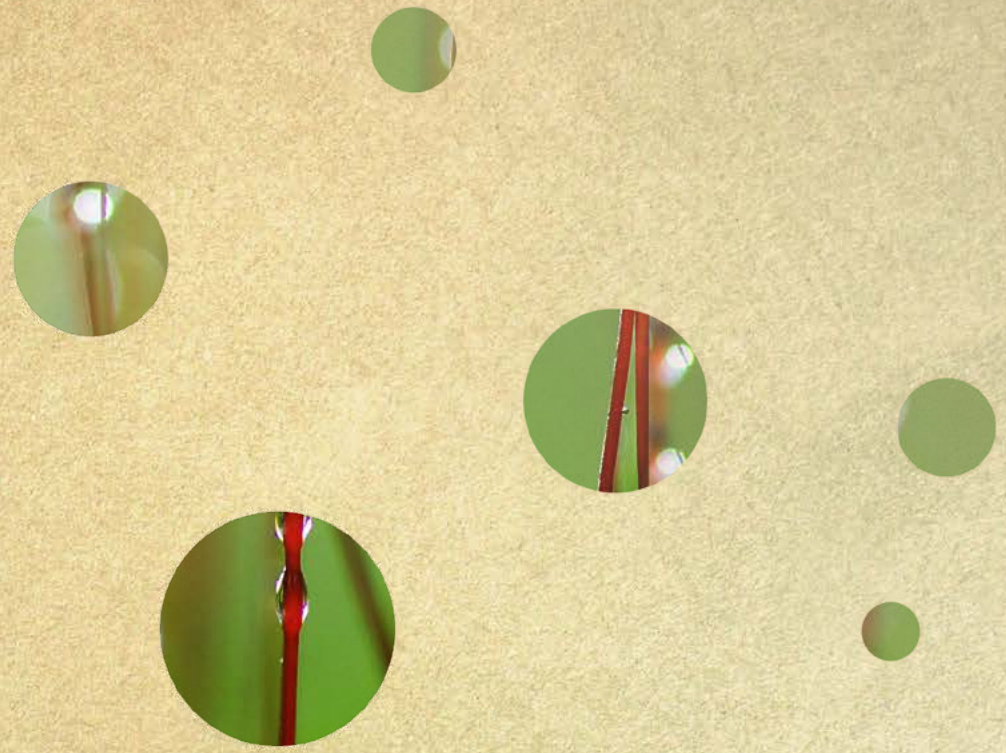
Corporate Social Responsibility 2012



Eesti Energia

vastutustundlik
ettevõte 2012

looduse
omnibuss
LOODUS ON KLUBI, LOODUS ON LUGU

Photographs submitted for the “Nature Photo of the Year 2012” competition organised by Eesti Energia and Looduse Omnibuss (Nature Omnibus) have been used throughout the report.

Eesti Energia supports Looduse Omnibuss.

roheline trükis ©Ecoprint

KESKKONNAMÄRGISTUS
441 799
Trükitoode

Photo: Peep Loorits

Dear reader

As with all energy production, there are environmental impacts related to the oil shale industry that cannot be ignored. What efforts have Eesti Energia made to decrease these impacts over the last year?

Making the process of producing electricity and heat from oil shale cleaner is clearly our responsibility. A significant step in this direction was the 108 million euro investment in desulphurisation devices at Narva Elektrijaamad (Narva Power Plants) last year. In 2012, the new technology enabled us to decrease the amount of sulphur dioxide emissions by more than two times and we can now say that electricity produced from oil shale in Estonia is cleaner than ever before.

This solution was developed with the help of our own engineers under the guidance of the power plant's technical director, Vladimir Olissov. In recognition Olissov was awarded the Order of the White Star (5th Class) by the President of the Republic of Estonia.

In addition to reducing sulphur emissions we also significantly reduced CO_2 and oil shale ash emissions: the partial replacement of oil shale with bio fuels in the combined heat and power unit at the Balti Power Plant furthered this development. Unfortunately, the planned change in the draft of the Electricity Market Act will not enable us to continue using biomass.

For us the last year was also the year of wind. Our renewable energy portfolio was supplemented by two large wind parks: we started to operate one new wind park on the Narva ash field with a total capacity of 39 MW, and another new wind park with a total capacity of 22.5 MW was completed in Paldiski. These powerful new wind parks enable us to avoid almost 200,000 tonnes of CO_2 emissions annually.

In order to reduce environmental impacts and to ensure the capacity of electricity production, investments must be made in the best technologies. In 2012, we began establishing a new generation oil shale powered plant in Auvere, which is more environmentally friendly.

Eesti Energia is one of the largest employers in Estonia. How do you perform this role in a responsible manner?

Occupational safety comes first. Eesti Energia makes constant efforts to achieve a safe working environment and ensure that our employees have passed the necessary training courses. Eesti Energia enterprises are production plants with one of the highest hazard risks in Estonia. Therefore, occupational accidents do happen — to err is human. It is important that we learn from these situations. Although our situation is good compared to other Estonian production plants, we make no concessions in the field of occupational safety: this is one of our highest priorities.

Issues involving the next generation of workers in the field of energy will already become critical in the coming years. Therefore, we need to focus on getting young people interested in energy. The field itself is captivating and has many opportunities. An important foundation here is provided through cooperation with educational institutions. For example, we encourage future key performers by granting scholarships: in 2012 we granted scholarships in the amount of 40,000 euros. As putting new knowledge into practice helps young people develop into specialists in the best possible manner, we are an active partner in supervising trainees for universities. Last year our

employees contributed by supervising almost 320 trainees. Over the last three years, 830 young people have been trained by our specialists. We hope that in the future many of them will become employees of Eesti Energia.

In order to raise a new generation of entrepreneurs, we have started a development programme for young people, ENTRUM, which over three seasons has already provided a launch platform for almost 1500 young people.

The key to sustainable operation is increasing the company's value both in the emotional and economic sense. In achieving this we are assisted by the core values we apply and follow — economically effective operations and locating new markets and products. In addition to all this we also contribute to developing our employees both through training and performance management.

Almost 75% of Eesti Energia's employees live in Ida-Virumaa. The largest investments in the field are also directed towards that region.

Yes, we have an exceptionally strong connection with Ida-Virumaa. It is our priority to encourage the development of this region. The major projects started in Ida-Virumaa are the basis for thousands of local jobs. Using the world-class technologies and developing the oil shale industry provides a safety net for the future of many families living in Ida-Virumaa. For young people it is important to know that tying their future to energy ensures a stable job and income.

A good example of cooperation with the local community is the use of the premises of the closed Aidu open-cast mine as a contemporary water sports centre. We will build a rowing canal and a leisure centre at Aidu with the potential to become one of the main attractions in the region. Through this we will give new life to a territory which would have otherwise remained unused, and promote local life.

Two years ago we decided to give Ida-Virumaa their very own recreational sports event: the Narva Energy Run. We did this for two reasons. Firstly, the health of Estonian people needs improving and a public sports event will help inspire people to do more sports. Secondly, it will enable us to introduce Ida-Virumaa: a place with beautiful nature and an interesting history. We are pleased that local people have welcomed the event and last season the number of participants increased by a third compared to the first year. As a charitable benefit of the Energy Run, an exercise station and pavilion have been built on the Narva health trail giving local people even more opportunities to be involved in recreational sport.

What is Eesti Energia's promise for 2013?

None of the aforementioned activities will be out of focus. We will continue achieving the set goals with maximum effort.

One of our focal priorities will definitely include cooperation with the people of Ida-Virumaa and the development of the region.

We will continue educating a generation of active young people: the new season of ENTRUM invites young people from Harju, Rapla, Järva and Lääne counties to participate in the activities of the coming academic year.

Ensuring sustainability is an on-going activity: we will contribute again this year to bring new people into the field of energy.

As for the environment, our aim is cleaner production. New, contemporary and clean production capacities will be added to our portfolio. The Iru waste energy unit will start to operate and an effective, bio fuel based combined heat and power plant will be completed in Paide. We will also contribute to the further decrease of sulphur emissions and begin to work towards cutting nitrogen emissions by half by 2016.

We will strive to be the best partner for our customers. We will dedicate more attention to saving energy. Last year we began actively informing children as well. Together with our colleagues we delivered lessons in schools so that children can already start to consider these issues. In addition to providing information, we also wish to advise our customers on energy efficiency in the best possible manner.

Sandor Liive
Chairman of the Board

Events and Recognition in the 2012 Financial Year

January

Narva Energy Run declared Ida-Virumaa county's Regional Sports Event of the Year for 2011, and the most outstanding sports event of the city of Narva.

Creation of a development fund for the workers of the Aidu quarry and the signing of a social benefits plan for the workers of the Narva Power Plants.

February

Launch of public awareness campaign for the opening of the electricity market.

Eesti Energia executives teach a course at Tallinn University of Technology: "Strategic Development of the Energy System".

March

Eesti Energia's youth program ENTRUM recognized as Civil Society Achievement of the Year.

Co-founding of the "Unistused ellu!" ("Making dreams come true!") youth entrepreneurship forum.

April

Nature Omnibus project recognizes the outstanding participants of the Nature Photo of the Year 2012 competition.

Baltic Power Plant completes biofuel feeding system.

May

Baltic Institute of Corporate Governance study declares Eesti Energia to be the best-governed entirely state-owned enterprise in the Baltics.

President Toomas Hendrik Ilves announces the best ENTRUM project.

Eesti Energia's Health Run and Health Walk series begins a new season with over 2000 participants.

June

Employer reputation survey finds that Eesti Energia is still the most preferred employer in Estonia.

Electrical safety campaign carried out.

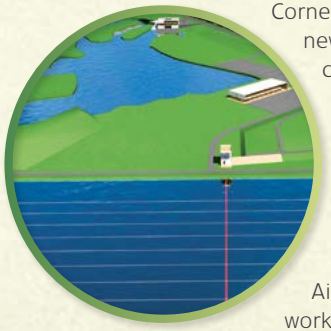
July

First wind turbine begins operating at Narva's Ash Field Wind Farm.

The underground part of the Kohtla mining park opens its doors to visitors, with support from Eesti Energia.

Elektrilevi distribution service launches a user-friendly SMS notification system for electrical outages across Estonia.

August



Cornerstone set on Paide's new environmentally friendly combined heat and power plant.

Narva Energy Run brings together over 3000 health enthusiasts, big and small.

Aidu quarry closes down, work starts on conversion of strip-mined area into a water sports center.

September

Eesti Energia receives the title of Most Competitive Industrial and Energy Company.

Eesti Energia is the first electricity seller to start signing open market electricity contracts.

Narva Power Plants reduce the sulfur emissions more than two times since the start of the year.

October

Customer service study finds that customer satisfaction has grown from 56% to 70% in a year.

New season of ENTRUM features 500 young people and 100 volunteer mentors.

First combined heat and power plant outside Estonia opens in Valka (Latvia).

November

Eesti Energia employees host school lessons on saving energy for over 600 children.

Waste Reduction Week is held, raising environmental awareness among employees.

December

"Eesti Terviserajad" ("Estonian Health Trails") receives International Olympic Committee award. We were one of the initiators of the development project.

Eesti Energia receives silver badge of quality at the Responsible Company 2012 competition.

We are the co-founders of the Corporate Social Responsibility forum.

More events in the 2012 annual statement.

Photo: Robert Jakob Oetjen
2. place in category „Youth – animals"

"Don't count your chickens before they hatch."

Estonian proverb

In Brief

Eesti Energia is an international energy company operating in the unified energy market of the Baltic and Nordic countries. 100% of the shares of Eesti Energia are owned by the Republic of Estonia.

Eesti Energia sells its customers electricity, network services, liquid fuels and other related products. Internationally, we operate under the name of Enefit. Our unique experience in processing oil shale and our skills and technology are held in high regard around the world. Oil shale resource belonging to Eesti Energia in Estonia, Jordan and the US are estimated at 11 billion tonnes. With over 7,500 employees, Eesti Energia is one of the largest employers in Estonia.

REVENUES

868.5 million euros

+1.3%

EBITDA

278.4 million euros

+5.0%

NET PROFIT

76.9 million euros

-48.5%

INVESTMENTS

513.5 million euros

+1.12%

CREDIT RATING

BBB+/Baa1

stable / negative* outlook

SALES OF ELECTRICITY

10.0 TWh

-6.4%

SALES OF NETWORK SERVICES

6.4 TWh

+3.2%

SALES OF LIQUID FUELS

189.2 th t

+15.3%

* Updated in January 2013

Photo: Anete Mootse

"A strong beginning is a half the victory."

