributes to sustain and develop.

Energy supply	Climate and environment	People	Communities
Deployment of offshore wind	Green transformation	Workplace safety	Good business conduct
Reducing the cost of offshore wind	Sourcing of certified biomass	Employee health and well-being	Responsible business partners
Greener power stations	Energy savings	Performance and development	Local engagement
Modernising the grid	Protecting biodiversity	Employee satisfaction and motivation	Responsible tax management
Customer satisfaction	Resource management	Employee diversity	Better reputation
Energy assets	Natural resources	Human resources	Stakeholder engagement

Innovative culture

Financial capital

Our policy
Sustainability Commitment

Our contribution to the UN Sustainable Development Goals

Contribution through sustainability programmes

Our 20 sustainability programmes contribute to 14 of the 17 UN Sustainable Development Goals. See a full mapping of our sustainability programmes, priorities and the Sustainable Development Goals on dongenergy.com/sdgs.

VERY HIGH CONTRIBUTION | HIGH CONTRIBUTION | MODERATE CONTRIBUTION

Contribution outside sustainability programmes

We address three Sustainable Development Goals through our work, but without working strategically with them through programmes.

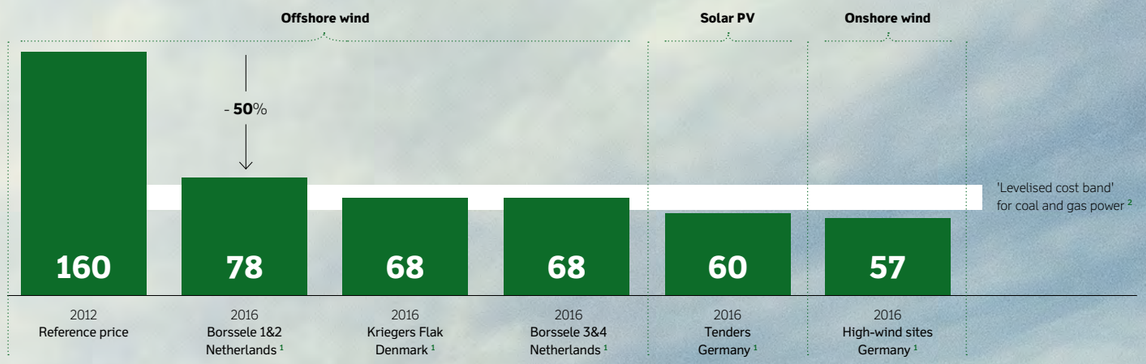
LOW CONTRIBUTION

Green energy

Imagine that your everyday life were based on 100% sustainable energy. You could use energy and live your life without having to worry about contributing to climate change. To get there, we need to change the global energy systems to green energy. That is now starting to happen and offshore wind plays an important role.

The cost of green technologies is now on a par with coal and gas

Cost comparison for new investments across technologies in north-western Europe[1]
'Levelised revenue of electricity' estimated at the year of contracting , EUR/MWh, 2016 prices



Sources: BWE, BMWI, NEV, IEA, DEA and Energinet.dk.

1. The estimate for technology costs is based on 'Levelised revenue of electricity' (LROE), which is the average of revenue over the lifetime of the asset, and which consists of market revenue (based on official national wholesale price forecasts) and subsidy revenue (strike price). Revenue has been discounted using a socioeconomic discount rate. To make offshore wind costs comparable across countries, the costs estimates have been adjusted to a full project scope which includes transmission and development costs.

2. 'Levelised cost band' indicates the level of cost of coal and gas fired power stations and is based on CO_2 and fuel prices from IEA, World Energy Outlook 2016, 'New Policies Scenario' (baseline scenario).

Tackling climate change with green energy

The global mean temperature and the concentration of CO_2 in the atmosphere are both at the highest levels ever measured. Since the Paris agreement took effect in 2016, the international community has begun a common path to address this challenge, working towards keeping the global temperature rise below 2°C.

More than one third of global CO_2 emissions come from power generation. To reduce emissions, the world must replace the existing fossil-based energy system with a renewable energy system. This is now starting to happen, but there is still some way to go. Towards 2030, more than 80% of new power production capacity built in Europe is expected to be green. That will double the share of green power production in Europe to 37% by 2030. Outside Europe, the share of green power production is significantly lower, namely 7%, but it is expected to almost triple towards 2030.

Cheaper renewable energy

The cost of renewable energy is coming down rapidly. Since 2012, the cost of onshore wind has dropped by around 20%, while cost of solar has dropped by around 60%. In the same period, the cost of offshore wind energy has dropped by more than 50%.

The significant cost reductions mean that renewable energy is now approaching a point where it can start to compete head-on with conventional power production. This will make renewable energy the natural choice and one of the most efficient ways to fight climate change.

As cost declines, offshore wind attracts increased attention from new markets and investors. Offshore wind is therefore seeing strong and increasingly global growth as a clean, efficient and scalable technology. Towards 2020, offshore wind is expected to be the fastest growing renewable energy technology in Europe with an expected average growth rate of 23% a year. Offshore wind has evolved from being a niche technology to becoming a mainstream investment object among some of the world's largest energy companies and investors.

What we do

At DONG Energy, we contribute to creating a world based entirely on green energy through five programmes:

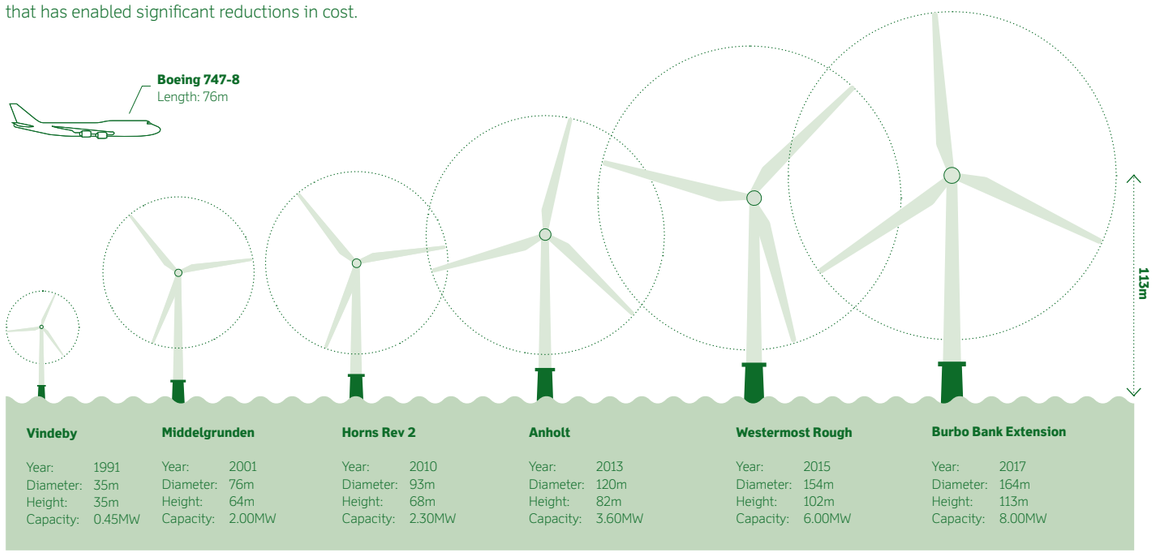
- **Deployment of offshore wind:** As the market leader in building offshore wind farms, we help mature offshore wind into a technology that can be scaled globally.
- **Reducing the cost of offshore wind:** We reduce the cost of offshore wind to continuously strengthen its competitiveness against other energy technologies.
- **Greener power stations:** We convert our coal- and gas-fired power stations to sustainable biomass.
- **Sourcing of certified biomass:** We document that the biomass is sustainable by implementing our sustainability requirements through certification of suppliers.
- **Green transformation:** Through offshore wind and sustainable biomass, we significantly increase our green energy production and reduce our CO_2 emissions.

In 2006, 83% of our power and heat production was black, mainly based on coal, and only 17% was green. In 2016, 50% of our power and heat production was green. We have built enough offshore wind capacity to power 9.5 million people. And we have reduced our coal consumption by 73%. In these ways, we have halved our CO_2 emissions since 2006. We are well under way in our green transformation, but we are not there yet. We have therefore decided to phase out all coal from our power stations towards 2023. The biomass we use to replace coal must be sustainable so that the incineration is CO_2 neutral and biodiversity is protected.

7 AFFORDABLE AND CLEAN ENERGY

Fast technological development

The offshore wind technology is developing fast, and that has enabled significant reductions in cost.



Offshore wind has global potential

Offshore wind plays an important role in the green transformation and is now beginning to see growth in regions outside Europe. At DONG Energy, we have contributed significantly to developing offshore wind to what it is today – for instance by reducing the price considerably.

We installed offshore wind turbine no. 1,000 in autumn 2016. We are the first company to reach that milestone. Towards 2020, we will continue to build a number of large offshore wind farms that will increase our total installed capacity to 6.7GW. Our ambition is to install 11-12GW offshore wind by 2025 – the equivalent of around 30 million people's annual power consumption.

"By installing 1,000 offshore wind turbines, we've gained unique experience in how to build and operate these offshore 'power stations'," says Anders Lindberg, Senior Vice President, Wind Power.

The cost of electricity from offshore wind in Europe has been reduced by around 50% since 2012. We contributed to that milestone in 2016 by winning the right to construct the Borssele 1 and 2 Offshore Wind Farms in the Netherlands. We previously set a target to reduce the cost of offshore wind to EUR 100/MWh by 2020; we surpassed that target in 2016 – four years ahead of schedule.

