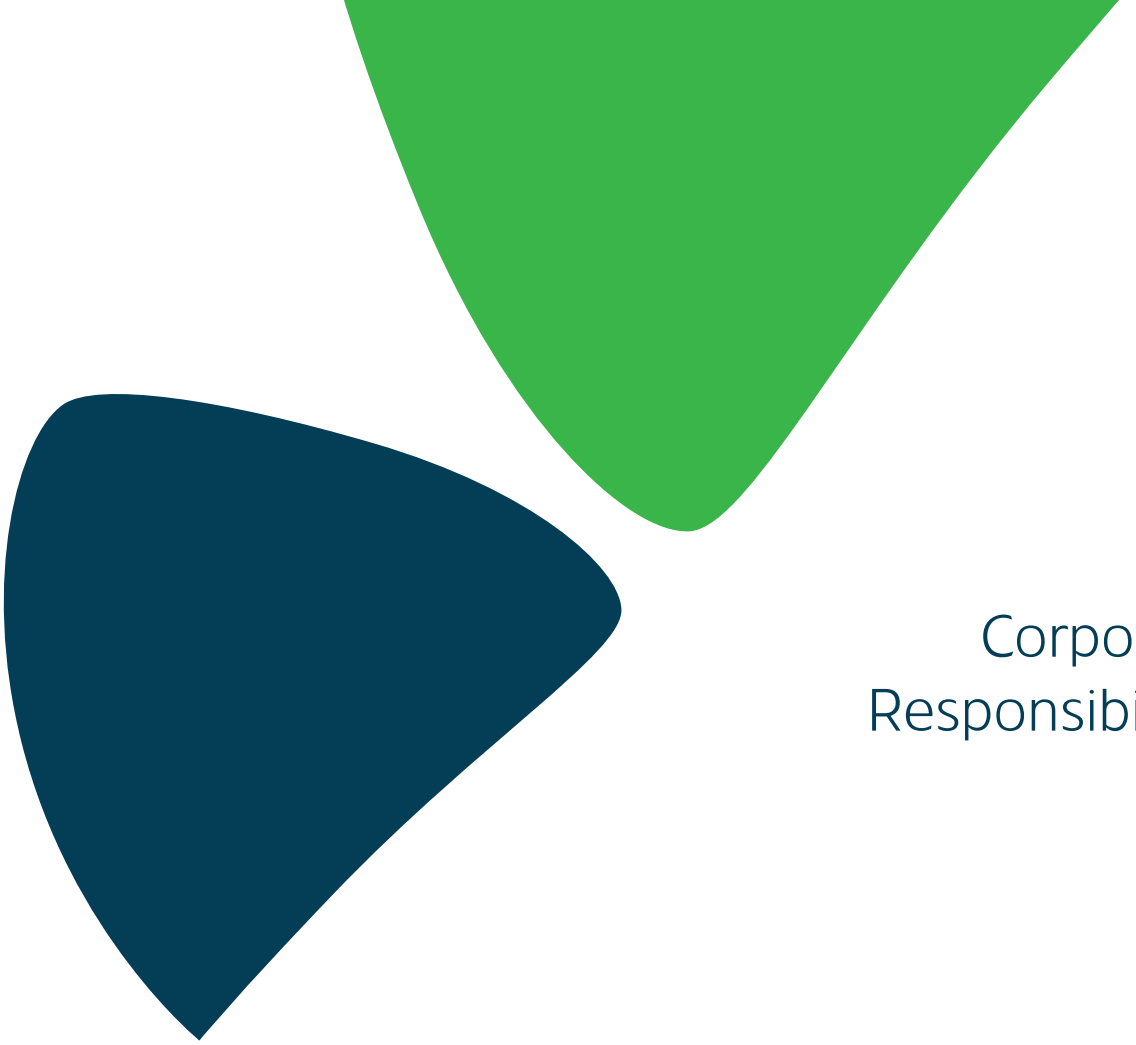

Eesti Energia

Corporate Social Responsibility Report 2013

Corporate Social Responsibility Report 2013

Tallinn 2014

ESTONIAN SUSTAINABLE BUSINESS INDEX
SILVER LEVEL 2013

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ADDRESS BY THE CHAIRMAN OF THE MANAGEMENT BOARD 4

IN BRIEF 7

STRATEGY 10

CORPORATE GOVERNANCE AND RISK MANAGEMENT 16

EMPLOYEES 34

CUSTOMER RELATIONS 54

ENVIRONMENTAL ACTIVITIES 74

SOCIAL ACTIVITIES 88

Dear Reader!

One of the cornerstones of the competitiveness of oil shale energy is its compliance with today's environmental requirements meaning that we are using oil shale in responsible manners not known recently.

Today we generate less air emissions per each energy unit than ever before. Technology is the key to a world with cleaner air. Over the last three years we have invested close to 280 million euros in new developments.