Estonian proverb

Strategy

Eesti Energia operates in the converging Baltic and Nordic energy market. Our knowledge and skills of processing oil shale are held in high regard around the world.

Our success rests on a careful balance between providing the local distribution network service in Estonia, selling generated power in the regional electricity market and producing oil for global liquid fuel market. We work constantly to develop electricity generation and liquid fuel production projects. We also aim to improve the technology for shale oil production and the services related to the abovementioned products, paying special attention to improving the efficiency of services and product profitability. The unified management of businesses with different risks allows us to grow faster and create more value for our shareholder.

We work in an open and responsible manner.

Our highest priority is meeting environmental and safety requirements. We consider the interests of the communities affected by our activities and take responsibility for the development of the local energy industry.

Vision

We are the largest oil shale-to-energy company in the world and offer new energy solutions in the Baltic Sea region

Mission

All our energy for clients´ benefit

Distribution Network

The quality of the distribution network services provided by Elektrilevi has to develop alongside the expectations of our customers and the regulator. At the centre of our strategy is finding an appropriate balance between ever more rapidly developing technology, the ever higher expectations of our customers, the long life cycle of our network assets and our large-scale capital needs.

Our biggest challenge is improving the resistance of the distribution network to stormy weather conditions, its 100% change to the smart meter reading system by 2017 and improving network efficiency. Elektrilevi guarantees equal access to network services for all the market participants at any time and ensures meeting the quality requirements set forth by the regulator.

In the next several years we will be investing all of Elektrilevi's operating profit in the development of its distribution network, which will increase the size of the regulated asset base.

Electricity

Eesti Energia has enough generation capacity in the regional electricity market to cover all of Estonia's electricity consumption at a minimum, thus helping to ensure energy security of the country. We support the regional electricity market deregulation. We have rented our share of the Estlink 1 electricity cable between Estonia and Finland out to the Nord Pool Spot power exchange. We also actively support maximising the usage of transmission lines in the Baltic states.

We are an active and responsible participant in the power exchanges.

We make changes in our generation portfolio to match the European Union's energy, climate and environmental policies and the demands of competition in the regional electricity market. We do this by making maximum use of the potential of our current generation capacity and diversifying the fuel used at power plants while making sure that we meet all the environmental requirements that are becoming stricter.

We have significantly increased the CO_2-neutral generation capacity in the Baltic states.

We also develop distributed generation of electricity and heat in CHP plants and wind parks. Each individual investment decision is taken carefully with due consideration to the legislative environment and the electricity market.

Our greatest challenge is to ensure the return on new investments needed to decrease the CO_2 emissions, where there is extensive underused generation capacity in the Baltic states, the climate policy of the European Union is not functioning as it was initially supposed to, and we have to fight off competition from a number of electricity suppliers from beyond the borders of the European Union.

We are a client service organisation providing energy products as well asenergy saving solutions to our clients. By selling electricity to end-users in Estonia, Latvia and Lithuania we expect to maintain the market share that corresponds to our electricity generating assets over the long term.

Liquid Fuels

Eesti Energia's strategy is founded on extracting value from oil shale reserves and developing the technology needed to do that. We study underground oil shale resources around the world, strive for obtaining mining rights and are working on oil shale development projects. We also aim to license our oil shale technology for others to use and manufacture critical parts for the technology. The greatest potential for growth in value lies in proving that the development of oil shale deposits will be technically and economically feasible (resources to reserves) and thereafter converting the right to use the deposits into operational production facilities.

We have developed Enefit technology, the world's leading technology for producing liquid fuels from oil shale.

Enefit technology is an efficient industrial process, which uses all of the oil shale that is mined, including the fine particles. Operational oil shale to liquid fuels industry in Estonia will demonstrate to the international market that Enefit technology is essentially efficient and environmentally safe. Our strategic cooperation with Outotec, an engineering company, ensures that the peculiarities of various types of oil shale and the local environment are considered in the process of developing and introducing new technological solutions.

We have mining rights in Estonia, Jordan and the USA. In Estonia, we use the oil shale resources to ensure national energy security, whereas outside Estonia we cooperate with other investors and partners to develop the production of liquid fuels and electricity from oil shale.

Efficiency

To achieve our goals, we pay special attention to increasing efficiency and therefore implement special programmes covering the entire group. We give the highest priority to increasing personnel efficiency, so that labour productivity increases faster than the company's labour costs.

Secondly, we focus on neutralising the impact of increasing environmental charges on Eesti Energia. We strive for turning an increasing share of the of energy generation leftovers into a variety of marketable products, thereby reducing the environmental costs of the Group.

Photo: Kalle Põldmägi

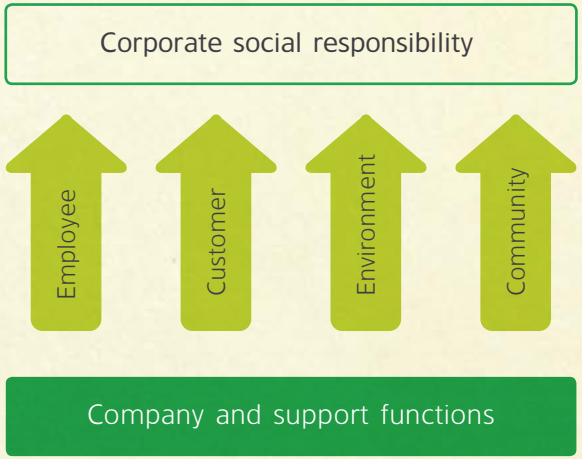
“Prudence is the mother of wisdom.”

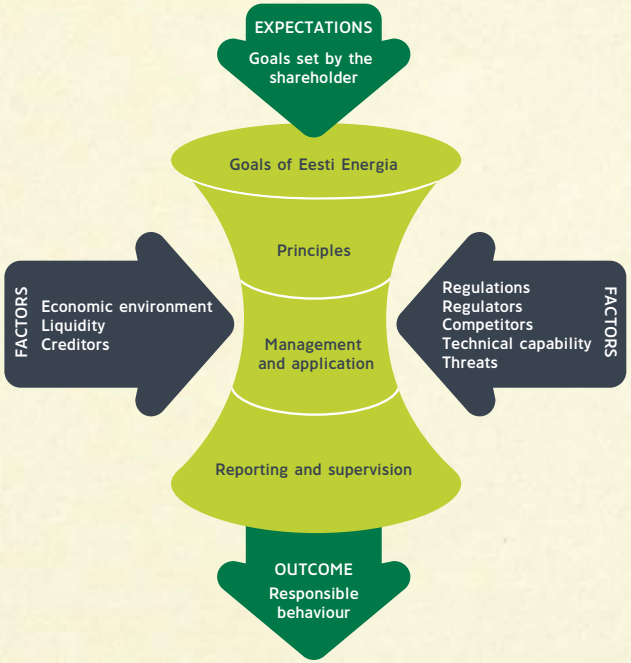
Estonian proverb

Corporate Social Responsibility, Corporate Governance and Risk Management

Social responsibility is one of the key prerequisites for the achievement of Eesti Energia's business objectives. Business sustainability requires profit, and consistent profits require responsibility towards people, environment and society. However, social responsibility goals can only be attained provided that the structure of the company and the functions used to manage and support its operations are right.

Eesti Energia Group's governance model interlinks the company, its underlying operating principles and the way they are applied.





We set our social responsibility goals in four categories on the basis of certain operating principles: the employee, customer, environment and community. Our company operates in the sphere that is under tighter regulation than many others, so we aim for social responsibility that is in line with the strategic goals approved by the shareholder, i.e. the Republic of Estonia. We focus on keywords such as investment needs, development, efficiency and conformity with all regulations.

The outcomes of our activities are directly connected to what is expected from us. We have implemented internal processes on various levels to measure and recognise these expectations in our daily work. This corporate social responsibility report describes the most important of the processes, explains how they function and reviews the results achieved in 2012.

Principles

Our principles of social responsibility can be described on two levels. The first level comprises our values and code of ethics, and the second level contains processes, i.e. how the organization operates and it's activity.

Our code of ethics combines the functions of an internal document meant for our employees and a set of regulations for our contractual partners whom we expect to adhere to the same principles:

- all of our transactions are legal because our company is honest and trustworthy,
- we use our employer's or company's assets wisely and sparingly,
- we care about people – customers, partners, applicants, colleagues and also competitors – and treat them with politeness, attention and respect,
- we avoid such relationships with the public, customers, partners, competitors and colleagues that could be regarded as affecting our impartial judgement (conflict of interest),
- in our activities we do not go into competition with the employer; nor does our commercial activity result in the employer's financial losses,
- we all honour our code of ethics and make sure it is observed.

Responsible Business 2012

Eesti Energia received silver badge of quality at the Responsible Company Index.

"Each year, the corporate responsibility quality label is awarded to companies based on the results of the Estonian Corporate Responsibility Index. Our aim is to recognise the efforts of such companies in promoting corporate responsibility, and to encourage them to take a more deliberate approach to this. The results of the CR index reflect the outstanding performance of these companies, taking into account the reality of Estonian life. The companies awarded with the quality label have done good work; however, we believe that they can perform even better when looking for new and more efficient solutions."

Marko Siller
CEO of Responsible Business Forum

Our Values

Entrepreneurial spirit

Achiever of the Year 2012:
Janis Bethers (Latvia)

Teamwork

Achievers of the Year 2012:
(from left) Katrin Tamsar,
Katriin Loorents,
Krista Tammäe,
Erkki Lindepuu

Responsibility

Expertise

Achiever of the Year 2012,
honorary award:

Viktor Dobrovolskihh

Achievers
of the Year 2012:

**Jelena Obolonskaja,
Aleksandr Mosnikov**

Photo: Peep Loorits

- Energy Sales
- Sales and Customer Service
- Energy Trading
- Iru Power Plant
- Renewable Energy and CHP
- Nuclear Power
- Electric Works
- Central Functions

Owned 100% by Eesti Energia AS

Owned 100% by Eesti Energia AS subsidiary

Joint venture supported by Eesti Energia's corporate governance

Minority interests

Corporate Governance

The underlying principle of our activity which also determines our risk readiness is conformity with the regulations that apply to our activity. Provided that we follow this principle, we can go on to develop social responsibility.

The prerequisites and foundation for lawful activity are provided by a simple and consistent structure of the Group which allows us to set goals logically as well as achieve and measure results.

General Meeting

All the shares of Eesti Energia are owned by the Republic of Estonia. Shareholder rights are exercised by the Ministry of Economic Affairs and Communications, represented by the Minister of Economic Affairs and Communications at the shareholders' general meeting.

From the point of view of corporate social responsibility, the key role is played by the general meeting that determines the most important goals of our activity as the shareholder. Our goals need to be balanced because our company is the one of largest Estonian employers, investors and representatives of a sector that greatly influences the general state of the economy.

Supervisory Board

The primary functions of the Supervisory Board are to enforce the strategy agreed at the General Meeting, to approve major strategic and tactical decisions and to direct and supervise the work of the Management Board of the Group. The Supervisory Board has eight members, whose activities are listed in the Supervisory Board's rules of procedure, and the expectations for the members are set forth in the State Assets Act. An overview of the Supervisory Board members, their rights, participation in the work of the Supervisory Board, remuneration and the decisions made within the financial year is provided in the Group's annual report and on its website.


Jüri Käo
Chairman of the Supervisory Board

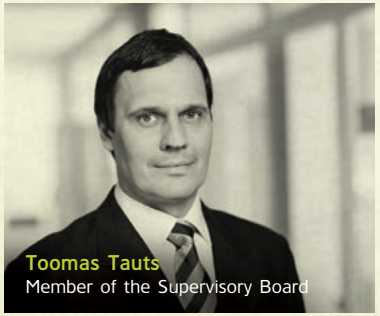

Meelis Atonen
Member of the Supervisory Board


Rein Kilk
Member of the Supervisory Board


Märt Vooglaid
Member of the Supervisory Board


Kalle Palling
Member of the Supervisory Board


Andres Saame
Member of the Supervisory Board


Toomas Tauts
Member of the Supervisory Board


Toomas Luman
Member of the Supervisory Board

Management Board

Eesti Energia's Management Board, consisting of five members, is responsible for operational management. The members of the Management Board are appointed by the Supervisory Board, and the Chairman is appointed separately. The Chairman of the Management Board also fulfils the role of Managing Director or CEO. The areas of responsibility of the Management Board members cover our three business divisions, financial management and operational management. The Management Board's main and common goal is to put the strategy approved by the shareholder into practice.