Anders Lindberg elaborates: "Our standard concept for offshore wind farms is one of the factors helping us to reduce cost. The concept provides economies of scale and contributes to optimum utilisation of wind turbine capacity. Another case in point is that our engineers have designed lighter foundations that require less steel, making them less costly."

Offshore wind offers many advantages besides the falling cost. Offshore wind does not take up land or cause inconvenience for neighbours. And due to strong wind speeds at sea, the utilisation of the total energy potential is notably higher compared with onshore wind. This means that offshore wind generates power for a significantly higher number of hours in a year relative to onshore wind. Offshore wind has the potential for supplying energy to hundreds of millions of people. The task at hand is to make the technology global.

We would like to contribute to this. We are developing projects on the east coast of the USA and in 2016, we opened an office in Taiwan to explore the Asian market.

Expanding outside Europe puts new demands on us. We must get to know the new communities that we will become part of. We must also, to some degree, build up local supply chains in collaboration with the rest of the industry to support efficient sourcing and keep the cost down.

The end of coal

We have reduced our coal consumption by 73% since 2006. We are now taking the next step as we aim to phase out coal completely from our power and heat generation by 2023. We replace coal with biomass and through our sourcing, we need to ensure that the biomass is sustainable.

We are converting our power stations to generate green power and heat based on sustainable biomass instead of coal and gas. The biomass is wood pellets and wood chips, primarily made from residue products like branches and twigs, thinning trees, as well as sawdust from the furniture and sawmill industry. This has a considerable impact on our carbon footprint. We have reduced CO_2 emissions from our power and heat generation by 52% since 2006, and our target is a 96% reduction by 2023 compared to 2006.

We have now defined a new target of phasing out coal completely from our production by 2023, because coal is the type of fossil energy causing the highest amount of CO_2 emissions.

When replacing coal with biomass, it is essential that the biomass is sustainable. The incineration of biomass must be CO_2 neutral, and biodiversity needs to be protected. That is why we introduced the Sustainable Biomass Partnership (SBP) certification scheme in 2016, developed in collaboration with other European energy companies. The SBP scheme enables us to verify that the biomass we buy meets our sustainability requirements.

To get certified, the biomass producers have to comply with a number of requirements. Among these is their ability to trace the raw material back to the original source and document that it is sustainable.

Third-party auditors conduct regular control visits to check if the producers meet the requirements in, for instance, the SBP standard. It can be a challenge for producers to document the traceability of especially sawdust and other residue products from production of wood materials. Moreover, many suppliers have not been used to the requirement of documenting sustainability by means of certification:

"It's been a valuable process. The bioenergy sector has been driving the development of sustainability in the entire wood and forestry industry in the Baltics," says Raul Kirjanen, CEO of Graanul Invest, a supplier of biomass to our power stations.

"It's good to secure the sustainability documentation so nobody can be in any doubts as to whether the biomass is sustainable," he concludes.

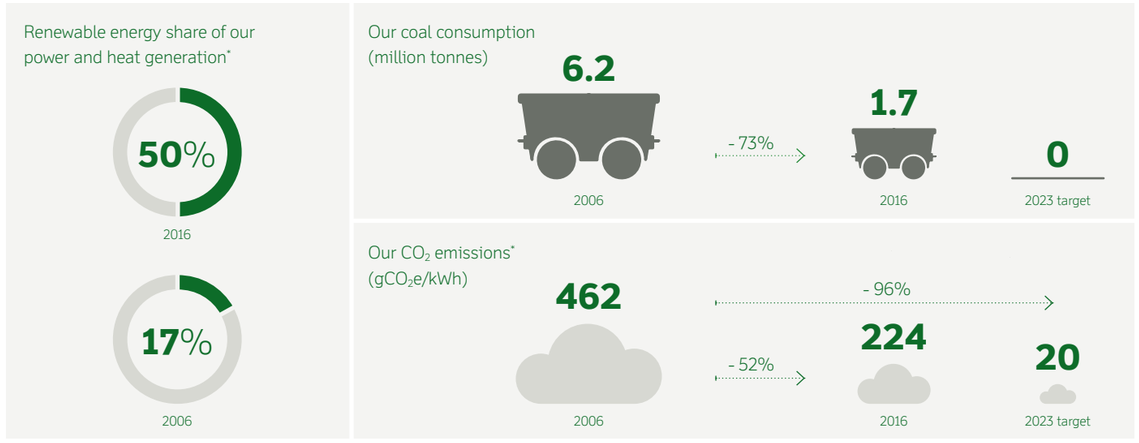
In 2017, we will continue our work to implement our sustainability requirements. Since August 2016, 61% of our sourced biomass has been certified as sustainable. In 2017, our target is that 60% of the biomass we buy during the year must continue to be certified as sustainable. By 2020, our target is 100%.

Our sustainable biomass programme ensures that:

- trees are continuously replanted, ensuring that the size of the forest is stable or increased. This enables the forest to continuously capture and store CO_2 emitted from incineration of wood pellets and wood chips
- the forest ecosystems and biodiversity are protected in order to safeguard forest health and vitality
- social and labour rights are respected.

Read more ▸ About our sustainability requirements in DONG Energy's Programme for sustainable biomass sourcing on dongenergy.com/biomass.

Our green transformation



* In 2016, we changed the calculation method for our renewable energy share and CO_2 emissions from our power and heat generation. The changes are introduced on the basis of the Greenhouse Gas protocol's recommendations and are implemented for all historic performance data and the targets for our CO_2 emissions. Read more about these changes to accounting practice in the data appendix for this report on dongenergy.com/sustainabilitydata2016.

Smart energy

It might not be something you give a lot of thought to, but it does actually matter how or when you use energy, whether as an individual or as a company. Energy efficiency is an important tool to reduce CO_2 emissions and save money. And intelligent software can enable customers to utilise the green power when it is plentiful.

Less is more

Smart energy begins with energy efficiency. Energy-efficient initiatives have been around for longer than renewable energy, but they are still as relevant as ever. It is really a matter of common sense. When you save energy, you save CO_2. In fact, energy efficiency and renewable energy have the same potential when it comes to reducing global CO_2 emissions.

When you save energy, you also save money. Improved energy efficiency enables businesses to reduce costs and become more competitive. And households, saving money on the energy bill, can choose to spend their money on other things.

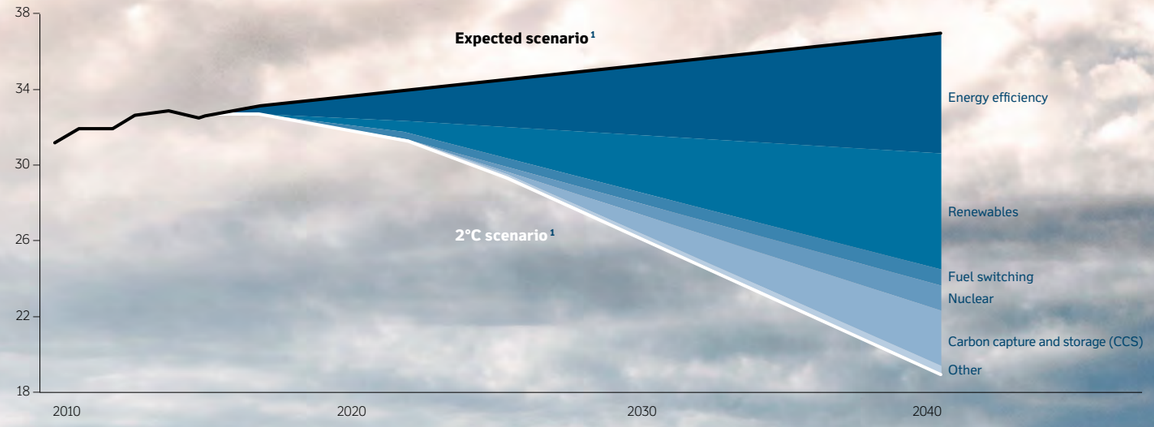
Smarter use of green energy

Smart energy is also about using energy at the right time. As our production of wind and solar power is steadily increasing, we have to find ways to use energy effectively when it is plentiful.

One way is to electrify more of the things we use in our everyday lives – for instance cars that run on electricity instead of petrol. Another way is to use more energy at times when green power is abundant and power prices are lower. It saves you money and helps move the green transformation forward. A third way is to install batteries in the grid to store renewable energy. Rethinking energy in these ways enables us all to use energy more intelligently, which can help build the sustainable cities and communities of the future.

Energy efficiency and renewables are equally important in reducing emissions to meet the global 2°C target

Potential for reducing global CO_2 emissions through different means



Source: IEA World Energy Outlook 2016

1. The International Energy Agency (IEA) defines a 'New Policies Scenario' shown in this chart as 'Expected scenario', and a '450 Scenario' shown as '2°C scenario'. The rewording is based on IEA's definitions.

What we do

At DONG Energy, we work to help our customers use energy smart and more effectively through two programmes:

- **Energy savings:** We help business and residential customers save energy to save CO_2 and money.
- **Modernising the grid:** Our distribution company Radius maintains and develops the power grid, for example by investing in smart meters.

Our energy consultants help businesses and residential customers find new ways of using energy in a smart and efficient way – for the benefit of both the climate and the wallet. One of the ways is through our more than 80 climate partnerships with Danish companies.

Radius is piloting a battery solution in Copenhagen to examine the opportunities to store excess energy generated by local solar panels, for instance. From 2017, Radius will also install smart meters that register consumption every hour. The new meters will enable all customers to follow their own energy consumption and save money in the future, as each customer can decide to move parts of their energy consumption to times with low demand.