In October 2013 we completed successfully unique pilot project, which reduces NOx emissions in one energy generating unit of Eesti power plant almost twice. We are now taking another step forward by installing the deNOx equipment to the other four energy generating units.

Last year we also started testing the low calorific value oil shale in order to exploit new oil shale mix in more efficient and

economic way. The more efficient the production the lower the impact on environment.

Third important breakthrough in the front of environment friendly energy generation can be seen on the largest construction field in Estonia. By the end of the year more than half of the new Auvere power plant was completed. By 2015 our generation portfolio will be complemented with Auvere power plant meeting all environmental requirements.

New Life of Iru Power Plant

We have also news about more environment friendly energy generation outside of oil shale energy. The 2013 "Team of the Year" title went to Iru waste-to-energy unit team as this unique solution in electricity and heat production re-utilises almost all mixed waste generated in Estonia. By the end of the year we had burned more than 180,000 tonnes of waste in Iru all of which would have otherwise ended up in landfilles burdening the surrounding environment for decades. Lower heating and waste handling costs save the Estonians annually up to 7 million euros.

In the field of environment protection it is important that former oil shale mining territories would be recovered in the best possible way. In 2013 we completed an international rowing channel meeting all international standards in former Aidu quarry. The rowing channel will be part of high-level water sports centre to be completed by 2020. In order to return the former mining territories to natural and social environments we have become the largest forest planter sharing our experiences from Finland to the United States of America.

The significance of oil shale industry in Estonian economy is well supported by the fact that Eesti Energia contributed 190 million euros to state budget in 2013 including resource

and environment taxes, social and income taxes on personnel costs and dividend payment to the sole shareholder all impacting the development of society and economy.

Contributing to Social Environment

Significant part of our employees is in Ida-Virumaa region. In 2013 the number of co-operation projects in Ida-Virumaa region exceeded 30 including also the new initiatives. We hope that our ongoing contribution to the Ida-Virumaa community supports lasting positive changes and preservation of traditions.

The past year makes history as the electricity market was fully opened also for Estonian retail customer. Today, the Estonian retail customer may choose between eight electricity sellers and the share of Eesti Energia in Estonian electricity market is close to 70%. We are glad to see that approximately 97% of our customers decided to extend their agreement with Eesti Energia after the first year on open market. This proves that customers like our clear and simple packages. The number of people who have filled in their energy profiles in our energy saving website has tripled over three years and last year the site was visited by almost 13,000 customers.

We can increase the value of our company only when the full team is aware of their responsibilities and follows single value principles. The internal training team comprised of Eesti Energia specialists and managers took a huge responsibility by bringing the new jointly developed core values to all employees. The new core values we follow include: useful to customer, adding value, making it easy, it depends on me and safety above all.

SANDOR LIIVE
Chairman of the Management Board

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.

The core service of Eesti Energia is oil shale mining for electricity, heat and shale oil production. As electricity retail company we sell electricity to retail customers in Baltic Countries and to energy wholesale market. Elektrilevi, Eesti Energia Group company, provides distribution network services to Estonian customers. 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 nearly 7,000 employees, Eesti Energia is one of the largest employers in Estonia.

SALES REVENUES

966.4 million euros

▲ +17.6%

EBITDA

310.5 million euros

▲ +11.5%

NET PROFIT

159.5 million euros

▲ +107.4%

INVESTMENTS

418.9 million euros

▼ -18.4%

CREDIT RATINGS

BBB+/Baa2*

with stable outlook

(* changed in January 2014)

ELECTRICITY SALES

11.4 TWh

▲ +13.4%

ELECTRICITY DISTRIBUTED

6.3 TWh

▼ -1.3%

SHALE OIL SALES

208.1 thousand tonnes

▲ +10.0%

ENTRUM — the best youth entrepreneurship project

The most valuable employer 2013

Events and Recognition in the 2013 Financial Year

January

We started the renovation of Energy Discovery Centre, which will be completed in summer 2014. Co-financing agreement was signed.

Estonian Health Trails started with a video teaching modules at www.terviserajad.ee. We are one of the initiators of the project.

February

By involving whole organisation we started updating our core values.

Updated safety educational video was made in Narva power plants. We also updated our safety standards.

March

We were awarded with the most valuable employer's award for the third consecutive year.

Test burning of mixed municipal waste started in Iru waste-to-energy unit.

April

Eesti Energia's youth entrepreneurship program ENTRUM was announced the winner of the best youth entrepreneurship project in the competition by chambers of commerce. The program was also rewarded with the European corporate social responsibility award.

Nature Omnibus project recognized the outstanding participants of the Nature Photo of the Year 2013 competition.

May

President Toomas Hendrik Ilves recognized the most entrepreneurial Estonian youngsters in ENTRUM award gala.

4,900 young people were taught to avoid electrical threats and prevent accidents during electrical safety campaign.

Ground-based construction works began in Kohtla mining park. We are co-financing a theme park about Estonian oil shale history.