Supervisory Boards of Subsidiaries

The management of the Eesti Energia Group's subsidiaries is the responsibility of the CEOs or management boards of the subsidiaries. Their supervisory boards are generally comprised of members of the Eesti Energia Management Board. Additionally, daily

Sandor Liive
Chairman of the Management Board and CEO

Margus Kaasik
Member of the Management Board, CFO

Margus Rink
Member of the Management Board,
Head of the Retail Business division

Raine Pajo
Member of the Management Board, Head of the Electricity and Heat Generation division

Harri Mikk
Member of the Management Board,
Head of the Minerals, Oil and Biofuels division
Expiration of term: 31. detsember 2012

"According to a study by the Baltic Institute of Corporate Governance (BICG), Eesti Energia is a state-owned company with the best governance practices in the Baltics."

"Strong performance of public undertakings is vital for the well-being of the entire economy. Good governance forms the basis for productive and sustainable management of any company. The extensive study carried out by BICG lists Eesti Energia as one of the top-ranking companies in its peer group that practices good corporate governance — it's a respectable position. However, there is still room for improvement with regards to further development of the governance practices of Estonian companies."

Erkki Raasuke
Advisor to the Minister, Ministry of Economic Affairs and Communications

management is organised through business division management groups which ensure the synergy between closely connected subsidiaries that coordinate interlinked business processes.

Clear and Declared Principles of Management

To achieve our goals, we have established unified principles of management that facilitate multi-directional exchange of information. It is important that these principles are integrated, unambiguous and simple to understand. The Group's Management Board is responsible for the wording, development and implementation of these principles.

The results focused goal setting is used throughout the Group including all processes and management levels up to each and every employee. The Group management accounting department sets common assumptions and scenarios. The Management Board sets and approves the targets within the Group. Responsibility for achieving goals lies with each employee.

Business Divisions

Business divisions are the groups that bring companies together. Each division is run by a management group which comprises the head of the division, who is a member of the Management Board of Eesti Energia, members of the Management Boards of the subsidiaries and experts where needed.

Support Services

The support services that are run at Group level to help us achieve our business goals are:

- strategy,
- human resources and training,
- environment safety management,
- real estate and transport management,
- fire safety, emergency rescue and security services,
- treasury, accounting and management accounting,
- it management and development,
- legal services,
- communications and marketing,
- risk management and internal audit.

Agreed Reporting Principles and Supervision

Sufficient and timely information is the basis of top-quality management decisions. It is important that reporting is factual and forward-looking, allowing the best information to be used to avoid risks being realised and to turn them instead into opportunities and competitive advantage.

The Group's reporting consists of two parts: a) financial reporting, and b) management reporting, which also covers corporate social responsibility indicators

Financial reporting mainly focuses on the financial results of the various divisions of the Group. We release information that is significant and of public interest to the media and Eurobond investors. Please see our annual report and website for detailed information.

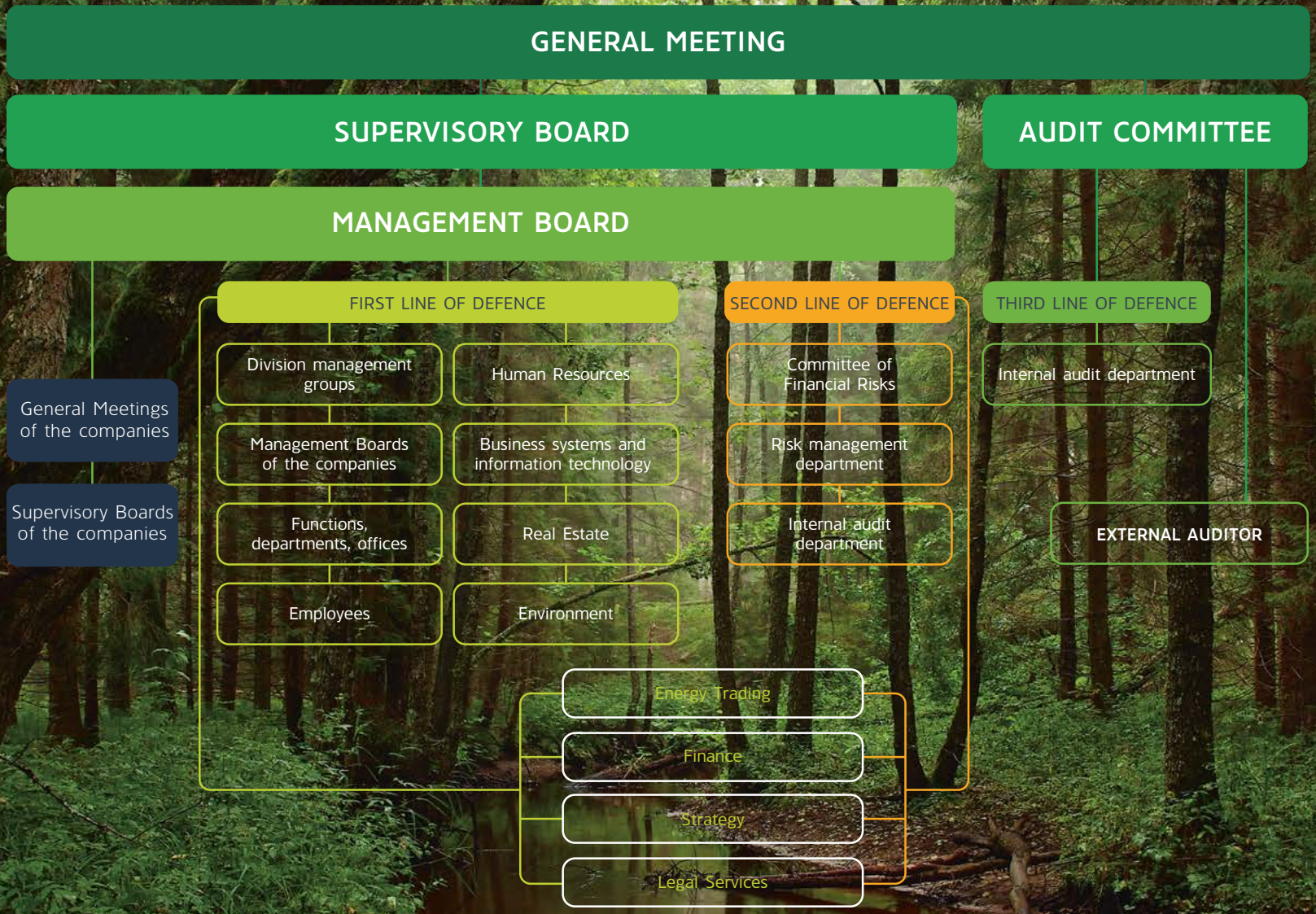
Management reporting is mainly used internally within the Group. We distinguish between the performance-based reporting focusing on the company results, and project-based reporting, which analyses on implementation of investments and development. We regard measuring social responsibility as a requirement for our business activity and an essential principle of decision-making.

In 2012 we invested in the development of reporting to make it even more trustworthy. Management reporting is the responsibility of the management accounting department.

Effective Supervision

Eesti Energia Group has implemented multi-level and balanced supervision system, which focuses on the most serious risks. We adapt our activities to the information about the risks to be proactive in helping the Group as much as possible in achieving its goals whereas we keep both the reporting and supervision focused on the priorities of corporate

Photo: Ireen Trummer



social responsibility. Supervision is the responsibility of services such as the Audit Committee, the internal audit department, external auditors, the internal audit service and the risk management department.

The primary function of the Audit Committee is to provide consultations to the Supervisory Board on issues related to supervision. The Committee reviews and monitors (a) adherence to accounting policies; (b) the preparation and approval of the financial budget and statements; (c) the sufficiency and efficacy of the external audit; (d) the development and functioning of the internal audit system, including risk management; and (e) the legality of the company's activities. The Committee participates in ensuring the independence of the external audit and in planning and evaluating the internal audit. The internal audit function of the Group allows the Audit Committee to get any information about subsidiaries that it needs for its analyses.

The number of committee members is decided by the Eesti Energia Supervisory Board, which also nominates the chairman. The members of the Audit Committee are listed in annual report and on our website.

Our financial audit is based on the International Standards on Auditing, and our internal audit is based on the internal audit standards of the International Professional Practices Framework. The role of the internal audit department is to contribute to improving the internal control environment, risk management and the business management culture.

To prevent conflict of interest or fraud, we have developed a plan of action on the basis of the Group's fraud risk management strategy, and observing this plan is the responsibility of the internal audit service. Prevention and detection are expected to prevent losses of income and profit, customer dissatisfaction, loss of customers, damage to reputation, and the theft of business secrets, and to guard against the misuse of insider information and the manipulation of information. Employees can use channels that ensure confidentiality, including the voicemail and e-mail of an independent law firm, to report violations or instances of unethical behaviour.

To prevent employees' conflicts of interests, we use a system for reporting economic interests. Employees who may develop a conflict of interest in the course of their work declare their economic interests and confirm their independence through regular self-assessments.

The handling of insider information is subject to requirements as the Group has issued Eurobonds listed on the London Stock Exchange. Proper handling of insider information is important to protect the interests of bondholders and ensure the fair trading of bonds. All bondholders and potential

investors must have access to significant information on the Group in a timely, consistent manner and on equal conditions.

It is inevitable that at certain times, due to their position, some people connected with Eesti Energia will have more information about the Group than investors and the public. To prevent the misuse of such information, we have established procedures to protect insider information.

There were no cases of the misuse of insider information in 2012.

Risk Management Supports Goal Achievement

Risk Management as a Part of Supervision

Risk management at Eesti Energia is based on the Group's unified risk management principles. Each company in the Group must ensure that risks are managed on an ongoing basis, and that they do not jeopardise achievement of the company's goals. Taking risks is a normal part of business, but there should be certainty that each unit can continue to carry out its functions sustainably, should the risks materialise. In other words, the Group must not incur losses that exceed the limits of its risk tolerance.

Risk reports are submitted to the division management groups, the Group's Management Board and the Audit Committee twice a year. If necessary, the report is first presented to the Eesti Energia Supervisory Board. The risk report is a key input in the planning of internal audit activities.

Risk Management as a Part of Governance

The responsibility for risk management at Eesti Energia lies with each employee within the scope of his or her work. We have been purposefully developing risk management as a separate function since 2006. We distinguish two key aspects of risk management: a) risk appetite; and b) conscious activity on the basis of the Group's risk tolerance and capacity (the so-called specified risk readiness that we take into consideration).

We implement internationally recognised best practices of risk management to ensure risk tolerance and capacity, and we have used them for a model on the basis of our common established risk management categories. In turn, we have used the model to develop specific strategies and guidelines.

The model represents the risk profile of the whole Group, but it can also be used as a risk profile of a subsidiary or a development project. We use the risk profile to weigh our risks and risk readiness. We can use the following categories to represent Eesti Energia Group's risk readiness:

To measure the performance of our risk management and make it more efficient, we have determined the principle for ensuring the Group's value. We use the Group's risk categories to set goals whereas the achievement of our goals must not exceed our risk tolerance, which ensures sustainability and profit for the Group. The risk management model features top-level process components such as risk management governance, risk assessment and risk handling.

We have distributed risks and our risk readiness into five major categories, and we use the operations and strategies customised for the specific group to manage those risks:

BUSINESS RISKS

Identification	Assessment	Management	Summary
The identification of these risks is performed regularly by our business managers, product managers and legal advisors. Numerous business risks are associated with regulatory environment, and therefore we regard them as external risks.	The assessment of these risks is based on the levels of uncertainty.	We use the measures of the compliance process to manage these risks: identifying changes in regulations, participating in the development of such changes, implementing the changes within the organisation, ongoing compliance monitoring, identifying cases of non-compliance and working with them.	The most important change for us in the financial year 2012 was the closer monitoring of the conditions and regulations that affect business risk management. As far as Estonian regulations are concerned, the most attention was paid to the changes in legislation concerning the restrictions applied to the renewable energy generation subsidies as well as the Electricity Market Act and the Network Regulation that regulate the electricity market opening for retail customers from 1 January 2013.