Timing your energy use matters

Remote smart meters are a key element of the green transformation. They can help integrate locally produced green power into the grid and make us all pay more attention to our electricity consumption. Towards 2020, our distribution company Radius will replace around one million electricity meters in Danish homes.

Customers read conventional electricity meters once a year, but the new remote-read meters register consumption on an hourly basis. This makes it easier being an electricity customer and enables you as a customer to use electricity during those hours when the price is lowest. Indeed, the price goes up when many customers use a great deal of electricity at the same time. Conversely, the price falls at times with low demand or ample power generation, for instance in very windy conditions. This allows customers to reduce their electricity bill.

Smart meters also help the grid keep pace with the green transformation. The pressure on local grids will intensify with an increasing number of electric vehicles and heat pumps and with people producing local green energy from rooftop solar panels or wind turbines in their gardens. The local grids simply must be able to transport more power.

"There are two ways of addressing this challenge. We can develop and strengthen the grid to ensure that it can cope with the new load situations. This would require large investments and could cause inconveniences and irregularities for local residents. Alternatively, we can encourage customers to be flexible and use electricity at other times of day, thereby levelling the load on the grid. The latter is the more intelligent solution," says Søren U. Schmidt, Lead Business Developer, Radius.

Towards 2020, Radius will replace the electricity meters in around one million homes in an area covering North Zealand, the Copenhagen Metropolitan Area and parts of central Zealand. It will be quite an undertaking to finish the job on time – while at the same time ensuring a pleasant experience for our customers. In 2016, we started a pilot project to test the IT systems and the way we meet our customers. We will be rolling out the new meters from 2017 and towards 2020, and around 130 electricians will replace 1,500 electricity meters a day.

Close partnerships for savings

Through our more than 80 climate partnerships, we work with Danish companies to help them reduce their energy consumption. One climate partner that has achieved particularly good results is the biotech company Novozymes.

Novozymes has been our climate partner since 2008. Compared to back then, today Novozymes is saving more than 200 million kWh annually – the equivalent of around 60,000 Danish households' annual power consumption. At the same time, the company has reduced their CO_2 emissions by 237,000 tonnes.

"The climate partnership gives us the specific energy-saving solutions we need to realise our CO_2 targets. We get access to competences that enable us to identify and implement energy projects much faster than would otherwise have been possible," says Kent Mølsted, Environmental Manager, Novozymes.

But the CO_2 savings were not the only savings. The average payback period of these projects is only 2.5 years, which has led to substantial annual cost savings for Novozymes. The energy-saving potential is great, and most companies can reduce both their carbon footprint and their energy bill by implementing energy-saving projects, for example by installing new lighting solutions, through heat recovery and the installation of power and heat stations on a miniature scale.

"We experience that many companies focus on implementing energy-saving projects. However, for some, it may be difficult to prioritise it enough," explains Palle Yde Poulsen, Head of Energy Solutions in Distribution & Customer Solutions, adding:

"It's our task to help our business partners achieve energy savings. Together with the company, we work to identify the potential savings and in that regard any obstacles to implementing the specific saving initiatives. Together, we find the solutions, prioritise them and launch the most attractive projects."

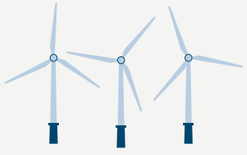
In 2017, we'll continue our energy-saving initiatives with our partners. We also see good opportunities to strengthen the cooperation with existing climate partners around their activities outside Denmark.

> **"The climate partnership gives us the specific energy-saving solutions we need to realise our CO_2 targets**
>
> **Kent Mølsted**
> Environmental Manager, Novozymes

How our climate partnerships work

DONG Energy identifies how climate partners can save energy at Danish production sites and offices.

Climate partners implement energy-saving projects and achieve financial savings.



The financial savings can be used to purchase renewable energy certificates* from DONG Energy's offshore wind farms and power stations.

Certificates guarantee that the heat and power consumption of our climate partners is covered by green energy.

* A renewable energy certificate is a guarantee of origin that proves that a given share of energy is produced from renewable sources such as wind, solar or biomass. When buyers purchase certificates, they are guaranteed that an amount of green energy corresponding to their power and/or heat consumption is produced, as defined by EU legislation.

Sustainable working life

Just like energy, our working life must be sustainable too. As a workplace, we must create the framework for a sustainable working life, giving our employees the satisfaction and surplus energy to lead good lives and to spend time with their friends and families.

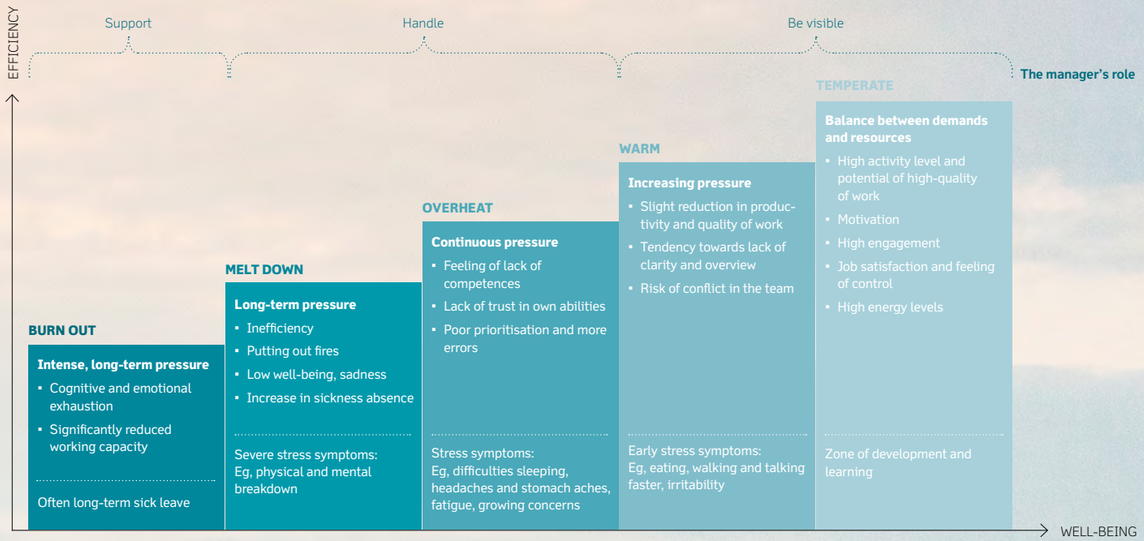
A limitless working life

Working life is changing. Today, many of us can take work home because it is in our heads, in our smartphones and on our laptops. Our tasks are often continuously evolving, and so it is difficult to sense when good is good enough. We are hard-pressed in constantly changing organisations. And we set high standards for ourselves. As a society, we have only recently begun to understand the implications of these developments for the well-being of individuals – and what it takes to create the right framework for a sustainable working life.

Consequences

A sustainable working environment is very important. People who thrive at work are happier and have more energy to lead good lives and to be present with their family and friends. For companies, this means that the employees stay longer in their jobs, are less absent and create better results. Companies with a good working environment achieve better financial results. Conversely, a poor working environment can lead to anxiety, poor health and stress for individual employees. For employers, this means increased absence, poor retention and a inferior results.

Well-being and efficiency are impaired long before sick leave



Source: Adapted from Marie Kingston and Marie Friis Andersen: 'Stop stress – Handbook for managers'.

What we do

At DONG Energy, we continuously strive to create a sustainable working life through three programmes:

— **Performance and development:** We strive to give our employees opportunities for both professional and personal development. We believe that performance and well-being go hand in hand, and so we focus on good management and an appreciative culture.

— **Employee satisfaction and motivation:** We strive to build a good and healthy working environment. We focus on the areas that we know are most important for our employees' job satisfaction. Our structured follow-up process supports that we make continuous progress.

— **Employee health and well-being:** We offer our employees healthy food, exercise opportunities and advice on mental balance and sleep.

Our annual employee survey shows that our efforts have a positive effect. For example, our employees rate their immediate managers and collaboration with colleagues considerably higher compared to the averages for companies in the countries where we operate. The share of employees who have experienced stress is also lower than the Danish average. This is a strong starting point. But we can do even better. We do not have all the answers to the question of how to create a sustainable working life. Far from it. We want to build on our experience and develop and test new ideas together with others who also see this as the way to go.

Good management promotes well-being

Good management is important. Experience tells us that it is the key to a healthy culture characterised by high levels of well-being and performance.

For a long time, we have focused on preparing our managers for the important task of managing employees. All our managers complete one or several manager development programmes at our management academy. Here they learn about management values, how to prioritise their time and how to motivate and develop employees. Our managers work to clearly define roles and responsibilities, ensure a well-balanced workload, set clear targets, follow up and promote good collaboration.

We can see the results in our annual employee survey. On a scale from 1 to 100, our employees give their immediate manager a score 16 index points above the Danish benchmark.

In 2016, we decided to focus even more on our managers' ability to create well-being. For managers under a bonus scheme, 20% of their bonus now depends on their managerial and collaborative skills and their ability to serve as a good role model for their employees.

"The manager is not only assessed based on results, but also on how the results are achieved. This is a good basis for discussing future performance and how we can develop each individual and the overall company culture," says Hanne Blume, Head of HR in DONG Energy, about the new initiative.

In 2017, we will continue our focus on the sustainable working life through efforts, including how to prevent and address and addressing stress in our organisation. Even though our employees experience less stress compared with other Danish companies, we still want to do even better. That is why we are now offering our managers training in how to prevent, identify and address signs of stress – and how they can support a sustainable working life.

> **"The manager is not only assessed based on results, but also on how the results are achieved**
>
> **Hanne Blume**
> Head of HR, DONG Energy

Our employees' ratings of their immediate manager*

* The figures are from our annual People Matter survey and are an average of all ratings of immediate managers across the organisation.