Juuni

We organised international oil shale symposium. 400 world's leading energy experts discussed the present and future of oil shale energy.

We opened the first co-generation plant in Estonia, which uses mixed waste as fuel.

We bought new rescue machines to guarantee the safety of Eesti power plant and Enefit oil plant in Auvere.

July

In the second phase of OSAMAT-project we tested the most efficient method of turning oil shale ash into valuable material used in road construction.

We introduced the mining profession and oil shale industry, which is of key importance to the region as well as to the whole country, in children's summer camps in Kurtna and Peipsi area.

August

Narva Energy Run pleased almost 3,500 sports fans.

Rowing channel meeting international standards is opened in former Aidu open pit mine. First test rowing is accompanied by 300 people.

We opened jointly with Nelja Energia a new wind park of 18 energy generator in Pakri peninsula.

September

The theme of Eesti Energia environment day was the potential of oil shale ash and environment friendly technologies in energy generation.

We opened a unique Narva wind park on former ash field of Balti power plant.

We co-founded the Talented Youth Energy Fund with Ida-Virumaa Association of Local Governments. Eesti Energia contributed 5,000 euros to the fund.

October

We installed deNOx equipment to one energy generating unit in Eesti Elektrijaam to turn oil shale based energy generation more environment friendly.

We are the most competitive company among large companies according to competitiveness ranking by Estonian Chamber of Commerce and Industry and Estonian Employers' Confederation.

Eesti Energia prepared energy saving education materials for 550 elementary school and gymnasium students.

November

As part of the "Teach for All" program we are assisting Ida-Virumaa region in finding a science teacher.

Eesti Energia Oil Industry implements odor management plan.

We informed our employees and customers about energy saving possibilities during the energy saving week.

December

The young people from North Estonia participating in ENTRUM program submitted a record of 171 new ideas, the purpose of which is the progress of Estonian society.

We support financially the education of 22 young people through Ida-Virumaa Talented Youth Energy Fund.

Iru waste-to-energy unit doubled the electricity generation.

The most competitive large-scale enterpise 2013

Strategy

Eesti Energia is the oil shale energy company using oil shale to produce liquid fuels, electricity and heat. The core aim of the company is to increase the oil shale efficiency and add value thereby. We use the mineral resources of national importance in prudent and responsible manner to increase the value of oil shale to its owner, Republic of Estonia. In order to achieve this, we increase the production of shale oil and diversify the portfolio of fuels used for electricity generation. The more efficient usage of oil shale turns Estonia into net exporter of electricity contributing thus significantly to the economic growth of Estonia.

Vision:

Eesti Energia is the world leader of oil shale energy.

As oil producer we increase the production of oil shale based liquid fuels. We export our long-term oil shale based experience internationally in order to find the best possible usage of oil shale for other countries. As an electricity producer we make efficient usage of all by-products of liquid fuel production.

We operate in responsible manner. Our highest priority is meeting environmental and safety requirements. We consider the interests of local communities and take responsibility for the development of local energy industry. Oil shale based co-generation of liquid fuels and electricity allows Eesti Energia to employ thousands of people also in the future. The full oil shale based industry cycle employs tens of thousands of Estonians.

> We operate in responsible manner. Our highest priority is meeting environmental and safety requirements. We consider the interests of local communities and take responsibility for the development of local energy industry.

Oil Shale Energy: More Oil = More Electricity

The strategy of Eesti Energia is founded on extracting value from oil shale reserves through co-generation of liquid fuels and electricity.

The greatest potential for growth in value lies in extracting as much oil shale as possible for oil production. We have developed Enefit technology, a unique technology for producing liquid fuels from oil shale, which uses all mined oil shale including the fine particles. We can double the energy extracted from oil shale by directing semicoke and oil shale gas, the by-products from pyrolysis of liquid fuels, to energy production.

We export our knowhow also to other countries with oil shale reserves. We have mining rights in Estonia, Jordan and the USA. Outside Estonia we cooperate with other investors and partners to develop the production of liquid fuels and electricity from oil shale.

We double the extraction of energy from oil shale. We modernize existing generation portfolio, use oil shale gas for energy production and build a new Auvere power plant based on more environment friendly circulating fluidized bed technology to generate electricity at lowest possible additional costs and CO_2-intensity as well as to match the stringent requirements of European Union's climate policy. This allows us to make maximum use of our current generation capacity.

We turn semicoke and oil shale gas, by-products of production of liquid fuels, to electricity. The usage of biomass is also another option how to decrease emission allowances. The testing of low-quality oil shale and coal mix was successful. In long-term Eesti Energia's electricity production capacity, which is based on domestic fuel and by-products of liquid fuel's production, exceeds the annual electricity consumption in Estonia.

We make specific investment decisions step by step considering the regulations as well as the general development of electricity market. As electricity retail company we are a client service organisation providing energy products as well as energy saving solutions to our clients.