MARKET RISKS

Identification	Assessment	Management	Summary
Market risks include the risks associated with electricity, oil and CO_2 emission allowance prices as well as exchange rate and interest rate changes. As we add new business activities, we always assess the probability of additional market risks.	The assessment of these risks is based on weighing various risk positions against our risk tolerance.	Risk management strategies vary depending on the risk position and the market. We also take the goals of the Group into consideration in managing these risks. One of the essential goals of market risk management is profit maximization.	As the result of the ongoing activities of the Energy Trading department, the Finance department and the Committee of Financial Risks, a crucial contribution was made to hedging market risk for future periods for us to achieve the expected profit set forth by the management strategy.

FINANCIAL RISKS

Identification	Assessment	Management	Summary
Financial risks include the credit risk and liquidity risk associated with our risk profile. As we add new business activities, we always assess the probability of new additional risks.	The assessment of these risks is based on weighing various risk positions against our risk tolerance.	Risk management strategies vary depending on the risk position, credit ratings and the limits applied to us by our creditors. Earning profit is never a goal of taking these risks.	There were no major changes in the management of these risks in the past financial year. The activities of the Finance department and the Committee of Financial Risks still aimed to assess the risks in more detail and to find better strategies for a more informed management of these risks. We found it crucial to keep our financing opportunities versatile and competitive and to diversify risks associated with partners.

OPERATIONAL RISKS

Identification	Assessment	Management	Summary
Identifying these risks is a regular task of almost all the employees of our organisation. We realise that reaching each and every employee to increase risk management awareness is not easy, so we have created intermediate levels of process owners who play an important role in the identification and management of operational risks.	Risk assessment categories have been unified throughout the Group and are based on the goals influenced by the risks and the extent of their influence.	Risk management measures include control and risk hedging measures on the levels of various processes. We use insurance to hedge major risks that can affect our risk tolerance.	Our risk management focuses on ongoing large-scale implementation of safety standards and regulations at all production stages. In addition to ensuring compliance, we manage other risks that can pose a threat to us achieving the goals of the organisation or separate processes. We also focus on the management of every possible risk that endangers the adequacy of performance values and indicators and use insurance to hedge major risks.

PROJECT RISKS

Identification	Assessment	Management	Summary
Experts who participate in the preparation, development and implementation of the Group's new development and investment projects identify these risks. We have systematically implemented individual processes and operating principles for that purpose.	The assessment of these risks is partly covered by the assessment of operational risks, but it is wider as we must take into consideration all the other risk categories. The categories we use to assess these risks depend on their influence on our goals.	To manage these risks, we mainly use systematic monitoring and planning of our activities so that we can minimise the impact of the risks and increase the profitability of our projects.	In managing these risks we mainly focused on analysing the risks associated with each stage of a particular project and taking the impact of the risks into consideration in the assessment of the project risk-return analysis. We have also organised regular reporting to the Management Board and the Supervisory Board to provide the management levels with the latest information.


Photo: Priit Öövel
“Hard work brings its own reward.”
Estonian proverb

Employee

We value people the most, employees and customers alike. We believe it is important for us to have competent, customer-oriented and motivated employees who share the company's core values. Feedback from our employees shows that working for Eesti Energia offers professional challenges, opportunities for development and a safe work environment. Success requires sustainability, so we focus on long-term human resource planning, personnel development and creating a reserve of future talent.

The Most Preferred and Prestigious Employer in Estonia

The results of the annual surveys held by the CV Keskus and CV-Online job portals in 2012 show Eesti Energia to be the most preferred employer.

The respondents mainly stated the company's trustworthiness and development opportunities as the reason for their choice.

The employer reputation research conducted by the research company TNS Emor in 2012 found Eesti Energia to be the most prestigious employer.

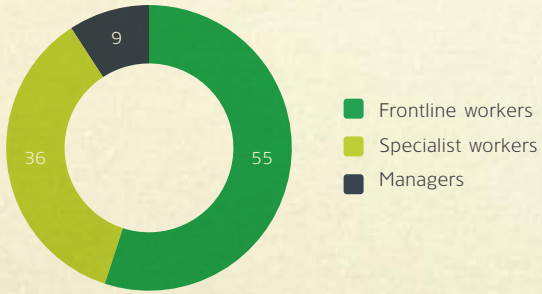
The respondents noted such strengths as the company's success in its area of operations and competitive salary as well as development and training opportunities.

Eesti Energia as Employer

We place great importance on employing experts now and in the future. We appreciate our employees and make sure we treat them with dignity and fairness and invest in employee development.

- Eesti Energia has 7,560 employees (as on 31 December 2012);
- We are located all over Estonia, incl. 74% in Ida-Virumaa. Altoghter 50 employees work abroad, incl. Latvia, Lithuania, Germany, Jordan and the US;
- Average age is 48 and length of employment is 13,8 years;
- Working languages are Estonian and Russian, in addition English is used.

Classification by Occupation Profile (%)



The core values shared by all the company employees are expertise, enterprising spirit, responsibility and teamwork. To make our values something more substantial than just words, we go the extra mile and pay more and more attention to value management. We use a competency model for managers and specialist workers to associate employee evaluations and the company's salary and promotion system with our core values. The competency model helps all employees interpret our core values for their work and assess their actions from the point of view of the company's core values.

All our employees rely on our code of ethics in their everyday work, which helps them make the right decisions even in the most challenging situations. Code of ethics is presented on page 21.

Our voluntary labour turnover is 2.1%.

Human Resources Planning

The latest population census of 2012 documented the fact: the population in Estonia is ageing and decreasing at a staggering pace. Finding enough employees has become one of the most challenging issues of the following ten years for Eesti Energia. Almost a third of our employees will have reached retirement in 10 years and will most likely stop working. The businesses that have the greatest need

for a new generation of workers are mining operations and the rapidly expanding production of liquid fuels. There is a shortage of engineers and other specialist workers everywhere, but it is especially severe in the Ida-Virumaa region.

We plan our human resources and contribute to our employees' growth to promote sustainable development. The issues of career and the next generation of workers receive much more attention than before in the process of employee evaluation. We promote employees' movement within the organisation to foster their development. When a vacancy is publicly advertised, we also start an internal recruitment procedure, and we make our recruiting choice on the basis of the applicant's professional competence, personality traits, motivation and compliance with our values regardless of whether we decide in favour of someone within the company or from outside.

To strengthen our competitive position among employers in the future, we need to know the expectation of our potential workers today. We try to make our company attractive to our future employees as early as possibly by awarding scholarships and providing internship opportunities. Keeping the above in mind, we believe it is important that our organisation culture be supportive to employees of various age groups.

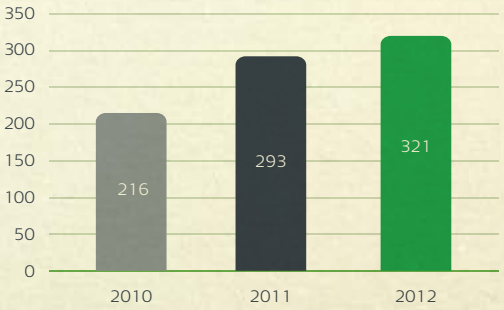
Future Employees and Working with the Next Generation

We have more than 750 employees aged 60 or older. By 2016 their number will have increased to 1,600, which means that we need to recruit 2,000 new people in the years immediately ahead.

We aim to make energy-related careers more attractive to young people, so we make effort to contribute to the future development of power engineering and secure a new generation of qualified specialists. The activities of creating a reserve of future talent are presented on page 72.

Our companies provide internship opportunities for about 300 young people each year. To create a stronger bond between our Group and young people, we offer interns an opportunity to take part of programmes that we have developed specially for interns.

Interns in Eesti Energia



"What surprised me in the most pleasant way during all the months of my traineeship was the feeling cultivated by company staff that we were valued, our wishes and ideas were taken into account, and that they were interested in our development and in keeping us with them. This was the general sentiment that I got, not only from the staff responsible for attracting young professionals and recruitment, who constantly asked how my practical training was going, but even more so from my supervisor."

Grete Rožděstvenski
Trainee

Onboarding Programmes for New Employees

We want the onboarding of our new workers to go smoothly and efficiently. In 2012 we organised a total of 11 information days for new employees in Tallinn and Ida-Virumaa. In addition to that, we have devised onboarding programmes for our new personnel and appoint mentors if necessary. 673 new employees joined us during 2012.

Management by Objectives

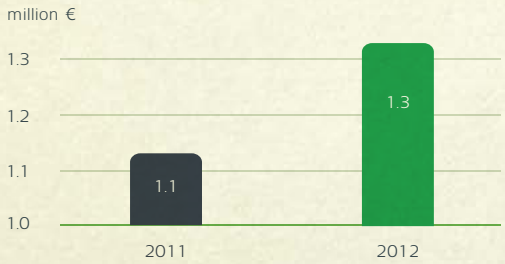
Eesti Energia uses a common system for management by objective, which aims to bring business strategy almost to each employee through setting personal objectives. Continuous performance measurement is necessary for us to ensure that employees are developing in the right direction and are aware of what is expected from them. Once a year employees and their line managers evaluate the achievement of objectives and the upgrading of the employee's skills. They also agree about the objectives and development plan for the next period. Annual evaluations aim to increase the personnel's competency and enhance everyday job performance. In 2012 around 2,500 annual development interviews were conducted in the Intranet.

We balance the interests of the company and the employer by using a result-based remuneration. By the end of the year, 97% of our employees had result-based remuneration systems.

Employee Development

We can only guarantee professional partnership to our customers if we ensure that our specialist workers have all the necessary competence certificates and occupational safety knowledge. To do that, we organise internal training courses in the field of power engineering, customer service, information technology, work environment and occupational safety. The development programme we devised

We invest in the development of our employees

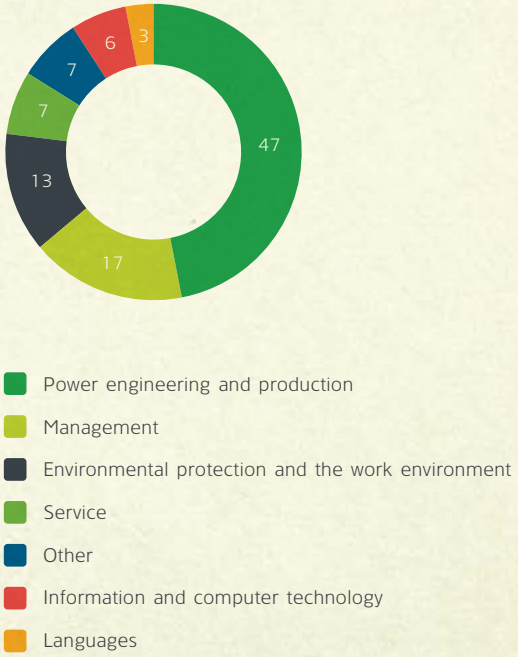


in 2012 provides internal training leaders with tips about sharing their knowledge and experience. Once a year we have a "development day" to study new training techniques and recognise those who have made a special contribution to their colleagues' development. We have also created a 36-hour mentor training programme that focuses on observation, providing feedback and improving the mentor's training skills.

"I find training the company's employees to be truly rewarding, as it allows me to pass on my knowledge in the field I love and to meet lots of interesting people from our organization."

Peep Herm
In-company trainer and network planner

The main fields of training (%)



A major upgrade of the principles of employee training and development was the Group's training calendar that we started using in the autumn to support the budgeting, planning and organisation of training courses.

In 2012 we held the Adult Learners Week (ALW) in our company. This country-wide event that promotes adult education and describes learning opportunities focused on life-long learning and self-improvement. During the ALW we recognised the employees who completed vocational, college or university education alongside work in the academic year of 2011/2012. There were 58 workers in 13 companies of the Group who received their diplomas and certificates in 2012. This year we also held a job shadow day within the company for the first time.

"I have a great job, a nice team, and interesting projects. I've worked in many countries and dare say that if I wasn't with Eesti Energia, I wouldn't be sure what other company to choose in Estonia."