Not a question of snooping

Sleep is just as important as food and drink to ensure a good working life. This is why we offer our employees knowledge and tools to help them sleep better. But is it okay for a company to get involved in employees' sleeping habits?

Sleep is crucial to the restitution of the body and brain. Some people have difficulties falling asleep or have poor sleep quality. This also goes for some of our employees. In 2016, we introduced the 'Goodnight' app to our employees. The app provides simple, practical advice on how to improve sleep quality.

For many people, it helps to be reminded of the importance of sleep and that sleeping less than seven hours a day is unhealthy. For others, this is not enough, if the causes of poor sleep quality are anxiety or pressures of work, for example. That is why our focus on sleep is only a supplement to all our other efforts to create the framework for a sustainable working life, such as our focus on good management.

But are we overstepping the mark by asking our employees to do such a private thing as sleep? Are we perhaps turning sleep into yet another of the countless areas where you have to perform?

"In my view, this isn't overstepping the mark. In the modern world, it's easy for employees to bring work home, working until late at night. Our responsibility as an employer is to make it clear to our employees that we'd much prefer them to sleep than to work. Neither DONG Energy nor anybody else receives data via the app about our employees' sleep quality, so we're not snooping," says Hanne Blume, Head of HR, continuing:

"I agree that some people may feel that our advice turns sleep into yet another area where they have to perform. But most of our employees see it as a great help and as a relief that we're helping in this way. And that tells me that we're doing the right thing."

In 2016, we collaborated with Ashridge Executive Education in London on a research project to learn more about how we can support our employees in establishing healthy sleeping habits. The results of the study concluded, among other things, that our employees experienced significant improvements in stress level and sleep just by participating in the study and getting access to sleep-improving advice on our corporate intranet. And no participants experienced any worsening on the parameters that were measured in the study.

The results from the research project on sleep will help us develop future activities. In 2017, we will also work on developing more focused initiatives, for example targeting shift workers and families with young children.

How we work

Our sustainability work is based on a total of 20 sustainability programmes. We have divided them into four areas: '**Energy supply**', '**Climate and environment**', '**People**' and '**Communities**'. The programmes contribute to the UN Sustainable Development Goals and to protecting and developing resources that are valuable to us and to society. We have highlighted ten of the programmes in our three priorities on the previous pages.

Through all the programmes, we manage our progress by measuring, taking action and reporting on the risks and opportunities we identify as most important for our business and for society as a whole.

Our sustainability governance

At DONG Energy, responsibility for our sustainability performance lies with the business at the relevant levels of the organisation, with the Board of Directors as the highest authority. Sustainability programmes are at the core of our sustainability governance.

We currently have 20 sustainability programmes that address the material issues we have identified in our ongoing engagement with stakeholders (see page 25). We have defined individual owners of our sustainability programmes, either in the business units or in our Group functions. Owners have the responsibility of ensuring progress and reporting on the sustainability programmes.

Each year, we review whether the sustainability programmes still adequately address our material issues. When they do not, we establish new programmes or update existing programmes. Where possible and relevant, our sustainability programmes consist of policies and procedures, performance indicators and targets and due diligence actions.

Our Sustainability Committee oversees that we live up to our Sustainability Commitment and monitors the progress of our programmes through continuous reporting. The first full year of meetings for the Committee was in 2016, following its establishment in 2015.

In a continuous effort to strengthen our sustainability reporting, our independent Internal Audit function has, in 2016, audited selected programmes and assessed our sustainability risk identification process. The conclusion was that our processes and controls are sufficient to ensure that the examined sets of programmes are measured and recognised in accordance with the applied accounting practice.

Sustainability organisation

Board of Directors

Approves the sustainability targets in our corporate strategy and supervises their achievement.

Approves Sustainability Commitment, annual sustainability report and annual risk memo which includes the most important sustainability issues.

CHAIR
Thomas Thune Andersen

Group Executive Management

Approves sustainability programmes.

Proposes the sustainability programme targets that are part of our corporate strategy to the Board and monitors target achievement.

CHAIR
Henrik Poulsen, CEO

Business units and Group functions

Develops and ensures progress of sustainability programmes by:

- developing policies and procedures
- defining and measuring performance indicators
- setting targets that are not part of our corporate strategy
- conducting due diligence to continuously align scope of programmes.

Sub-committees provide guidance and authority at non-executive level.

Audit and Risk Committee

A board committee, appointed by the Board of Directors.

Supervises the integrity of the sustainability reporting, the presentation hereof in the financial annual report and the internal control systems for non-financial data.

CHAIR
Benny Loft, Member of the Board

Compliance Committee

Appointed by Group Executive Management.

Monitors at two annual meetings that we comply with laws, rules and standards that apply to our business area, including within sustainability.

CHAIR
Henrik Poulsen, CEO

Sustainability Committee

Appointed by Group Executive Management.

Oversees at six annual meetings that we live up to our Sustainability Commitment; approves material issues; reviews sustainability strategy, supports sustainability programmes; approves sustainability reporting.

CHAIR
Marianne Wiinholt, CFO

Internal Audit function

Verifies the effectiveness of our sustainability programmes with particular focus on compliance and validity of data.

How we develop sustainability programmes

As a company, we have both positive and negative impacts on society. Ongoing dialogue with our stakeholders gives us insight into the various impacts and their implications for what is expected of us as a company. This helps us define the sustainability issues that are important to us and to society. Through our sustainability programmes, we work systematically to address the risks and opportunities that the sustainability issues hold.

Dialogue gives us insight
Ongoing dialogue with our stakeholders is key to staying abreast of developments in society and in what our stakeholders expect of us. Dialogue enhances our understanding of how we influence society and of developments in the framework for producing, supplying and trading energy.

In our daily work, we gain insight into the expectations of our stakeholders through one-on-one meetings, round-table discussions, public events, social media and research. Some of the topics we discuss with our stakeholders are:

- **Customers:** Our customers' satisfaction with the products and services we provide.
- **Employees:** How we can ensure that DONG Energy continues to be an attractive place to work.
- **Trade organisations:** The green transformation of the energy industry.
- **Politicians:** Support of the green transformation through our activities.
- **NGOs:** How to document the sustainability of the biomass we use at our power stations.
- **Trade unions:** How we ensure that the work at our Danish construction sites is carried out under Danish salary and working conditions.
- **Authorities:** How legislation and regulation can support suitable development of the energy industry.

See our stakeholder engagement policy on dongenergy.com/stakeholderengagement.

From sustainability issues to programmes
We use the insight provided by our stakeholders to prepare a bi-annual status of risks and opportunities of major significance both to society and to us. We call them sustainability issues. This overview enables us to decide how to address each issue with due diligence. We take a systematic approach to the material issues through our sustainability programmes.

We determine the significance of each issue by means of a qualitative assessment of the extent and weight of the impacts. We place each issue on a scale from 1 to 10 with two dimensions:

- **Attention from stakeholders:** To which degree is the issue on the agenda in our dialogue with stakeholders?

- **Importance to DONG Energy:** To which degree is the issue relevant to our strategy and activities?

Attention from stakeholders is used as a proxy for the degree to which the issue holds risks of negative impacts on the environment, climate, social conditions, employee conditions, human rights, anti-corruption and bribery. We rank the issues in a matrix by score. If the score is more than 5 on both axes, the issue is important enough to merit a sustainability programme. The programmes provide a systematic framework for mitigating risks and developing opportunities. A programme may, for example, contribute to expanding a market, strengthening the robustness of the business or protecting the environment.

Human rights are integrated into our approach
Human rights are an integral part of our efforts to develop and ensure the progress of our sustainability programmes. Our approach adheres to the UN Guiding Principles on Business and Human Rights, which establish companies' responsibility for respecting human rights. Accordingly, we have relevant policies and procedures in place for due diligence and mechanisms ensuring mitigation of negative impacts on human rights.