We are Reducing Outages and Increasing Customer Satisfaction

The priorities of distribution network services provider Elektrilevi are the effective network management and customer satisfaction growth.

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.

Our biggest challenge is increasing customer satisfaction by improving the resistance of the distribution network to stormy weather conditions and change to the remote meter reading system.

Elektrilevi is investing all cash flows from sale of network services, around 100 million euros annually, in increasing the security of supply of distribution network. This allows us to establish a weather-tight power network.

Transition to remote meter readers should be completed by the end of 2016. Elektrilevi will install 620,000 remote meter readers during the four years of transition, which measure electricity consumption by hour. With the new meters customers will no longer have to submit their meter readings and can also manage their electricity consumption and selection of electricity packages more consciously.

Useful to Customers

I believe *in teamwork and therefore I expect a serious and devoted commitment from my colleagues, flexibility and ability to consider market changes.*

We can only be successful if we do things that matter to our customers. We need to step into our partner's shoes to listen and understand as only then we can make the best decisions. Whether a customer, colleague or co-operation partner — we respect each one of them.

Tõnu Aas
Eesti Energia Narva Elektrijaamad, member of Management Board

Corporate Governance and Risk Management

Corporate Governance

The governance of Eesti Energia is regulated by the principles of good corporate governance and Estonian legislation. We are following the principles of the Combined Code on Corporate Governance of the United Kingdom's Financial Reporting Council, which we believe covers all the principles in the Corporate Governance Code drawn up by the Estonian Financial Supervision Authority and the Tallinn Stock Exchange. We also observe the principles in the Baltic Guidance on the Governance of Government-owned Enterprises of the Baltic Institute of Corporate Governance, which gives recommendations to executive management, reporting and auditing.

We set our social responsibility goals in four categories on the basis of certain operating principles: the employee, customer, environment and community.

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.

We set our social responsibility goals in four categories on the basis of certain operating principles: the employee, customer, environment and community.

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.

Corporate values are the agreed principles we base our daily work-related decisions but also investment-related decisions.

Five new values were born in dialogue with our employees including the miners, energy specialists, chemists, specialists and managers of all levels. In the beginning of the year focus and content workgroups of more than 100 employees met to discuss the new values. The principles initiated by those workgroups were discussed with some 300 employees during our spring dialogue forum. The extended management approved the values developed by approximately 400 employees in April. From summer till the end of the year, during the workshops on values, each employee could decode the values from the perspective of their daily work.

Values

Last financial year was a year of implementing new values.Eesti Energia can only have success if our customers are content with what we do. Our products and services must have the characteristics that make the customer want to buy them. For Eesti Energia to remain sustainable and viable, we focus on activities that maximise Eesti Energia's value.

As a major production company our operations have significant impact on the environment and the health of our employees. We will not compromise on occupational safety or environmental protection for the sake of increasing value. However, everything begins with us, our attitude and our contribution, and this has the most remarkable influence on achieving our goals, our attitude to work and maintaining value.

Our uniqueness and strength come from the integral value chain created by all the people and companies of the Eesti Energia Group working together.


Making it easy
We take something complicated and make it easy and clear.
Useful to customers
We can only enjoy success if we create customer value.
Adding value
Above all, we focus on the activities that create maximum value.
Safety above all
Our operations have always been associated with risks to the environment and personal health, so we always uphold occupational safety, health and the environment.
It depends on me
My energy, will and responsibility ensure our common goals are achieved.

Code of Ethics

Our code of ethics combines the set of principles we expect our employees and contractual partners to adhere:

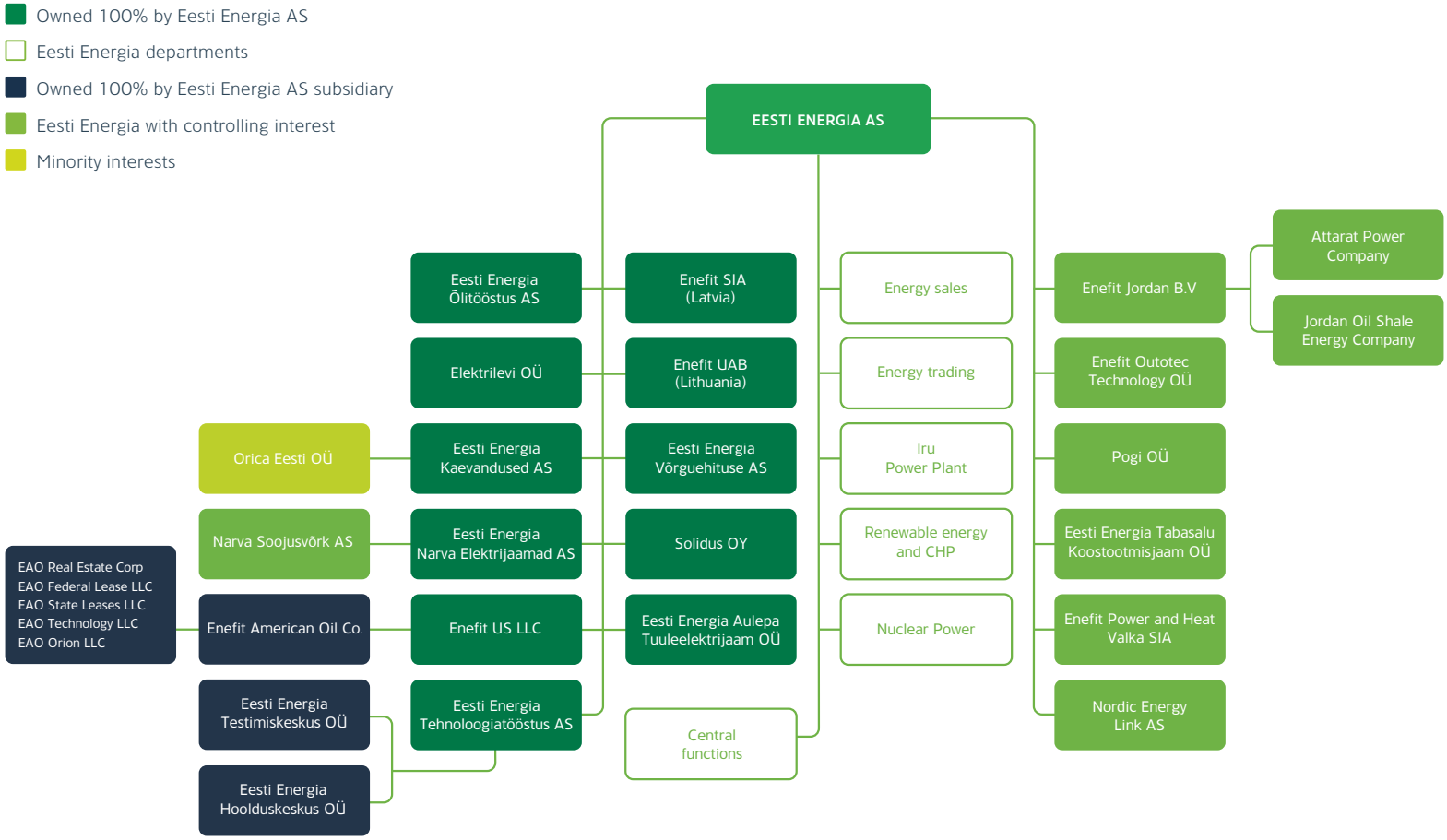
- all of our transactions are legal because our company is honest and trustworthy,
- we use our employer's or company's assets wisely and sparingly,
- we care about people — customers, partners, applicants, colleagues and also competitors — and treat them with politeness, attention and respect,
- we 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.

Management and Implementation

To make Eesti Energia's governance even more efficient, we have developed a corporate governance model using the following inter-linked components to ensure transparent and sound governance:

- a single management structure and understanding of authority,
- clear and clearly stated principles of management,
- agreed reporting principles,
- effective supervision,
- perceived risk management.

It has been crucial for us to keep the organisation structure of Eesti Energia simple and rely above all on the Group's goals and requirements. Therefore we have separated the management structure from legal structure. The management bodies of Eesti Energia are the General Meeting, Supervisory Board, Management Board and Audit Committee. The General Meeting is the highest management body and is appointing the company's Supervisory Board. Supervisory Board appoints the Management Board and supervises the activities of Management Board. Audit Committee provide consultation to the Supervisory Board in supervision related matters.


Owned 100% by Eesti Energia AS
Eesti Energia departments
Owned 100% by Eesti Energia AS subsidiary
Eesti Energia with controlling interest
Minority interests
EESTI ENERGIA AS
Eesti Energia Õlitööstus AS
Enefit SIA (Latvia)
Energy sales
Enefit Jordan B.V
Attarat Power Company
Jordan Oil Shale Energy Company
Elektrilevi OÜ
Enefit UAB (Lithuania)
Energy trading
Enefit Outotec Technology OÜ
Orica Eesti OÜ
Eesti Energia Kaevandused AS
Eesti Energia Võrguehituse AS
Iru Power Plant
Pogi OÜ
Narva Soojusvõrk AS
Eesti Energia Narva Elektrijaamad AS
Solidus OY
Renewable energy and CHP
Eesti Energia Tabasalu Koostootmisjaam OÜ
EAO Real Estate Corp
EAO Federal Lease LLC
EAO State Leases LLC
EAO Technology LLC
EAO Orion LLC
Enefit American Oil Co.
Enefit US LLC
Eesti Energia Aulepa Tuuleelektrijaam OÜ
Nuclear Power
Enefit Power and Heat Valka SIA
Eesti Energia Testimiskeskus OÜ
Eesti Energia Tehnoloogiatööstus AS
Central functions
Nordic Energy Link AS
Eesti Energia Hoolduskeskus OÜ

General Meeting

The shares of Eesti Energia are owned by the Republic of Estonia. The Ministry of Economic Affairs and Communications, represented by the Minister of Economic Affairs and Communications in the General Meeting, held the sole shareholder rights until March 2013. From March 2013 with the decision of government of the Republic of Estonia the shares of Eesti Energia are held by Ministry of Finance, represented by the Minister of Finance in the General Meeting. The General Meeting is the highest managing body of Eesti Energia that that determines the most important goals of our activity. Our goals need to be balanced because our company is one of the largest Estonian employers, investors and representatives of a sector that greatly influences the general state of the economy.