Otto Richard Pukk
Eesti Energia Technology Industries, Member of the Management Board

Employee Motivation and Rewards

We foster employees' learning and development, work-life balance and a healthy lifestyle. We make sure to remember and recognise long-term workers and place great importance on supporting families, both financially and in terms of time, when children are born or start school, by giving parents time off on such important family occasions.

During 2012 a number of major meaningful events took place: a New Year's party for employees; a summer event to tie in with the Narva Energy Run, held for workers with their families and guests; and a Christmas party for all our employees' children aged 13 and under. We gave the traditional "Employee of the Year" award to remarkable employees whose performance was outstanding in 2012 and "Team of the Year" award for the project that created the most value for Eesti Energia.

We pay particular attention to equal treatment of our employees. Discrimination on the basis of gender, race, mother tongue, political beliefs or age is prohibited in our organisation. Internal rules at Eesti Energia also ensure the protection of these rights. In 2012 there were no cases in the Group that could be classified as human rights violations.

Every second year we carry out a survey of employee commitment and internal communication; employees can fill in questionnaires in Estonian or Russian, on paper or on the web. A total of 4,391 Eesti Energia's employees (60% of those who were invited to respond) participated in the survey held at the end of summer 2012, with the response rate having increased in comparison to 58% in 2010. The survey aimed to review the employees' commitment to their work, analyse their job expectations, highlight the strengths and weaknesses of the management of processes and the Group's companies in shaping the employees' commitment and consider the employees' feedback for the future planning of changes and decision-making in Eesti Energia.

Compared to 2010, there has been progress in change management, the promotion system and remuneration. Employees feel that change management has become more carefully considered, but the understanding of why changes are made remains the same. The survey shows positive trends in cooperation between units, employee evaluation on the basis of management by objectives and satisfaction with remuneration and the motivation system. Managers and specialist workers especially appreciate their line managers and the fact that the Group's objectives

are clear. However employees' satisfaction with the scope of their work has decreased.

The opinions of employees in 2012 have provided the following three top priorities:

"Better distribution of information to employees in the process of change management and employee-centred change implementation."

"Cooperation between divisions within Eesti Energia."

"Promotion on the basis of skills and performance."

Employees stated the following strengths of the organisation as being the most important:

"Managers provide information about what is happening in the company."

"The objectives of work are clear and easy to understand."

"Working as a team with the best specialists in their field."

"A secure and steady job."

As a socially responsible company, we care about our employees and treat them with fairness and dignity. We create and develop long-term employment relations, but should the circumstances demand so, redundancies can also take place. We try to help the workers whose employment has been terminated return to the job market, including Eesti Energia's internal job market. Redundancies are always legally valid, and the whole process is fair. Whenever possible, we use the group redundancy procedure and cooperate with the Estonian Unemployment Insurance Fund. We have also provided our workers with career counselling opportunities; moreover, Eesti Energia Narva Power Plants and Eesti Energia Mining division have developed social welfare plans to help the workers who have been laid off.

We cooperate and consult our partners in the trade union, and Eesti Energia has a total of six collective employment agreements. Besides regular meetings, our companies organise the general annual trade union information day for the whole Group where we discuss employees, our business and the changes in the company. The benefits of the collective agreement apply to all workers in the company that has concluded such an agreement with the trade union, including the employees who are not members of the trade union.

We Invest in Our Employees' Health

Eesti Energia's employees have a medical examination when they start working for us, and then regular medical check-ups are held depending on the type of work they do and the particular working conditions. Employees are provided with proper personal protective equipment, appropriate protective clothing and footwear, and we make sure that first aid kits are available. The Eesti and Balti power plants have medical aid stations, and the employees of the oil plant can also go there. There is a full-time nurse on the building site of the Enefit280 plant. The employees who work out-of-doors are vaccinated against tick-borne encephalitis; repair team and measurement inspection service electricians also have vaccinations against hepatitis.

We have the Eesti Energia sports club, Narva Power Plants sports club and the Mining division's sports club to popularise healthy choices and lifestyle. The number of members of Eesti Energia sports club, which is the largest, exceeded 1,000 in 2012. The trend indicates that almost every new employee becomes the member of the sport club. Spearheaded by our sports clubs, various sporting events take place throughout the year, including team competitions and lectures to promote a healthy lifestyle.

We Invest in the Safety of Our Working Environment

Our aim is to ensure that the working environment is as safe as possible for our employees so as to prevent occupational accidents and diseases. We have skilled working environment specialists in place in all our divisions. Working environment risk analyses carried out in various workplaces indicate that working conditions are most difficult in mines, quarries, oil shale power plants, and in the oil plant. Many of Eesti Energia's employees are exposed to physical, chemical, biological, physiological and psychological hazards, and work under difficult conditions and/or outdoors.

In order to create a safer working environment, we have carried out extensive repair and reconstruction works in our power plants, where harmful insulation

materials containing asbestos were removed and disposed of, and replaced with safer materials.

To measure the level of safety in our workplaces, to raise awareness about our overall aim, and to learn from previous accidents, we have implemented a meter which tracks the days when serious occupational accidents have occurred. The meter is available on the front page of the company's internal web, and can be followed by all of our employees on a daily basis. In 2012 we had 31 occupational accidents, which is 5 more than in 2011 – the year with the smallest number of occupational accidents. In these years, no occupational accidents have resulted in fatalities.

By comparing the figures obtained from Eesti Energia over the past few years with the average results of the Republic of Estonia, it can be seen that the total number of occupational accidents at Eesti Energia is lower than the Estonian average (the number of occupational accidents per 1000 employees).

Eesti Energia places a high value on teaching and training both its own employees as well as employees of our cooperation partners in order to ensure their safety at work. In 2012, new safety rules were developed for the safe servicing of technological equipment in Eesti Energia's Narva Power Plants and Eesti Energia Oil Industry. We have increased the number of visual aids used in instructing employees. To raise awareness about potential hazards, and to educate employees about the correct procedures in the event of danger, educational videos were developed last year in the oil plant and in Narva Power Plants.

We advise our cooperation partners of the ethical and occupational safety requirements of our company, and expect the employees of our contractual partners working on our sites to comply with these requirements.

Number of occupational accidents in the Eesti Energia Group in the years 2011-2012

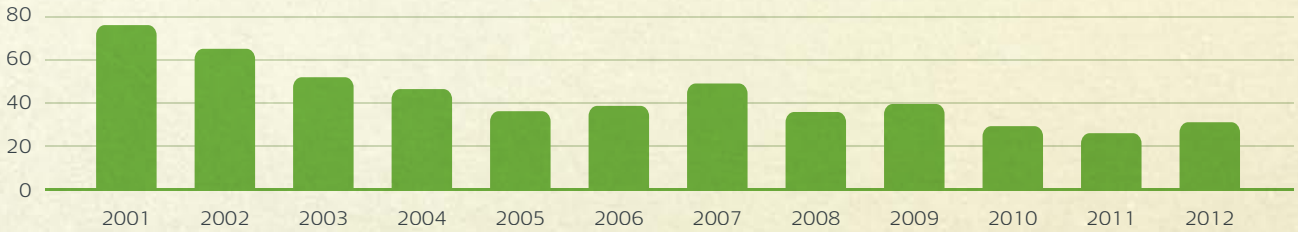


Photo: Lauri Tammik

“The forest answers in the same way one shouts in it.”

Estonian proverb

Customer Relations

2012 has been a turning point for both Eesti Energia and our customers. After nearly three years of preparation for the opening up of the electricity market the first goal was reached in September, when Eesti Energia unveiled new open market packages and started to sell them to customers. Eesti Energia became a seller for whom acting in competitive situations is a normal part of everyday work. We are working hard to be successful on the open market, to be a reliable partner and to offer our customers services of increasingly better quality.

Quality, efficiency, accuracy, keeping the promises and transparency of decision-making are important parts of customer relations for Eesti Energia.

Eesti Energia is a customer service company and our goal is customer satisfaction

In order to better understand the expectations of customers and the important factors that influence customers' satisfaction, once a month we conduct feedback surveys. Once a year we also conduct large customer satisfaction surveys. Surveys for the last three years demonstrate the factors that are most important for satisfaction of our customers:

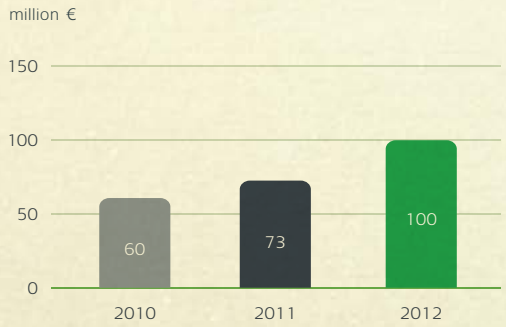
- uninterrupted electricity network connection
- quick restoration of electricity supply
- easy availability by phone and email

We Develop Our Work Organisation Based on the Customer's Feedback

To ensure uninterrupted electricity supply to customers the network operator Elektrilevi that belongs to the Eesti Energia Group pays special attention to decreasing the number of outages and their duration.

In order to improve the quality of network connection, each year Elektrilevi invests its entire profit into network development. Due to the fact that the network fees were increased in 2011, Elektrilevi was able to intensify the process of network renovation. In 2012 we built 707 new substations and 1,750 kilometres of new weather-resistant power lines.

Investments to Distribution Network

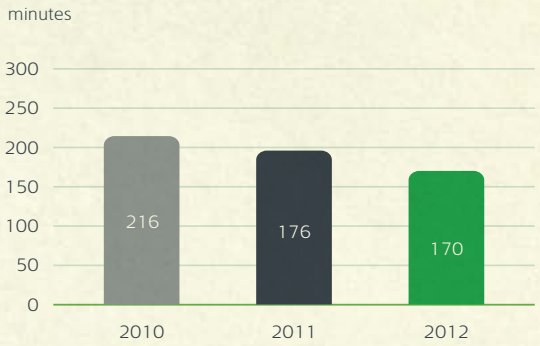


It would be possible to wrap all the power lines of the Estonian network around the Earth 1.5 times. However, since investment in network construction is expensive, improvements cannot be made overnight. The goal of Elektrilevi is to increase the share of weather-resistant underground and overhead power lines from 40% to 75% by 2025. This should help reduce outages several fold.

Quick restoration of electricity supply. Since renovation of old and not weather-resistant networks is a time-consuming process, we do everything we can in order to decrease the time of outages for our customers. As a result we have changed the work organisation of our repair teams and started to use distance-controlled automatic solutions in our network. We have managed to reduce the duration of electricity outages every year.

As the volume of construction works on the distribution network keeps growing, we pay attention to minimising the inconvenience our work can cause customers. We plan our work more accurately, use current redirection and do more work on live lines. Due to all this we have also managed to shorten scheduled outages from year to year.

Duration of scheduled outages



One of Elektrilevi's major projects aimed at increasing convenience for the customer is the installation of smart meters; we started this pilot project in 2012. By 2017 such meters will be installed in each household and company. Thus, during the next four years Elektrilevi is to install ca. 630,000 new meters. Smart meters mean that our customers will no longer have to report their meter readings, and that outages will become shorter because the meters notify of breakdowns automatically.

Ensuring easy availability. Customer complaints demonstrate that it is not always possible to reach us sufficiently quickly by phone or email

With regard to availability of customer service by phone we set the goal to answer 80% of phone calls within 25 seconds.

We analyse monthly whether this goal was reached, and if it was not, we try to organise our work better.

Swiftness of response to customers' emails has been a problem for a long time. We have adjusted our work organisation so that we are able to deal with arising issues faster, redistribute workforce resources and find automated solutions. While in 2011 answering could take an entire month, today the process has been much improved.

Our goal is to answer 80% of emails within 24 hours.

It should be noted that in October and November the number of emails was extraordinary high due to the opening of the market.

One of the important projects launched in 2012 was sending an SMS message to customers informing them about breakdowns in the power grid. The incentive for this project came from knowing that our customers thought that the information about breakdowns did not reach them fast enough. Now we use short messages to inform customers about breakdowns and when they are to be fixed. Due to decreased loads on the customer service line, it is also easier to reach us for those customers who wish to inform about breakdowns that are yet unknown to us.