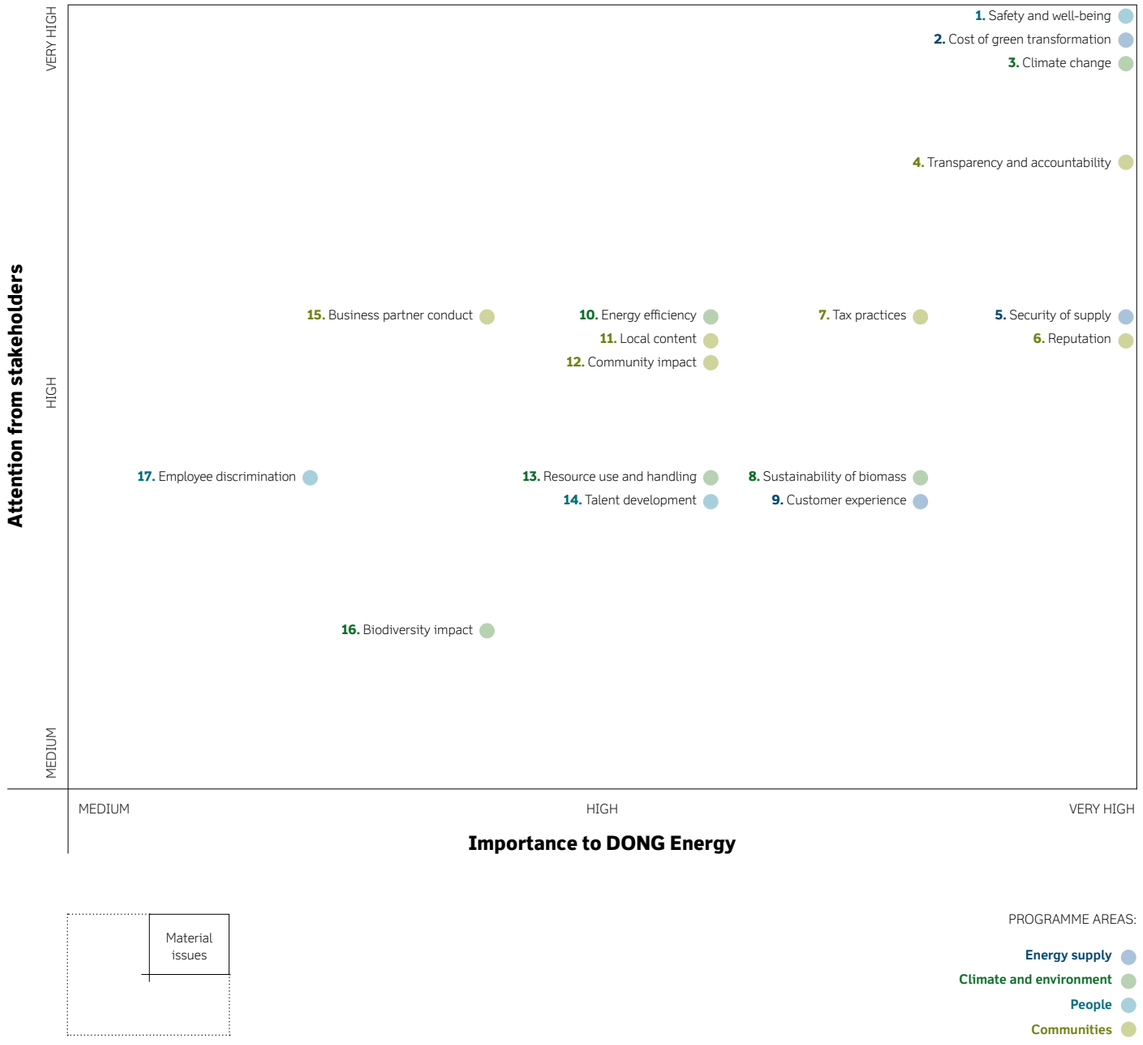
We commit to respecting human rights in our Sustainability Commitment. We also have a specific policy for our engagement in local communities and a policy for our expectations of business partners, including in the area of human rights.

To ensure due diligence, we must identify, prevent, mitigate and account for how we address our human rights impacts. Every two years, we conduct a separate risk analysis of negative impacts on human rights covering both our own operations and our supply chain. We then integrate the most important human rights risks identified into our sustainability issues. We proceed to take a systematic approach to the issues through our programmes. Therefore, we have found it most expedient to integrate our measures aimed at respecting human rights into the relevant sustainability programmes rather than having a separate human rights programme.

The following programmes relate directly to our major human rights risks:
- Respecting human rights in our supply chain
  → Responsible business partners
- Safe working conditions for our employees and suppliers
  → Workplace safety
- Diversity and equality at work
  → Employee diversity
- No negative impact on the local communities we operate in
  → Local engagement
- Protection of data on our employees and customers
  → We have initiatives across the business aimed to protect data on our employees and customers. We will gather these initiatives in a programme during 2017 to be better able to disclose how we work with data privacy.

Our programmes include processes to mitigate the negative impacts on human rights, which we as a company may have or contribute to. We report on the programmes on pages 29-38.

Sustainability issues 2016



Addressing issues through programmes

The overview below ranks our material issues according to their position in the matrix on page 26. We address each issue by mitigating risks and developing opportunities through our sustainability programmes.

PROGRAMME AREAS:

- **Energy supply**
- **Climate and environment**
- **People**
- **Communities**

ISSUE	ATTENTION FROM STAKEHOLDERS	IMPORTANCE TO DONG ENERGY	PROGRAMME TO ADDRESS ISSUE
1. Safety and well-being	Safety and well-being are prerequisites to live a good life and to counter risks of accidents and stress.	We have a basic responsibility to ensure the safety and well-being of our employees.	**Workplace safety** (pp. 35-36) **Employee health and well-being** (p. 36)
2. Cost of green transformation	Green energy must be cheaper than black energy to make green energy the natural choice when building new energy capacity.	The falling cost of offshore wind supports a growing market and helps turn this risk into an opportunity.	**Reducing the cost of offshore wind** (p. 32)
3. Climate change	The past three decades have successively broken global warming records. The world must combat climate change to ensure a liveable planet for future generations.	Our green growth strategy gives us a strong position in the market for renewable energy technologies, which helps turn this risk into a business opportunity.	**Green transformation** (pp. 33-34)
4. Transparency and accountability	Organisations need to be transparent and accountable for their actions in order to counter risks of corruption and bribery in their own operations and supply chain.	Solid governance and a strong ethical culture support the long-term value of our company and helps earn the public's trust.	**Good business conduct** (pp. 37-38)
5. Security of supply	Reliable and abundant energy supply is key for modern society to function.	Our most fundamental task as an energy company is to ensure security of supply for our customers.	**Deployment of offshore wind** (pp. 31-32) **Greener power stations** (p. 31) **Modernising the grid** (pp. 31-32)
6. Reputation	To earn a good reputation, companies need to add value to society and act responsibly.	Positive relations with our stakeholders and the public are the basis for our ability to operate.	**Better reputation** (p. 38)
7. Tax practices	Companies are expected to contribute to the societies they are a part of through responsible tax practices.	A responsible approach to tax is essential to the long-term sustainability of our business in the countries where we operate.	**Responsible tax management** (pp. 37-38)
8. Sustainability of biomass	Not all biomass is sustainable. Only sustainable biomass ensures CO_2 reduction and protection of biodiversity.	To live up to the Danish Industry Agreement, we need to ensure that the biomass we use is documented as sustainable.	**Sourcing of certified biomass** (p. 34)
9. Customer experience	Our residential, business or distribution customers expect to receive good customer service from their power utility provider.	Satisfied customers are more likely to choose and keep us as their supplier.	**Customer satisfaction** (p. 32)
10. Energy efficiency	Energy efficiency reduces CO_2 emissions and saves money for business and residential customers alike.	Helping our customers save energy and improving our own energy efficiency strengthen our customer relations and support our strategic focus on reducing CO_2 emissions.	**Energy savings** (p. 33)
11. Local content	Local communities and policy makers expect energy infrastructure projects to contribute to local development, growth and employment.	Building strong and competitive local supply chains and local support benefits our business' ability to operate in local markets.	**Local engagement** (p. 37)
12. Community impact	Companies should minimise inconveniences for residents and other stakeholders in local communities when they build energy infrastructure.	Engaging with local communities is important to mitigate risk of local discontent, potentially leading to costly delays in construction projects.	**Local engagement** (p. 37)
13. Resource use and handling	Efficient and circular use of resources saves society money and reduces strain on finite resources.	Minimising our use of resources and recycling our waste is a good business case.	**Resource management** (p. 34)
14. Talent development	When a company develops employees' competences, employees will feel more satisfied and contribute to strengthening the skills of society's workforce.	Attention to employee development creates better results and increases the likelihood that talented and skilled employees stay with us.	**Performance and development** (p. 35) **Employee satisfaction and motivation** (pp. 35-36)
15. Business partner conduct	Companies have a big impact on human and labour rights, environment and anti-corruption through their supply chains.	Engaging with business partners improves our relationships and gives us a more reliable supply chain with less risk of unforeseen and costly delays.	**Responsible business partners** (p. 38)
16. Biodiversity impact	To preserve the balance of nature, it is important to protect biodiversity.	Protecting biodiversity is a prerequisite for us to develop and operate any energy infrastructure project.	**Protecting biodiversity** (pp. 33-34)
17. Employee discrimination	Any discrimination reduces opportunities for people to pursue their ambitions.	Diversity can attract more talent and improve innovation due to different perspectives.	**Employee diversity** (p. 36)

Our sustainability programmes

This overview shows targets and 2016 performance for our sustainability programmes. On the following pages, we describe how we work with each progamme.

See all data with accounting practices and extended development explanations on dongenergy.com/sustainabilitydata2016.

PRIORITIES:

- Green energy
- Smart energy
- Sustainable working life

Energy supply

PROGRAMME	INDICATOR		TARGET	2016
01. **Deployment of offshore wind**	Installed offshore wind capacity (GW)		2025 ambition: 11-12	3.6
02. **Reducing the cost of offshore wind**	Levelised revenue of electricity (EUR/MWh)		—	Borssele 1&2: 78
03. **Greener power stations**	Coal share of fuels in thermal power and heat generation (%) Coal consumption (million tonnes)		2023 target: 0 2023 target: 0	46 1.7
04. **Modernising the grid**	Security of supply (power cuts per customer, SAIFI)		DK average: 0.5	0.49
05. **Customer satisfaction**	Satisfaction score (scale 1-100)	Residential customers Business customers Distribution customers	2020 target: >80 2020 target: >75 2020 target: >80	76 75 83

Climate and environment

PROGRAMME	INDICATOR	TARGET	2016
06. **Green transformation**	CO_2 emissions from power and heat generation (gCO_2e/kWh)	2020 target: 100 2023 target: 20	224
07. **Sourcing of certified biomass**	Certified wood pellets and wood chips sourced (%)	2020 target: 100	61
08. **Energy savings**	Accumulated energy savings at customers since 2006 (TWh)	—	3.2
09. **Protecting biodiversity**	Significant environmental incidents (number)	—	8
10. **Resource management**	Waste for recycling (%)	—	95

People

PROGRAMME	INDICATOR		TARGET	2016
11. **Workplace safety**	Accidents with absence per million working hours (LTIF) Fatal accidents (number)		2020 target: ≤1.5 2020 target: 0	1.8 0
12. **Employee health and well-being**	Satisfaction with health initiatives (scale 0-100)		2017 target: 80	78
13. **Performance and development**	Satisfaction with learning and development (scale 0-100)		2020 target: 80	76
14. **Employee satisfaction and motivation**	Employee satisfaction and motivation (scale 0-100)		2020 target: 77	76
15. **Employee diversity**	Women in management (%)	Top management (top 50) Leadership Forum (top 50-400) Other managers	2020 target: >22 2020 target: >25 2020 target: >32	16 20 25

Communities

PROGRAMME	INDICATOR	TARGET	2016
16. **Good business conduct**	Substantiated whistle-blower cases (number)	—	3
17. **Responsible business partners**	Closed improvement points (number)	—	16
18. **Local engagement**	—	—	—
19. **Responsible tax management**	Global income tax paid in 2016 (billion DKK)	—	3.2
20. **Better reputation**	Reputation among the Danes (scale of 0-100)	2020 target: >55	48

Energy supply

Through the following programmes, we develop our energy assets and thereby the foundation of a green and reliable energy supply. When we construct offshore wind farms and convert our power stations from coal and gas to sustainable biomass, we contribute to the green transformation of society. At the same time, we maintain a high security of supply for our customers.