Supervisory Board

The Eesti Energia Supervisory Board has eight members, half of whom are appointed by the Minister of Economic Affairs and Communications as sole shareholder, and the other half by the Minister of Finance. In 2013 one member of Supervisory Board changed. In March the current member of Supervisory Board, Rein Kilk, was recalled and Olari Taal was appointed as the new member. 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 supervise the work of the Management Board of the Group. 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.

Management Board

The Management Board of Eesti Energia AS is responsible for operational management. There are four members of the Management Board, who are appointed by the Supervisory Board. The Chairman of the Board, who also performs the functions of the Managing Director, is appointed separately. No changes in the Management Board of Eesti Energia took place in 2013. Management Board meetings generally take place once a week and if necessary voting can take place electronically. During the financial year 2013, 51 meetings were held of which 2 were electronic.

Supervisory Board of Subsidiaries

The management of the Eesti Energia Group's subsidiaries is the responsibility of the CEOs or management boards of the subsidiaries. The powers and responsibilities of the Supervisory Boards of Eesti Energia's subsidiaries are set forth in their Articles of Association. The Supervisory Boards are generally comprised of members of the Eesti Energia Management Board. Please see our Annual Report for 2013 for detailed description of work processes of supervisory boards of subsidiaries.

Supervisory Board

JÜRI KÄO
Chairman of the Supervisory Board

MEELIS ATONEN
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

OLARI TAAL
Member of the Supervisory Board
Date appointed:
24.04.13

REIN KILK
Member of the Supervisory Board
Expiration of term:
24.04.13

Management Board

SANDOR LIIVE
Chairman of the Management Board

MARGUS KAASIK
Member of the Management Board

MARGUS RINK
Member of the Management Board

RAINE PAJO
Member of the Management Board

Clear and Declared Principles of Management

To achieve our goals, we have established principles of management that facilitate multidirectional 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 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. Responsibility for achieving goals lies with each employee.

The former business division (fuels, electricity and heat generation, retail business) based management model was replaced with the Group's value chain based management model in the beginning of 2013. The change was prompted by the need to limit the number of management levels in the Group and expand cooperation throughout the Group's value chain. Three bodies of cooperation are the grounds of value chain based management model — extended management, oil shale management group and customer offer management group.

In addition to Group's Management Board members the extended management includes also the heads of larger subsidiaries and support services. The role of extended management includes the implementation of Group principles, approval of objectives and monitoring the results. In general, meetings of extended management take place once a month.

The priority of the oil shale management group is to increase the efficiency and develop the oil shale value chain. The management group includes also the head of subsidiaries producing and exploiting oil shale.

The key goal of customer offer management group is to integrate the Group operations targeting retail customers. In addition to members of Management Board the management group includes the heads of Energy Sale, Energy Trading, Elektrilevi, Business Technology and IT and Communication Divisions. In general, the meetings take place once a week.

Central Functions

The central functions that are run at Group level to help us achieve our business goals are:

- strategy development,
- human resources and training,
- environment safety management,
- risk management and internal audit,
- 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.

Exceptions from the Management Structure

Under the Electricity Market Act, Elektrilevi, as the distribution network operator, must ensure, among other things, that the access to customer and business data is separated between network operators and electricity sellers by procedures and technological solutions. For this purpose Eesti Energia has implemented exceptions from the management structure, which ensure independence when deciding on investments, conducting procurements and maintaining the confidentiality of information about customer contracts. We also clearly separate Elektrilevi from other segments as far as financial reporting is concerned.

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

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 2013 Annual Report and website for detailed information.

Management Reporting

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 for decision-making. Management reporting department is responsible for management reporting.

> Sufficient and timely information is the basis of top quality management decisions. It is important that reporting is factual and forward-looking.

Effective Supervision

Eesti Energia Group has implemented a 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 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 2013 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 2013.

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.

Risk Management

Group's operations are accompanied by business, financial, market and operational risks. The Group is constantly developing and improving its risk management to minimise the impact of mentioned risks. The key role of Group's risk management is to ensure that the Group would not take or hold more unhedged risks than necessary to achieve the set goals.

> The key role of Group's risk management is to ensure that the Group would not take or hold more unhedged risks than necessary to achieve the set goals.