To ensure quick and easy availability for our customers, in 2012 we expanded our customer service. The number of customer service employees was increased from 130 to ca. 200. We have also opened two new customer service centres – one in Tartu and one in Tallinn. While in 2011 waiting lines in the largest customer service centre of Eesti Energia could take up to 2 hours, in 2012 we were able to provide services to business customers in 6 minutes and to home customers in 30 minutes on average. The new waiting line system helped to improve the situation significally. Customer service centres experienced large workloads in November and December, since at that time people most actively concluded their open market contracts. At that time we were providing services to 4,000 customers every day, while normally ca. 1,500 people visit our service centres daily.

Complaints (Service points)

"Get rid of waiting lines. I have been forced to wait even with no other customers being serviced before me. Once, I was there, and although there were no other people waiting before me, and many customer service staff members were available, no one had time for me."

Positive feedback (Service points)

"Contrary to common practices two or three years ago, customer service has become very pleasant and polite. The company's policies have become more flexible in general and their procedures have improved remarkably."

We are Serious about Customer Complaints

Our goal is to ensure total customer satisfaction with no complaints at all. However, today we still have to deal with such complaints. We believe that by addressing customer complaints in a swift manner we improve our work processes and support the growth of customer loyalty. Therefore, we communicate with customers directly, focusing on solving their particular problems. We have to be honest and we have to keep our promises. We have established a database of complaints where we register all the complaints and where we can clearly see who has to provide the answer and when. The system also allows to monitor that the answers are indeed provided in due time.

Practice and Standards of Service

On the basis of customer expectations we have developed the service practice for retail business that instructs representatives in all of our ca. 20 customer service centres to pay special attention to customers' requests and to be as friendly as possible.

We Approach Customer Relations Responsibly even in Harder Times

Normally, we are able to find solutions that are satisfactory for both parties in cases when customers experience temporary payment difficulties. In such cases we invite customers to turn to us before the payment deadline arrives. Sometimes customers do not pay for electricity if they have insufficient income and ignore their bills if other expenses seem more urgent.

Where customers demonstrate good will, we always try to make concessions. As an exception we provide customers with payment difficulties with a chance to pay their bills on the basis of a payment schedule and provide short-term deadline extensions.

Protection of Customer Data

We consider protection of customer data to be extremely important. We store customer data in a single place, safely and accurately. Protection of customer data is ensured by the document "Principles of Customer Data Protection in Eesti Energia AS Group" approved by the Management Board of the company.

Informing about the Open Market

Until 2012 we were selling electricity and delivering it to a half million of our customers in Estonia, we also were the main source of electricity-related information for them. Thus, the customers had their justified expectations that we would provide them with necessary information about coming changes in the market. Although the market was opened by the state and Eesti Energia is just one of the new open market participants, in 2012 most of our work with regard to informing our customers was related to opening of the market.

We started the work in February and used all our information channels: e-service, direct mailing, customer service line and customer service centres. We also provided information to the media, we held meetings with 13 local municipalities and various associations, and we participated in many seminars. In the beginning of the year we launched an open market ABC on Eesti Energia website – with information on the nature of the open market, videos, questions and answers, as well as myths about the open market. In the second half of the year we paid more attention to practicalities – open market packages, prices and contracts. All information campaigns were in Estonian and Russian. The Eesti Energia website also contains open market information in English.

We paid special attention to internal communication, starting with training for customer service representatives to informing all Eesti Energia employees.

Three times as many customers as we expected concluded their open market contracts with us. Almost 90% of all customers with contracts preferred Eesti Energia. Over 400,000 new contracts is the result, with which we cover ca. 58% of all connection points in Estonia. Since the total volume of

"In autumn we were sent to the Narva Power Plants to conclude electricity contracts with colleagues who have no access to a computer. We were made to feel so welcome that it was really hard to say good-bye and return to Tallinn! We felt as if we were all one family. The last two months of the year were quite interesting – waiting lines at our service points were very long. The entire team worked really hard to have everything done, and clients were very nice."

Maria Novohhatskaja
Customer Service Consultant

consumption in Estonia is ca. 7.4 TWh, by the end of the year the concluded contracts have covered ca. 65% of this.

Latvian and Lithuanian Customers Give Welcome to Eesti Energia

Besides the fact that the opening of the Estonian electricity market proved to be successful, Eesti Energia managed to win the trust of customers on the open markets in Latvia and Lithuania. In 2012 the number of customers has increased more than fivefold, and on the both markets we were able to double our sales.

New and Useful Solutions for Customers

Customer Expectations Define Product Development

Due to complete opening of the market, in order to provide suitable solutions for our customers, in 2012 we had to develop new electricity packages.

We wanted to achieve simplicity and clarity of our new packages and to ensure that they cover the major needs of the customers. Thus, in September 2012 we brought to the market three new products: Fixed, Combined and Exchange packages.

We started developing the product concept in 2011 with the market survey aimed at finding out what products are offered by other sellers in Europe. We based also on the experience of Scandinavian expertise. After developing the initial concept we

tested the products on different target groups. We performed research and created a prototype of the online product selection process. We considered the received feedback and the first stage of the product development was completed in August 2012, while in early September we launched our internal pilot sales.

We received a lot of positive feedback from our customers. But even more important was to really consider the criticism, to listen the customer needs, for in the early stage of the product development we were creating products for the market that did not even exist.

We Provide Recommendations to our Customers on How to Save on Energy Expenses at Home

90% of our customers ask us to provide them with information on possibilities to save energy. Energy saving begins with an overview of where and how much electricity, water and heat energy is spent, and what are the total expenses with regard to energy sources. To help our customers we developed the Energy Profile in our e-service that, on the basis of customer feedback, was supplemented in 2012 so that next to recommendations on energy saving customers see the period of return on investment.

Using the profile, everyone is able to find out how his or her electricity expenses are distributed between lighting, electrical appliances, refrigerator and other devices used at home.

Energy saving advice and examples are available on our website in Estonian, Russian and English languages. In 2012 30,645 unique guests visited our energy saving site, and over 8,000 customers completed their energy profiles in our e-service.

In addition to energy saving information we also offer customers supplementary services, such as energy audit, thermal inspection and energy labelling services.

Home and business customers may purchase only environmentally clean energy, if they so desire. By the end of 2012 the number of Green Energy customers has reached 6,800. In comparison with the previous year, the number of customers who prefer Green Energy has increased by more than one third. Their contribution to the environment is comparable to the effect that would have been reached if Estonia had 16,000 cars less. We also sell Green Energy in Latvia and Lithuania.

Eesti Energia guarantees all its Green Energy customers that the company genuinely generates the amounts of green energy consumed each year.

This promise is proved by an independent audit company. Eesti Energia produces its wind energy in Aulepa – the most powerful wind park in the Baltics – and in Virtsu and on the island of Ruhnu. In 2012 we launched a wind park near Narva on the former ash-disposal area, and finished yet another wind park in Paldiski. Eesti Energia generates electricity from water in the hydroelectric plants in Keila-Joa and Linnamäe.

Consumption of Green Energy

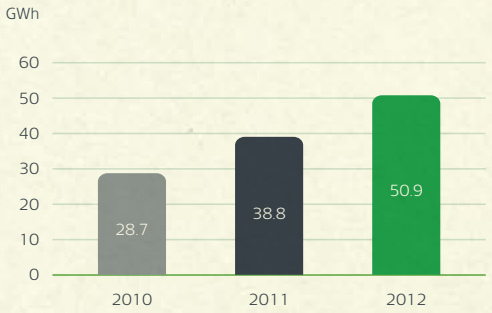


Photo: Vivian Ainsalu

“Actions speak louder than words.”

Estonian proverb

Environmental Activities

Our range of activities, from oil shale mining to electricity distribution and sales, has a significant impact on the environment. The environmental impacts of energy generation are felt through the use of land and resources, the generation of waste, the emissions of pollutants to air and water and the aggregated impact of all of the above, which is seen in climate change issues. In order to lower our negative environmental impact, we take the following steps: increase the use of renewable resources, reduce environmental emissions and ensure a more efficient use of natural resources.

We cannot undo the environmental impact of our activities, but we can keep working to minimise it in order to ensure sustainable development.

Eesti Energia's general principles of environmental protection:

- We use environmental management systems that conform to the international standards ISO 14001 and EMAS to manage environmental impacts.
- We analyse the environmental impact of any new project before starting it and apply the best available technology (BAT) to reach our targets.
- We use our resources carefully and conservatively, we are increasing our reuse and recycling of waste and we are reducing our environmental emissions.
- We are lowering the CO_2-intensity of the energy delivered to customers and thus the impact of this energy on the climate.
- We work closely with scientific research establishments and consultation firms and we are always looking for new solutions.
- Under equal conditions in procurement tenders, we prefer suppliers with a certified environmental management system.

Keeping Focus on Environmental Impacts

Our activities are on a large scale based on oil shale that we use to generate heat and electricity and to produce liquid fuels. Our main environmental objective is to reduce the environmental pollution associated with our activities.

"In 2012, we have been bridging the path to the future. As a result of a project lasting almost five years, the desulphurisation equipment was finally installed in four blocks of Eesti power plants. We have also completed the building of an additional lime dosing system. In this light, I consider the year 2012 as being rather successful."

Aleksandr Nartov
Project Manager of the Technology Development Division at Narva Power Plants

Reducing Airborne Emissions

Whatever the use of oil shale as a fossil fuel, it is associated with air pollution. Upon joining the European Union, Estonia assumed the obligation to cut annual SO_2 emissions to 25,000 tonnes, which is 2.5 times lower than the initially allowed amount. To do that, in the beginning of 2012 we completed our five-year research and testing project by installing unique desulphurisation systems on four generating units of the Eesti power plant.

As the result, SO_2 emissions were reduced more than twice and electricity generation became considerably cleaner.

With these systems we will be able to maintain the generation capacity of the Narva power plants after 2016, when tighter environmental requirements of the European Union are applied. It cost us 108 million euros to equip the generating units with desulphurisation systems, and in 2012 we also started installing equipment to reduce NO_x emissions so that we can meet more stringent restrictions on the NO_x emissions that will come into effect in 2016.

Another effort was made to reduce airborne emissions when we replaced some of the oil shale

with biomass in the CHP generating unit of the Balti power plant. We used over 560,000 tonnes less oil shale to generate electricity in 2012, and the Narva power plants generated 250,000 tonnes less oil shale ash because biomass has a significantly lower ash content of up to 7% compared to 45-46% for oil shale. Moreover, the emission of estimated 457,000 tonnes of CO_2 was prevented.

We are Reducing the CO_2 Intensity of Our Activities by Diversifying our Production Portfolio

Our internationally unique experience and know-how in using oil shale deserve to be shared, and we strive to contribute to the reduction of greenhouse gas emissions. To do that, we are diversifying the fuels we use for electricity generation, increasing our production efficiency with new equipment, using combined production of liquid fuels and electricity and increasing the generation of wind energy.

In addition to upgrading our power plants, we have started building a new 300 MW CFB (circulating fluidised bed) power plant in Auvere. The new power plant will allow, alongside oil shale, to burn peat for up to 20% and biofuels for up to 50% of its fuel intake, so it will be using fuel more efficiently, and we will be able to reduce emissions from each unit of energy generated.

We are investing in small CHP plants. We are building small CHP plants in areas where the combined production of heat and electricity is economically feasible and the most environmentally friendly way to supply energy to the local community.

In 2013 the new Iru waste-to-energy power plant, which is to create energy from mixed municipal waste generated in Estonia, will start up. Despite sorted waste collection, the country annually generates 300,000 tonnes of waste, and we will be able to reuse up to 220,000 tonnes of that waste for energy generation, which will reduce the annual amount of natural gas the industry needs by 70 million cubic metres. The Iru waste-to-energy power plant will be using the best incineration technology available, which can convert about 85% of the energy in the waste into electricity and heat. In total more than 400 waste incineration units around Europe use this technology.

We use wind energy as one of the renewable energy sources. We have been generating energy from wind since 2002, when we built the first wind generator in Virtsu. We are developing new wind parks in addition to those that are already used. For example, we started up wind parks on the Narva ash deposit site and in Paldiski in 2012. These developments will increase Eesti Energia's renewable energy generating capacity by a total of 133 GWh.

We Use All Resources Carefully and Conservatively, Recycling as Much as Possible

The large amounts of waste produced in the process of oil shale mining and using oil shale to generate electricity make us the largest waste-generating company in Estonia. We consider maximising the recycling of by-products, especially mine waste and oil shale ash, extremely important for reducing our environmental impact. We maintain cooperation with various interest groups to find the best solutions.