Deployment of offshore wind
01.

Corporate strategy

The world must transform to green energy to combat climate change. Offshore wind represents a scalable and efficient green technology and is an important element in the green transformation.

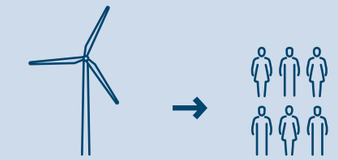
We are the company that has installed the most offshore wind turbines globally. In 2016, we reached the milestone of wind turbine no. 1,000. Today, our installed offshore wind capacity can cover 9.5 million people's annual power consumption.

By 2020, we expect to almost double our installed capacity relative to 2016 from 3.6GW to 6.7GW, exceeding our strategic target of 6.5GW for 2020. By 2025, our ambition is to have a total installed capacity of 11-12GW, equalling of around 30 million people's annual power consumption.

The increase in installed offshore wind capacity from 3.0GW in 2015 to 3.6GW in 2016 is attributable to Gode Wind 1 and Gode Wind 2 in Germany, which were commissioned in 2016.

Installed offshore wind capacity
GW

Equals annual power consumption
Million people



11-12	→ 2025 ambition	~30
3.6	→ 2016	9.5
1.7	→ 2012	4.5

Reducing the cost of offshore wind
02.

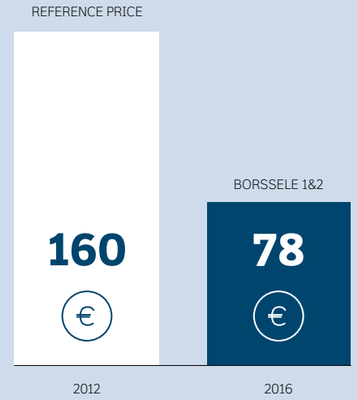
Corporate strategy

Cost is an important parameter in the competition with other energy technologies. Since 2012, we have reduced the price of offshore wind by around 50%, and we have thereby surpassed our target of reducing the costs by 35-40% in 2020. We maintain a strategic objective of continuously reducing the cost of electricity from offshore wind.

We reduce cost by applying a standard concept to our offshore wind farms. This leads to economies of scale. We also strive to increase the capacity of wind turbines and cables and reduce the volume of raw materials, eg in the foundations. At the same time, we constantly optimise our approach to procurement, installation and maintenance as well as financing.

In 2016, we won the right to build the two Dutch offshore wind farms Borssele 1 and 2 with our lowest tender price so far at 72.7EUR/MWh for 15 years. The stated levelised revenue of electricity over lifetime at 78EUR/MWh is a proxy for the cost of electricity from offshore wind. See also footnote 1 in chart on page 12.

Levelised revenue of electricity
EUR/MWh, 2016 prices



Greener power stations
03.

Corporate strategy

Coal is the energy source with the highest CO_2 emissions from incineration. Our target is to phase out coal completely from our power and heat production by 2023.

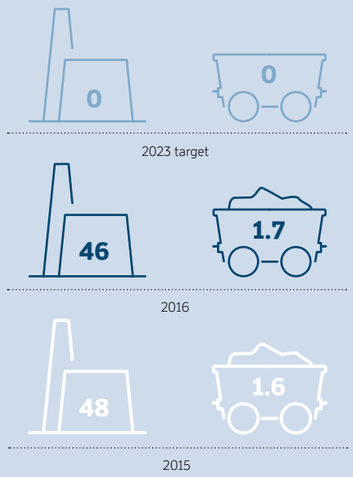
In 2016, we completed the conversions of unit 3 at Studstrup Power Station and unit 1 at Avedøre Power Station from coal to wood pellets. In 2017, we will complete the conversion of the Skærbæk Power Station from gas to wood chips. With the decision to phase out all use of coal towards 2023, we need to find a future solution for our last two coal-fired power stations: Asnæs Power Station and Esbjerg Power Station.

Our portfolio of power stations will be able to supply green district heating to the equivalent of around 930,000 Danes by 2019.

The completed conversions of power stations in 2016 increased the share of sustainable biomass in the power and heat production from our power stations and reduced the share of coal from 48% in 2015 to 46%. However, our total coal consumption increased from 1.6m tonnes in 2015 to 1.7m tonnes in 2016 due to a higher total power generation from our power stations.

Coal share of fuels in thermal power and heat generation
%

Coal consumption
Million tonnes



Modernising the grid
04.

Corporate strategy

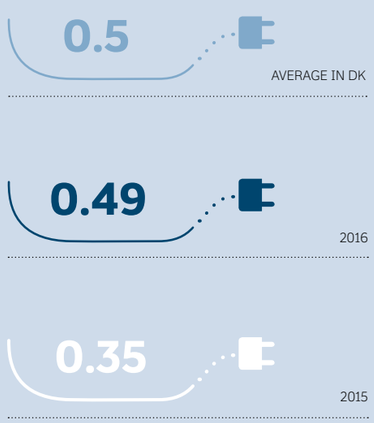
Denmark's security of supply is among the best in the world, so naturally our customers expect a reliable energy supply. This requires a smoothly functioning grid without interruptions. Our target is that our customers should experience no more power cuts than the average Danish electricity customer.

Our distribution company Radius maintains and develops the grid. In 2016, we implemented a new IT system to monitor the grid, enabling quick repair of technical problems.

Radius is also turning the grid into a greener and more intelligent energy system. Radius is looking into possible ways of storing energy and how we can contribute to moving energy consumption to periods with a high production of green energy.

The number of cable errors has increased in 2016, which has lead to more power outages compared to 2015. One of the causes was a high level of contruction and digging activities in Copenhagen, which the cables are sensitive to due to their age.

Security of supply
Power cuts per customer (SAIFI)



Customer satisfaction
05.

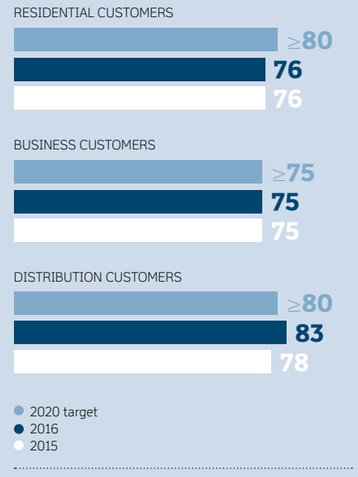
Corporate strategy

A high level of customer satisfaction is key to retaining existing customers and attracting new ones. Being our customer must be easy, and all customers must have a good experience dealing with us.

In 2016, we introduced new initiatives for our residential customers to ensure that all customers are treated in an open and competent manner. At the same time, we tailor communication and self-service solutions to the needs of individual customers. For our business customers, we aim at partnerships beyond just selling power and gas. We see a rising demand for solution-oriented green products, and we want to support that. I 2016, DONG Energy Eldistribution changed name to Radius. The new name makes it easier for our customers to distinguish between our sales company and our distribution company.

The increase in distribution customer satisfaction is affected by an adjustment of the method for following up on disruption of supply. In 2015, only customers who called the service centre regarding disruption of supply were asked about their satisfaction. In 2016, the target group has been expanded to be more representative for this customer group.

Satisfaction score
Scale 1-100



Climate and environment

Through the following programmes, we contribute to limiting climate change and preserving natural resources. We reduce our CO_2 emissions by building offshore wind farms and by replacing coal and gas with sustainable biomass at our power stations. And we help our customers save energy so they also emit less CO_2. Moreover, we need to respect nature when we produce energy. We have a responsibility to protect biodiversity and minimise our waste.

Green transformation
06.

Corporate strategy

As an energy company, we have a responsibility to reduce our CO_2 emissions.

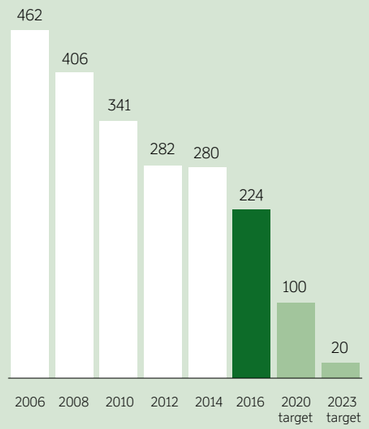
We have previously had a target of reducing the CO_2 emissions from our power and heat production by 60% in 2020 compared with 2006. We now raise the bar with a new reduction target of 100gCO_2e/kWh in 2020 and 20gCO_2e/kWh in 2023. Since 2006, that will be a reduction of 78% by 2020 and 96% by 2023.