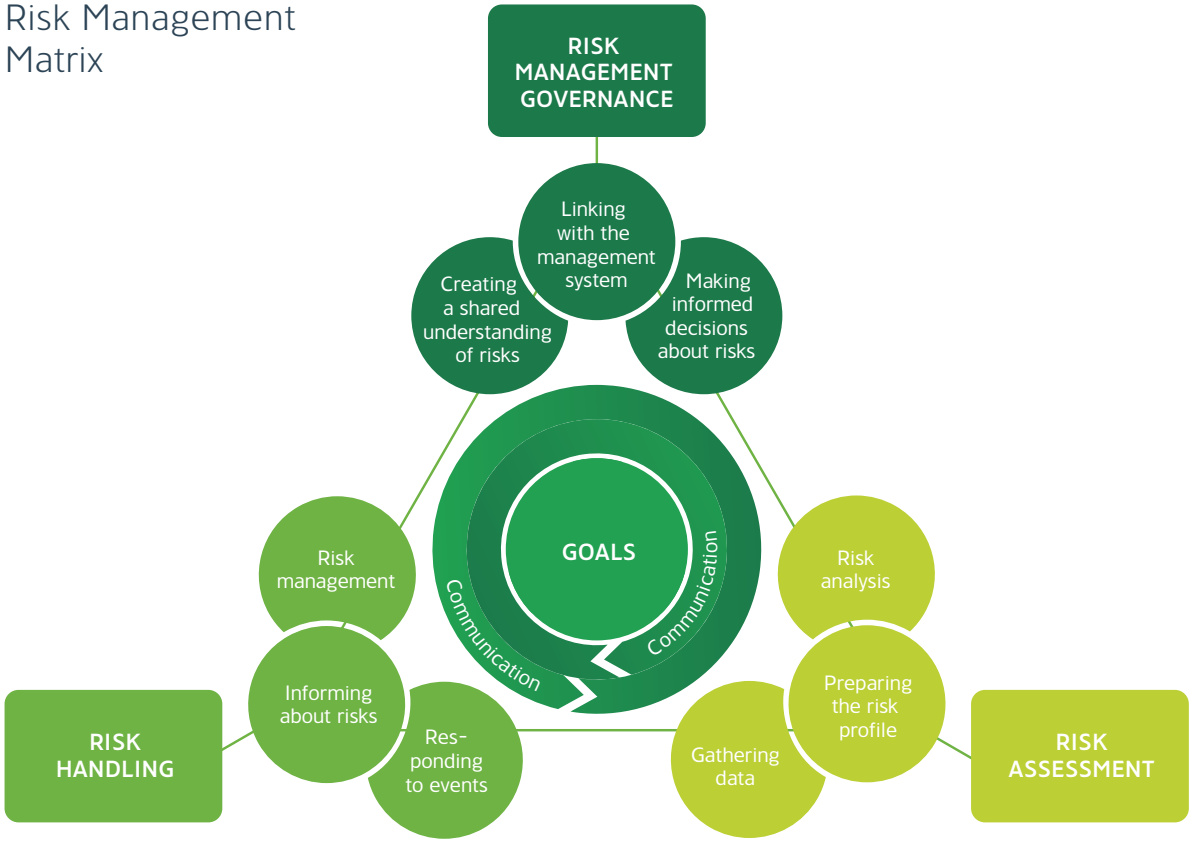
Governance of Risk Management

The Group risk management is organized by Risk Management Department, part of Risk Management and Internal Audit Service that is directly reporting to Chairman of Management Board and Audit Committee. Risk Management Department is responsible for the development, implementation and maintenance of a process for management of all important risks influencing the operations and results of Eesti Energia.

The Management Board has established the Committee of Financial Risks to ensure the management of market and financial risks in the Group in accordance with existing management principles and strategy approved by the Management Board.

Each company and division in the Group ensures 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. Risks affecting current business operations and development projects are assessed separately in the Group. We have distributed risks and our risk readiness into four major categories (page 31).

Risk Management Matrix



BUSINESS RISKS	Group takes well-considered risks to increase revenues.	
MARKET RISKS	Group controls and minimises these risks, as they are an integral part of the Group's business operations. However, taking these risks will not bring additional revenue to the Group or it is not the Group's core activity.	
FINANCIAL RISKS		
OPERATIONAL RISKS	ENVIRON-MENTAL RISKS	Risks the Group is not ready to take as taking them would threat-en the environment, health of people and employees and the Group's reputation.
	HEALTH AND SAFETY RISKS	
	Group controls and minimises these risks as they are an integral part of the business operations.	

Risk Assessment and Management

In each category, we have developed specific risk manage-ment strategies, risk measurement related reporting, and determined the parties responsible for the management of those risks within the Group.