Oil shale processing generates waste rock, which is mostly limestone. Even untreated, it can be used as mineral filler, and it becomes a valuable construction or raw material after processing. One example of using unprocessed oil shale waste rock is as filler in road construction. We recover waste rock by producing high-quality gravel that can be used for a variety of construction projects. We have been using waste rock for the construction of facilities meant to contribute to the environment of Ida-Virumaa region; for example, significant quantities of rock waste were used for the reconstruction of the Jõhvi bypass.

Thermal treatment of oil shale creates solid waste called ash. Oil shale is rich in mineral matter, so up to a half of the burned oil shale can turn into ash. Oil shale ash is mainly used for the production of construction materials as a raw material for building blocks and as a component of cement and dry mixes. To increase the amount of oil shale ash recycled, we have started several research programmes and development projects in cooperation with Estonian and international research institutions and companies. We continued working on several development projects in 2012 in order to test new areas of application. One of the major undertakings was the OSAMAT project on using oil shale ash as foundation and for the mass-stabilisation of road embankment in road construction. In addition, we participate in the SMOCS projects involving major ports of the Baltic Sea, which looks into the use of oil shale ash as cement replacement to stabilise the environmentally hazardous sediments in ports.

We cooperate with the Department of Mining at Tallinn University of Technology to develop the opportunities for backfilling mines with oil shale ash and waste rock, and we aim for a loss-free mining technology in the long term. We are also working with the Laboratory of Inorganic Materials at Tallinn University of Technology to research and improve the use of oil shale ash for neutralising acidic agricultural land.

One of Eesti Energia's objectives is to make every possible effort to recover and restore the value of the industrial sites we have been using. In 2012 we closed down the Aidu oil shale quarry that had been

in use for over 40 years and became depleted. We are recultivating the quarry area to make sure that it creates significant additional value for the social and economic environment of the local community. In cooperation with the district of Maidla, by 2015 we will have built the unique Estonian water sports and recreation centre there.

At the same time we have started preparations for the closing of the Viru underground mine in 2013. We would like to turn the former Viru mine into an area with a high value in use, which will be of interest to the local community and expand business opportunities.

In 2012 we started up the Narva wind park on the closed ash field of the Balti power plant. During the closure of the ash field in 2008, which was a major environmental project, we planted the surface of the ash field with trees and shrubs, constructed roads to access the ash field and built a water surplus pumping unit. The environmentally friendly electricity generated by the wind park will be enough to meet the annual electricity needs of 35,000 average Estonian households.

"As unbelievable as it may sound, just ten years ago it was a common practise among miners not to conclude contracts with local residents if they wanted to extract natural resources near some village. On paper everything looked fine; however, when the reality of the situation finally dawned upon them, it was usually too late for local residents to influence the course of events. Now, the situation has changed significantly."

Estonian daily newspaper Põhjarannik
October, 2012

In 2011 we received the "Environmental Award for Business 2011" for our environmentally friendly use of the former ash field.

By regularly replanting forest on the Narva quarry, we annually recultivate as much of the quarry area as we have used for mining

Assessment of Environmental Impacts

To achieve better results, our activities must include production development, and one of the integral parts of any development is the assessment of the possible environmental impacts of each project and informing all the interested parties about these impacts. In the process of environmental impact assessment, we discuss all the intended developments with all the parties at the initial stage of the project. The assessment is performed by experts representing a particular area, and the information about the process is available to the public. Public discussions guarantee project stability and agreements with interest groups. In 2012 we performed the environmental impact assessment of oil shale processing solutions (for instance, producing liquid fuels from oil shale), alternative solutions (for example, combined production of heat and electricity from municipal waste), and the closing of mines. We continued discussing the Enefit280 oil plant, the first oil plant to start combined electricity generation and shale oil production, with interested parties and the authority that is to issue the environmental permit. With the new plant, our production capacity will double, and the whole process will be more environmentally friendly. In addition to the strategic assessment of the environmental impacts of the project, we will perform the assessment of individual environmental impacts as the project takes shape. We use this two-stage assessment process to choose the technology that will ensure the lowest possible environmental impact.

We prepared the environmental impact assessment report about the closing of the Aidu quarry, and now we need to perform an environmental impact assessment so that we can close down the Viru mine. To secure the availability of raw materials for energy production in the future, we have started preparations for developing a new mine, referred to as “Uus-Kiviõli” at the moment.

Key Environment Figures

PRODUCTION

	2011	2012
Electricity (GWh)	10,428	9,378
Heat (GWh)	1263	1137
Liquid fuels (t tonnes)	184.5	211.1
Producer gas (million m³)	58.1	65.2

USED RESOURCES

	2011	2012
Commercial oil shale (million tonnes)	15.8	14.8
Natural gas (million m³)	98.2	59.4
Biofuels (million tonnes)	0.4	0.5
Cooling water (million m³)	1,522.9	1,307.2
Pumped mining water (million m³)	224.8	203.0
incl. water from quarries (million m³)	131.8	112.2
incl. water from underground mines (million m³)	93.0	90.8

EMISSIONS

	2011	2012
SO_2 (th tonnes)	56.8	23.2
incl. the Narva power plants (th tonnes)	56.6	23.1
NO_x (th tonnes)	12.8	9.9
Lendtuhk (th tonnes)	28.3	6.5
CO_2 (million tonnes)*	12.3	11.0

WASTE

	2011	2012
Oil shale ash (million tonnes)	7.1	6.9
incl. recycled (th tonnes)	97.5	121.3
Mine waste (million tonnes)	9.0	8.1
incl. recycled (million tonnes)	8.1	7.6

WATER POLLUTANTS

	2011	2012
Suspended matter (th tonnes)	1.7	1.1
Sulphates (th tonnes)	131.5	76.0

ENVIRONMENTAL FEES PAID

	2011	2012
Resource fees (million euros)	28.7	30.4
Pollution fees (million euros)	19.8	17.8

* Preliminary figures

Application of Environmental Management Systems

Environmental issues are plenty, and we need a substantial number of environmental permits for our activities. We use environmental management systems that conform to the international standard ISO 14001 in our companies whose activities imply that their environmental impact will be significant. This means that all the company levels must be aware of the environmental impacts of the company's operations and will have devised plans to systematically reduce and mitigate these impacts. We review the extent and significance of the companies' environmental impacts and their plans at least once a year and update them if necessary. In addition to ensuring environmental compliance, an environmental management and auditing system such as, for example, the EMAS used by the Iru power plant, allows information about the operation and environmental impacts of the power plant to be shared with all the interested parties. We are using this experience to change all Eesti Energia's companies to the EMAS in the nearest future in order to make our environmental activities even more trustworthy and transparent.

	ISO 9000 series	ISO 14001	OHSAS 18001	EMAS
EE Kaevandused	9001	14001	18001	
EE Narva Elektrijaamad		14001:2005		
EE Õlitööstus	9001:2008	14001:2005		
EE Iru elektrijaam	9001:2000	14001:2004	18001	EMAS
Elektrilevi	9001	14001	18001	
EE Tehnoloogiatööstus	9001:2008	14001:2005	18001	
EE Võrguehitus	9001:2008	14001:2005	18001:2007	

We Share Our Knowledge about Oil Shale

Since the most advanced knowledge about the use of oil shale as a raw material for energy industry comes from Estonia, then there isn't the most up-to-date information about oil shale in EU guidelines. The composition of oil shale differs from that of regular fuels, so technologies developed for conventional solid fossil fuels cannot be used to process it. Since the beginning of 2011 Eesti Energia has been working together with the Ministry of the Environment, Estonian research institutions and other oil shale companies to change the relevant guidelines and add information about oil shale, so that we can ensure that our investments are sustainable and comply with the best available technology principles in the long term. Publicly available information concerning oil shale will also be amended in the process.

Cooperation with Research and Academic Institutions

Anything we do requires some research and development. Being the only energy company in the world to use oil shale to such a great extent, we consider cooperation with local academic institutions and international research bodies to find new solutions extremely important. For instance, we need research to construct new circulating fluidised bed boilers that can burn oil shale or to find ways of using the by-products of our industry. For the purposes of evaluating oil shale reserves in other locations of the world and mining in Estonia, we carry out extensive cooperation with Tallinn University of Technology and the University of Tartu, the employers of the best and most experienced oil shale specialists. We also work together with Tallinn University of Technology researching the sphere of oil shale incineration. The university specialists have contributed to modifying the temperature conditions and chemical characteristics of the circulating fluidised bed technology so that it could be used for burning oil shale. We have been inviting the best researchers from Estonia and other countries to take part in our development projects, and we intend to keep doing that.

Photo: Lembit Miil

“The good of all
is each man’s benefit.”

Estonian proverb

Social Activities

Being the largest company and employer in the country, Eesti Energia has a significant impact on Estonian environment, life quality and development, which leads to greater responsibility. Our decisions and actions affect our employees, customers and partners, as well as local communities, environment and society in general.

We promote the development of society with our support and charity projects and invest experience and knowledge of our employees.

Through various initiatives in 2012 we were able to support the energy sector, environmental protection, Ida-Virumaa community and development of society with about 650,000 euros. We prefer support projects with long-lasting effects in energy and environmental fields, but we also facilitate certain broader useful initiatives, such as, for instance, promotion of healthy lifestyle and entrepreneurship among the youth in Estonia.

Eesti Energia supports the following areas:

- education related to the energy industry, its development and popularisation, as well as preservation of its history,
- environmental and energy-saving projects,
- charity and social projects that contribute significantly to society, particularly projects that encourage young people to show initiative,
- projects that are important for the development of Ida-Virumaa community with emphasis on the perspectives of young people.

We Care about Ida-Virumaa and Support Local Initiatives

Approximately 80% of our employees and their families live in Ida-Virumaa. Our biggest projects are also developed in Ida-Virumaa. Thus, it is only natural that we pay extra attention to the development of this region and to the well-being of its residents.

The year 2012 will be remembered as when the Aidu water sports centre was born. Immediately after finishing oil shale mining in Aidu quarry we started creating the new value for this area – the dredgers that previously were mining for oil shale started to prepare the rowing channel and by the end of the year the first water was already in it. The base of the channel will be completed in summer 2013. According to the existing plans, the 2.5 km long rowing channel that complies with all international requirements will be finished by 2015. It will be able to host world championships and Olympic competitions. This project is very promising for local residents and we are implementing it in close cooperation with Maidla local municipality. At the end of the summer Looduse Omnibuss (Nature Omnibus) brought those interested to take a look at this unique reuse project.

"The Ida-Viru region boasts a unique industrial heritage as well as vast oil shale deposits – thus, the productive reuse of former mines and industrial sites may give the region a competitive edge as these sites are attractive enough to be included in various projects. The building of the Aidu rowing channel in the closed-down open-cast oil shale mine is extremely important, not only to Maidla parish, but to the entire region. The water sports centre is a good example of how to reuse a former mining site, and is one of the first such developments, inspiring local people and visitors to practise different kinds of sports. I believe that in a few years, in addition to the Narva Energy Run, we will be able to see various other amateur and professional sports events happening in Aidu."

Hardi Murula
Maidla Rural Municipality Mayor

Having promoted recreational sports opportunities for around 10 years, in 2011 we decided to launch a special sports event in Ida-Virumaa – Narva Energy Run. This annual event promotes sports, local life and its history. We are bringing regional Ida-Virumaa events back to the calendar of country-wide Estonian activities, inspiring people to discover this naturally beautiful region. Over 2,000 enthusiasts from Estonia and seven other countries participated in the first run. In 2012 the number of participants exceeded 3,000. Over 650 participants were Eesti Energia employees and their family members. As a charitable contribution to the Narva Energy Run we helped to build an exercise area and a pavilion to provide local residents with even more opportunities to do sports.

Among other projects in 2012 we have also supported the regional initiative for Purtse river festival "How are you, Purtse river?", the aim of which is to attract attention to the importance of clean water and to remember that the Purtse river is the heart of the region and is actually the reason why people decided to settle here a long time ago. In 2012 we were among the organisers of the traditional environmental seminar that served as an introductory part to the increasingly popular summer Purfest event. The main topic of the seminar was the river's flora and fauna and how they are influenced by mining.