We reduce CO_2 emissions by building offshore wind farms and converting our power stations from coal and gas to sustainable biomass.

In 2016, we participated for the first time in the Carbon Disclosure Project survey, as part of our climate reporting. We got a B score and are now aiming to improve it in 2017, eg by adjusting our emission calculation method to the standard in the Greenhouse Gas Protocol.

Our CO_2 emissions from heat and power generation were slightly higher in 2016 in comparison with 2015 where it amounted to 220gCO_2e/kWh. This is primarily due to larger electricity generation based on coal and gas at our power stations.

CO_2 emissions from power and heat generation
gCO_2e/kWh



Sourcing of certified biomass
07.

Read more:
dongenergy.com/biomass

Corporate strategy

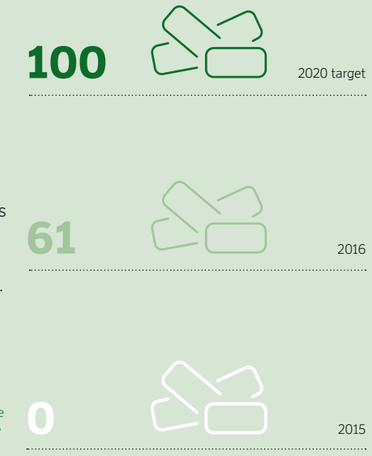
As we phase out coal from our Danish power stations, we increase the use of biomass. The biomass we use must be sustainable so that the incineration is CO_2 neutral and biodiversity is protected.

We have joined the Danish Industry Agreement on sourcing of sustainable biomass. In order to comply with the agreement, we document sustainability by means of certification, including the certification scheme Sustainable Biomass Partnership (SBP).

The agreement is phased in until 2019. By then, the target is that 90% of the sustainable biomass sourced for our power stations must be certified. At DONG Energy, we take a step further with a target to source 100% certified biomass by 2020.

Since the Danish industry agreement on sustainable biomass came into force on 1 August 2016, 61% of the biomass we have received has been certified sustainable. This is higher than the 40% for 2016 that the agreement requires.

Certified wood pellets and wood chips sourced
%



Energy savings
08.

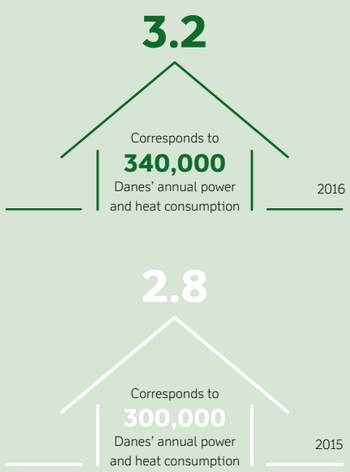
Our customers want a lower energy bill and a reduced carbon footprint. We have helped them with that since 2006.

We invite our business customers to join our climate partnership programme. Via specific energy-saving measures, we work with our customers to reduce their energy consumption.

As part of our 'Get a lower energy bill' project, we offer advice to private customers on how to save energy. The project involves a number of test families who provide us with insights on which energy savings initiatives work best for our private customers.

We have continued to prioritise achieving energy savings for our customers. This includes opening a new office in Aalborg and recruiting more energy efficiency advisors.

Accumulated energy savings at customers since 2006
TWh



Protecting biodiversity
09.

We operate our business respecting the surrounding environment and biodiversity.

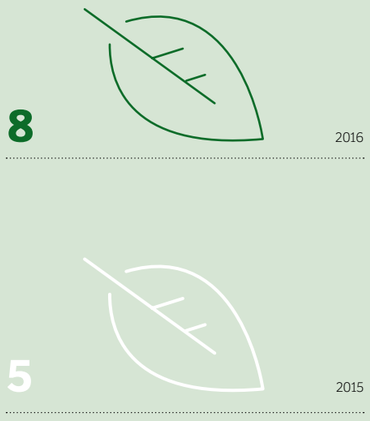
Our specialists conduct thorough environmental impact assessments before we construct new offshore wind farms or other installations. Based on data, we investigate the potential impact of our activities on animal species, populations and plants. And we take preventive measures if our findings prove the need.

We also monitor our operations. 97% of the sites we operate are ISO14001 certified. By the end of 2017, our target is to achieve this certification for all sites operated by us, including all our offices with more than 20 employees. The certification means that we assess our environmental risks and continuously implement improvements when necessary. If an accident occurs, we have procedures in place to remedy the situation.

Of the eight significant environmental incidents in 2016, three occurred in Bioenergy and Thermal Power compared to zero in 2015. The causes were fly ashes and spillage of oil products.

Policy:
dongenergy.com/QHSEpolicy

Significant environmental incidents
Number



Resource management
10.

Policy:
dongenergy.com/QHSEpolicy

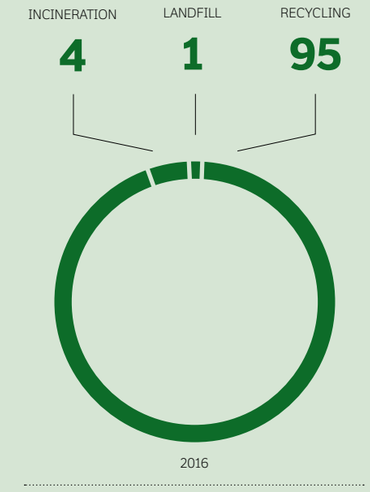
As a company, we are responsible for using natural resources as efficiently and responsibly as possible. This also makes good business sense.

For example, our engineers focus on reducing the resources used to construct new offshore wind farms. We also take measures to ensure that our own waste is recycled where possible.

We have developed a technology that enables recycling of organic household waste. A waste treatment plant based on our REnescience technology will be completed in the UK in the first half of 2017. REnescience turns household waste into fractions that can be used for green energy production or recycling.

The total amount of waste decreased from 2015 to 2016. There were no significant changes to the split between waste for recycling, incineration and landfill.

Waste management
%



People

Through the following programmes, we develop human resources. Most importantly, we need to ensure that every employee returns home safely every day. It is also important for us to sustain and develop a healthy and diverse working environment that promotes well-being. Good management needs to motivate and help our employees develop their competences.

Workplace safety
11.

Policy: dongenergy.com/QHSEpolicy Corporate strategy

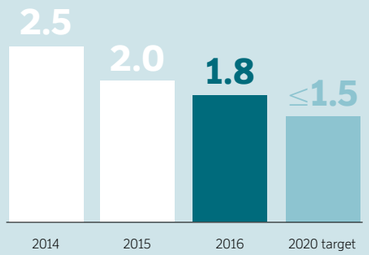
Whether our employees are installing wind turbines at sea or sitting in an office, they must return home safely.

Our target is to reduce accidents with absence to 1.5 per million working hours (LTIF) by 2020. We have continuously improved our LTIF from year to year and in 2016, we reached our best safety result ever with an LTIF at 1.8. We also have a constant objective of completely avoiding fatal accidents. We have not had a fatal accident since December 2012.

In our efforts to prevent accidents, we give priority to three areas: safety culture, safety systems and suppliers. In 2016, we conducted a safety culture survey among our employees and selected suppliers. We will use the survey to focus our efforts on the areas where we can expect the greatest effect.

Our LTIF decreased from 2.0 in 2015 to 1.8 in 2016. We have not had any fatalities since 2012. A great amount of our incidents are categorised as slips, trips, and/or falls, which we continously work to reduce.

Accidents with absence per million working hours
LTIF



Fatal accidents
Number

Employee health and well-being
12.

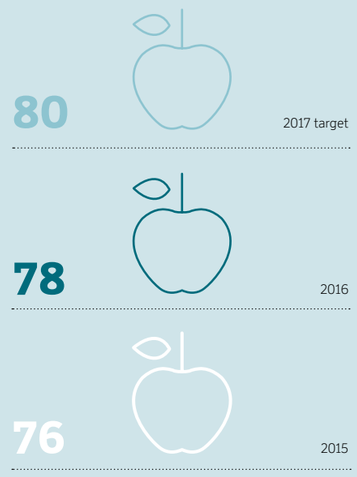
We want to contribute to creating a sustainable working life for our employees. We offer a range of health initiatives in the areas of exercise, nutrition and sleep.

Our target is that the health initiatives get a satisfaction score of 80 out of 100 in the annual employee survey in 2017.

In 2016, questions on stress was included in our annual employee survey for the first time. 8% of our employees responded that they felt quite much or very much stress. This is below the Danish average of 15%, but we can still do better. We therefore also developed a training programme for our managers on how to prevent and address stress among employees. The training programme will be implemented in 2017.

In 2016, we have introduced new health initiatives focusing on sleep and mental balance as well as the physical work environment. This has increased employee knowledge of and satisfaction with our health initiatives.

Satisfaction with health initiatives
Scale 0-100



Performance and development
13.

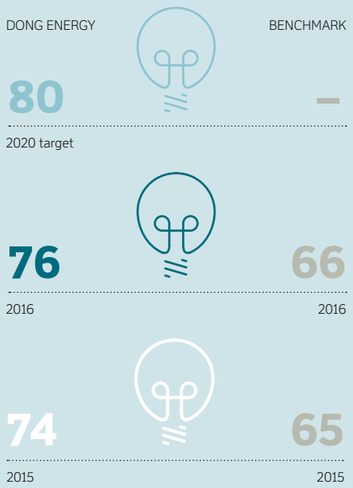
As a company, we depend on our ability to attract, develop and retain talented employees. We annually survey our employees' perception of opportunities for learning and development. Our target for 2020 is a satisfaction score of 80 out of 100 for learning and development.

In 2016, we decided that 20% of managers' bonuses should be based on their behaviour. Going forward, those managers receiving bonuses will therefore not only be rewarded for their results, but also for their leadership and interpersonal skills and their ability to act as a role model. By the new initiative, we wish to promote a working culture where results and well-being go hand in hand.

In order to support competence development, we have our own tailored training programmes for managers, specialists, project managers and talents.

Our employees were more satisfied with their learning and development in 2016 due to a stronger culture of mutual learning. Also employees experienced clearer development goals and more constructive feedback from colleagues.

Satisfaction with learning and development
Scale 0-100



Employee satisfaction and motivation
14.

If our employees are not satisfied and motivated, we cannot perform as well as we want to as a company. This prompts us to focus on creating a stimulating and positive working environment.

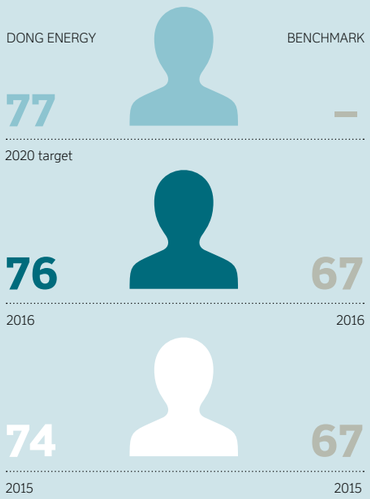
We measure employee satisfaction and motivation on an annual basis. Our target is a score of 77 out of 100 for employee satisfaction and motivation in 2020.

In each department, the manager follows up on the survey by preparing joint action plans and conducting individual development dialogues.

Our employees assess their job satisfaction every year. In 2016, they stated that they believe our reputation has improved significantly. This has had a positive effect on job satisfaction. Another contributing factor is that immediate managers are assessed very positively.

Corporate strategy

Employee satisfaction and motivation
Scale 0-100



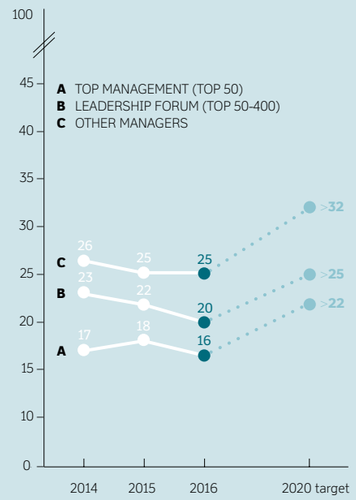
Employee diversity
15.

Diversity creates a dynamic, innovative and inspiring working environment. We focus on recruiting broadly and on offering all employees equal opportunities for development. We especially seek to appeal to women to attract more applications from them. We have a policy and targets for women in management on three different parameters: 'Top management' (top 50), 'Leadership Forum' (top 50-400) and 'Other managers'. With a share of women on the Board of Directors of three out of eight in 2016, we comply with the statutory requirement for equal distribution. We do therefore not state a further target for women on the Board.

In 2016, we conducted a survey to ascertain whether, among our employees, women and men perceive their opportunities for personal and professional development differently. The conclusion was that there was no significant difference.

The total number of women in management positions is unchanged from 2015 to 2016; however, the total management population has grown within the period, which has resulted in a small decline in the percentage of female managers.

Women in management
%



Communities

Through the following programmes, we support the relations to our stakeholders. We wish to contribute positively to the societies we are a part of, and naturally local communities expect our investments to generate growth and employment. We need to behave responsibly, and we want to make sure our business partners do the same.

Good business conduct
16.

Read more:
dongenergy.com/goodbusinessconduct
Policy:
dongenergy.com/goodbusinessconductpolicy

Good business conduct is a prerequisite for earning the trust of our customers, stakeholders and shareholders. We have ongoing measures aimed at maintaining an ethical company culture, such as training of all employees, management and the Board of Directors.

Our policy on good business conduct is the basis of our work. This policy manifests our zero tolerance of corruption, fraud and other types of improper business conduct. Control mechanisms ensure compliance with the policy. We have a Compliance Committee and an independent Internal Audit function that closely monitors the area. Employees and business partners can report serious concerns to our whistle-blower hotline. In addition, our employees should always feel free to approach their immediate manager in the event of grey areas for good business conduct.

In 2016, two cases were about conflicts of interest and one case about kickbacks from suppliers. The cases have had consequences for the employment of the implicated persons.

Substantiated whistle-blower cases
Number

Responsible business partners
17.

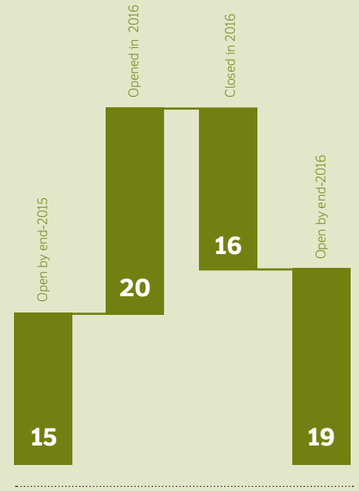
Read more:
dongenergy.com/responsiblepartners
Code of Conduct:
dongenergy.com/codeofconduct

We work with more than 22,000 suppliers and joint venture partners from all over the world. Some places have less strong practices for compliance with international standards for human and labour rights, the environment and anti-corruption, compared with Denmark. In those places, we help our partners live up to the international standards.

As a first step, business partners must always accept our Code of Conduct. We perform risk screening of contracts to identify the business partners we want to prioritise. We then assess in which areas of our Code they must improve, by means of questionnaire-based surveys or by visiting them. In the identified areas, we work together to prepare and implement an improvement plan.

In 2016 we closed one very significant improvement point concerning anti-corruption. We closed 15 significant improvement points: 14 due to satisfactory improvements by the business partner and one due to discontinuity of the commercial relationship.

Open and closed improvement points
Number



Local engagement
18.

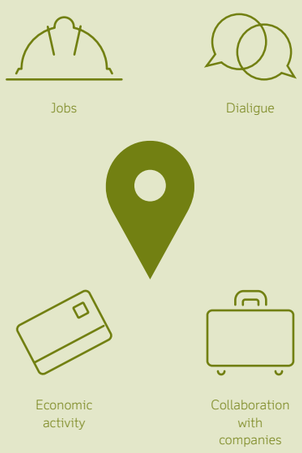
Policy:
dongenergy.com/localengagement

The local communities in which we are present expect us to show consideration for local residents and to contribute to growth and employment in the community.

We conduct public consultation processes where this is required and expected before we build new energy infrastructure in an area. Moreover, we are in dialogue with key local players, such as the local authorities, business organisations and NGOs. The dialogue continues for as long as we are present in the area. This enables us to keep tabs on developments and build relations of trust. It also enables us to prevent or address situations that would otherwise generate disagreement.

In 2017, we will establish common local engagement guidelines. This is particularly relevant now as we move into new markets in the US and in Taiwan.

How we engage locally



Responsible tax management
19.

Society is dependent on taxes in order to function. And as a company, we depend on social infrastructure, robust judicial systems and a well-educated workforce.

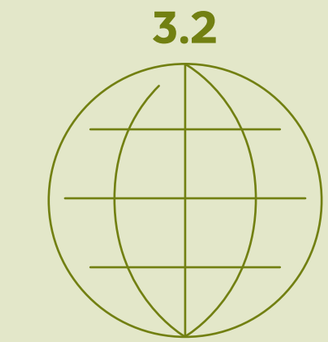
At DONG Energy, we have a policy for how we manage tax. We aim to always comply with the letter of the law as well as the legislators' intention with the law. At the same time, we have a close dialogue with stakeholders and other companies about what responsible tax management means for a company like ours.

We have implemented processes and systems to ensure that our internal invoicing complies with legislation. At the same time, relevant employees are trained in our tax policy, we comply with tax legislation in the markets where we operate, and we continuously assess tax-related risks.

Based on the results of the activities in Denmark and retaxation on the divestment of 50% of Race Bank and Burbo Bank Extension, we have paid DKK 3,182 million in taxes for 2016.

Policy:
dongenergy.com/taxpolicy

Global income tax paid in 2016
Billion DKK



Better reputation
20.

Corporate strategy

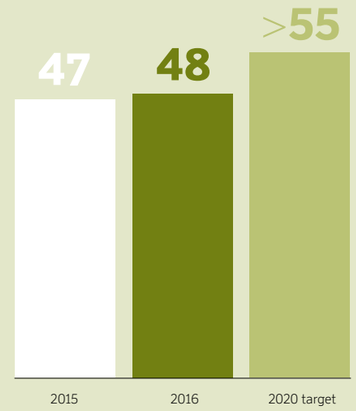
A good reputation is important for operating our business. We generally enjoy a good reputation in our international markets, whereas it is lower in Denmark. We want to change that. We want to show our stakeholders that we are a trustworthy company that adds value to society.

We have set a target for our reputation score among the Danish population of at least 55 out of 100 in 2020. We have identified four particularly important areas: We must ensure a high level of integrity in our business, continue the green transformation, help our customers save energy and be an attractive place to work.

We launched our 'Make Denmark greener' campaign in 2016. As part of this campaign, we invited the Danes on offshore wind safaris and toured the country with a virtual offshore wind safari experience to bring the Danes even closer to our work.

Our reputation is affected by indicators such as trust and influence on society. In connection with our IPO in June 2016, we saw a brief uptake of +2 points.

Reputation among the Danes
Scale 0-100



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