Together with Kohtla-Nõmme Mining Museum and the municipality government and with support of the European Union structural funds we plan to create Kohtla Mining Park – a unique visiting centre in Ida-Virumaa that would tell the story of oil shale and explain the history of the energy industry. The first underground section of the park was opened in summer 2012. We will transform the European Union's only museum dedicated to oil shale energy into a theme park showcasing oil shale mining and use and also the broader energy industry. We are helping to create and install the permanent interactive exhibition covering the history and current state of oil shale energy in Estonia. This original centre will become an important tourist attraction for all of Estonia. Eesti Energia co-finances the project with 238,657 euros.

We care about perspectives of Ida-Virumaa youth and support their recreational activities. In early summer we helped to restore the unusable Jõhvi football field. A chance to train on a good field allowed the local young players to achieve good results. We also contributed to the traditional children and youth indoor football tournament in Sillamäe. In order to promote entrepreneurship among the young people we support Jõhvi educational festival where the most enterprising schools and kindergartens of Ida-Virumaa have been awarded.

We Develop the Energy Sector

Eesti Energia places a high value on applied education in engineering, a scientific approach to the world and innovative thinking, which are important for all of Estonia. Thus, we made it our aim to develop interest towards the energy sector and support the dissemination of energy-related knowledge in our country.

In order to facilitate exchange of ideas we organise public forums, where the current issues related to the future of the energy sector are discussed and innovative solutions are presented. These are to make the energy sector more efficient and environmentally friendly. We organise energy forums, oil shale days and conferences. In autumn 2012 the Eesti Energia Energy Forum was held for the sixth time. We have organised the 12th oil shale day in Ida-Virumaa. We supported the conference "Oil shale – whose treasure?" that was held under the auspices of Virumaa College of Tallinn University of Technology and the Oil Shale Competence Centre, where the questions related to oil shale resources and the respective competence were discussed.

We are one of the founders of the Science Centre Energy (Energia Avastuskeskus), which organises exhibitions for children and adults on topics related to energy. The centre that for more than 13 years offers interactive science education with help of its more than 160 exhibits is much more efficient than an ordinary school lesson. In early 2013 complete renovation works will commence in the Energy Discovery Centre that affect both the building and the exhibitions. The works are to be finished in summer 2014 and the Energy Discovery Centre will become a unique complex for all of Europe that tells the story of electricity, energy and natural sciences. Eesti Energia supports renovation of the Science Centre Energy with 562,191 euros.

In order to ensure supply of new personnel we focus on promoting interest of the young people towards the energy sector. We also strive to create cooperation opportunities for students and establish partnerships with various educational institutions. In cooperation with Innovation and Business Centre of Tallinn University of Technology, twice a year we are accept sponsorship applications. All representatives of faculties and student organisations of Tallinn University of Technology may apply to Eesti Energia for support of their projects. In order to diversify studies we offer vocational education students and university students studying energy-related subjects various internship opportunities in our companies across Estonia. We also provide continuous support to the young people studying energy-related subjects as students of vocational, applied vocational, Master and Doctoral

programmes. In cooperation with educational institutions we improve knowledge of the young people with regard to energy-related studies and challenges. Our main partners are Ida-Virumaa Vocational Education Centre, Narva Vocational Study Centre, Tallinn Polytechnic Institute, and certain other vocational educational institutions. For instance, thanks to cooperation with Narva Power Plants, students of Narva Vocational Study Centre (boiler operators and automatics specialists) have an opportunity to use modern study simulators, the software for which is developed on the basis of actual processes of energy production.

We support the best students with scholarships. In 2012 we issued 39,226 euro worth of scholarships.

We participate in development of professional standards and study programmes.

We support vocational educational institutions that use financing opportunities offered by the European Union structural funds and demonstrate readiness to cooperate with employers. Since the demand for specialists with vocational training is very high, such training will remain the foundation that provides for sustainability of the energy industry.

We Spread Information about Electrical Safety

Electricity is a natural and necessary thing in any household, and often people fail to notice risks related to it. Ignorance, carelessness or a lack of attention with electricity can cause serious accidents and can lead to fire, injury or death. In order to raise the awareness of adults and children regarding the dangers of electricity and ways to avoid them, in spring each year we organise a country-wide electrical safety campaign. In spring and early summer children of 7-15 years of age studied in the county safety camps “Protect Yourself and Help Others” (in coordination with the Estonian Rescue Board). The training was performed by volunteers from Elektrilevi. Participants discovered the dangers related

to electricity and received advice on how to avoid accidents. Over 3,200 children received necessary training in 18 camps across Estonia. Electrical Rabbit (Elektrijänes) lead the training sessions at public family events, regional safety days and in kindergartens. Elektrilevi also helped to review the chapter on electrical safety in the textbook that is used during safety classes and in schools. Besides these trainings, the "Electric Shock is Dangerous!" campaign was carried out. Its goal was to teach children and youthkeep distance from electrical boards. In order to address the subject of electrical safety more efficiently, Elektrilevi regularly updates respective sections on its website.

We Care for the Natural Environment

We have been introducing people the beauty and the energy of nature by supporting Looduse Omnibuss trips and themed evenings and by organising the Nature Photograph of the Year competition. About 6,000 people participated in 122 nature and cultural trips organised in 2012. Around 7,000 enthusiasts participated in the 32 nature themed evenings. With Eesti Energia's support Looduse Omnibuss has carried out cultural and nature trips in Ida-Virumaa and other regions of Estonia. A total of 1,367 photographers with over 10,600 works participated in the Nature Photograph of the Year competition – the largest event of its kind in Estonia. Eesti Energia, as one of the organisers of the competition, has also issued a special award.

While earlier in our activities aimed at informing people about energy-saving options we were focusing only on adults, in 2012 we also paid attention to children. Within the framework of the Energy Saving Week in early November Eesti Energia employees (including members of the board) taught around 600 students about ways to save energy. The aim of these classes was to tell 3rd and 4th grade students where the energy comes from and make them understand why it is important to save energy. Together with teachers, Eesti Energia has prepared special educational activities for these lessons, which in early 2013 will be distributed in all schools of Estonia. In Narva we organised the essay and drawing competition "Energy Saving Week in Your School".

"We enjoyed the lesson a lot. The materials were interesting and easy to understand, and students had plenty of opportunities for discussion. After the discussion, we asked students to reflect on what they had learned during the lesson; what interesting facts they had learned and what was new to them. Thank you for giving us this opportunity!"

Tartu Kivilinna Gymnasium

Energy saving starts on the individual level and the best way to spread the sustainable solutions is to set an example. We have monitored energy consumption in our offices and placed many reminders about energy saving at workplaces. Particular savings may not prove especially large, but it helps to change the way people think.

In November we participated in the European Week for Waste Reduction. We have provided our employees with ideas on how to behave in a sustainable manner. Among all the companies of Estonia we plant most trees – together with our employees each spring we plant trees in the forests, and with participation of RMK (State Forest Management Centre) we also help to restore forests on former mining sites. We also participate in the "Let's Do It!" annual event. Information about our environmental activities is presented on page 59.

We are Promoting Youth Entrepreneurship in Estonia

In the future, we would like to see even more active people in Estonia with enterprising spirit and desire to contribute to Estonian society and economy. In 2010 we launched Youth Entrepreneurship Development Programme ENTRUM. ENTRUM is a network of several hundred organisations and best experts of their fields, the goal of which is to promote entrepreneurial spirit, encourage and inspire the young people of 14-17 years of age to be in control of their own lives.

"We have started seeing possibilities instead of obstacles, and we realise that nothing in life is unattainable. However, we are also well aware that our plans will not materialise without considerable effort. ENTRUM has provided us with knowledge, experience, contacts, self-confidence, and, most importantly, with initiative and the drive to succeed."

Members of the team of ENTRUM's winning project VeniVidiVici

In 2010, the programme was held in Ida-Virumaa, in 2011 in Southern Estonia, and in autumn 2012 530 young people from Western Estonia started their success stories with ENTRUM and initiated a record-breaking 161 entrepreneurial ideas. All the teams that presented their ideas will have access to ENTRUM's incubation programme (a five-month long study programme), which is to be supervised by real business people. There are around 100 mentors to assist the young people. Among the volunteer mentors are also Eesti Energia employees and ENTRUM graduates. The high point of this programme is the competition of entrepreneurial ideas "I Am Enterprising!", the winner of which receives access to the Enterprise Estonia mentoring programme.

"I believe that young people who work with volunteers will themselves be ready to volunteer in the future. This is also what motivates me the most – raising a new generation of responsible and caring people."

Katrin Tamsar
ENTRUM mentor

Being inspired by ENTRUM, hundreds of young people with enterprising spirit have made their contribution to Estonian life – in Ida-Virumaa and in Southern Estonia the programme helped to implement 185 projects in the areas of social entrepreneurship, technology, environmental and creative economy, many of which are still running.

At the competition "Acknowledge Promoters of Entrepreneurship" initiated by the Ministry of Economic Affairs and Communication, ENTRUM was named the best Promoter of Entrepreneurship. At the Swedish Business Award competition the programme was recognised as the best corporate social responsibility initiative. The Network of Estonian Nonprofit Organizations has named ENTRUM the best initiative of the commercial sector at the competition of civil society activists. At the forum "101 Kids to Toompea" organised by the Estonian Union for Child Welfare and the Estonian School Student Councils' Union the leader of ENTRUM Darja Saar was chosen the most child-friendly social activist of 2012.

We are Promoting a Healthy Lifestyle and Living Environment

In order to promote healthy lifestyle and to present opportunities offered by health tracks, ten years ago we helped to restore the tracks popular among recreational sports enthusiasts, and started Eesti Energia Jogging and Walking events (the 10th season of which was finished in 2012). From early May to late September 42 jogging and walking competitions took place in forests and parks of Tallinn and its surroundings. A total of 2,072 sports enthusiasts have run and walked a total of 134,055 kilometres. The participants were able not only to participate weekly in the events, but also to undergo medical examinations in the beginning of the events series and upon its end.

As a joint initiative of Eesti Energia, Swedbank and Merko Ehitus a network of health trails has been created across Estonia in order to provide everyone with a year-round opportunity of exercising outdoors. Today both professional athletes and sports enthusiasts are able to use around 90 well-maintained and illuminated health tracks with a total length of over 750 kilometres. All year round, the health trails are visited more than 75,000 times a week, which makes for around 4 million visits per year. At the end of the year the joint project was awarded with the special prize of the International Olympic Committee. International recognition demonstrates that in cooperation Estonian companies are able to carry out large-scale social projects. Since 2004 over 23 million euros have been invested in development of the health trails, with contributions from SA Eesti Terviserajad, local municipalities, Ministry of Culture and the European Union.

"Over the past ten years, the Estonian Health Trails Foundation (SA Eesti Terviserajad) has contributed greatly to creating a safe sporting and recreational environment. We are seeing more and more people spending their time on the health trails, suggesting a gradual shift towards healthier lifestyle choices. Developers of health trails have made a huge contribution to the society by providing us with opportunities to exercise and enjoy better health and the beautiful Estonian nature."

Tiit Nuudi
Honorary President of the Estonian Olympic Committee

Every year on 24 February, Estonian health trails host the country-wide record-breaking event "On Estonian Health Trails Around the World", where the total number of kilometres walked, run or skied by participants is counted. In 2012 the total number of kilometres was 60,794. That's the equivalent of more than 1.5 times around the world.

We Participate in Charitable Initiatives

In 2012 we donated 10 used computers to Helping Hand NGO (MTÜ Abikäsi) that deals with the employment of disabled people. This will help around 100 people to enter the labour market. During the August summer days, Eesti Energia employees donated 300 euros received from the collected empty bottles to the Charitable Fund "I Help Children" ("Aitan Lapsi"), which helps children from underprivileged families to visit theatres. As a result, over 70 children attended theatrical performances this autumn. Our employees also participated in the New Year's charity lottery, the prizes in which were the gifts created by disabled people. Through our joint efforts, we collected 1,012 euros. This amount was donated to Tallinn Helen's School for children with sensory impairments and it will be used to construct a safer playground for children with special needs. Together with the Blood Centre (Verekeskus) we regularly organise blood donation days for our employees.

Why is it important to save energy?

"Because if you do not save energy, you waste money."
"Because energy cannot be generated for free."
"To rescue planet Earth."

3rd and 4rd grade pupils from "Energy Saving Classes"

Eesti Energia AS
Laki 24, 12915 Tallinn
telephone 715 2222
fax 715 2200
info@energia.ee | www.energia.ee