Group Risk Analysis Methodology

In 2013 we improved significantly the Group's risk analysis methodology. Risk analysis is based on simulation methods, which analyse the impact of uncertainty of different factors on Group's profit targets, cash flows necessary for invest-ments, meeting necessary loan ratios and maintaining the optimum level of loan ratios. The results are used to choose appropriate hedging method.

Risk Reporting

Group Management Board and Audit Committee are reg-ularly reported about important risks impacting the Group goals. The Group ensures instant notification of Manage-ment Board of risks of high importance and reflection of those risks in the Group risk profile. Overview of risks is a key input in the planning of internal audit activities.

Adding Value

The values are as important to each employee as are the tools they need for their job. It is not just about the goals but also on how to reach them.

It is just not possible to do everything at the same time and do it well. Therefore we focus on activities that have the largest impact on increasing the company value in long-term. This is how we can ensure the future of the company and secure jobs.

Igor Kond
Eesti Energia Õlitööstus, Chairman of Management Board

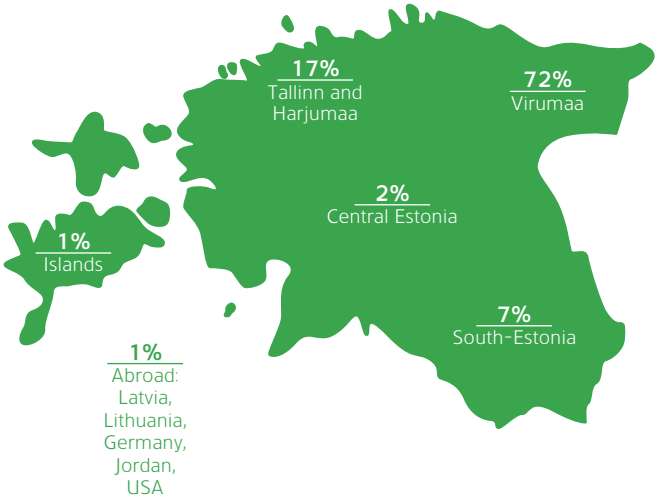
Employees

We consider our employees the most valuable since the success of Eesti Energia depends on each of them. It is crucial for us to function based on single values, be competent in job and full of energy and motivation to get the job well done.

Eesti Energia offers professional challenges with career development opportunities and safe working environment. The company focuses on long-term planning of its personnel, employee career opportunities and future employees to ensure the long-term business sustainability.

Eesti Energia as an Employer

As at 31 December 2013 Eesti Energia employed 6,968 employees, slightly lower than a year before. The decline in the number of employees was mostly impacted by the closure of Viru mine, changes in the work processes of Tehnoloogiatööstus (Technology Industry) and Narva Power Plants.



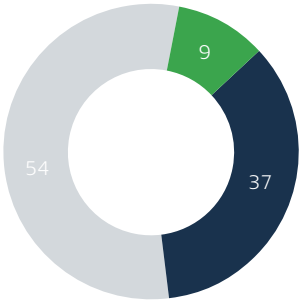
Most Preferred Employer for the Third Consecutive Year

The results of the annual surveys held by the CV Keskus job portal show Eesti Energia to be the most preferred employer already for the third consecutive year.

Continuously the Most Prestigious Employer

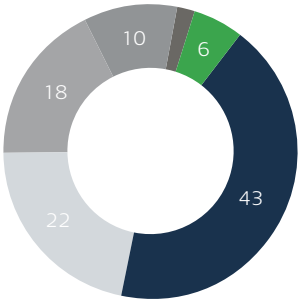
According to the employer reputation research conducted by the research company TNS Emor in 2013 Eesti Energia is spontaneously named as the most prestigious employer. We keep our position as the preferred employer among students of technical faculty and were number of one preference among students of faculty of nature and science in 2013. The participants assess the company's reputation, reliability, position as the industry leader, attitude towards employees and believe that the company offers secure employment with good working conditions, fair salaries and wide development and career opportunities.

Professional Status of Employees (%)



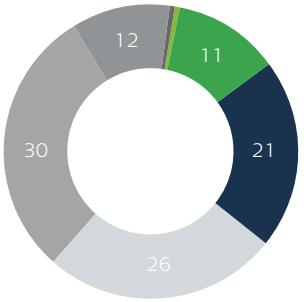
- Managers
- Specialists
- Other

Length of service
(%, average 13.9 years)



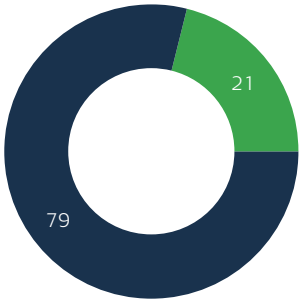
- less than 1 year
- 1–10 years
- 11–20 years
- 21–30 years
- 31–40 years
- more than 41 years

Age of Employees
(%, average 48 years)



- younger than 20 years
- 20–29 years
- 30–39 years
- 40–49 years
- 50–59 years
- 60–69 years
- 70 and older

Female and Male Employees (%)



- Women
- Men

Human Resources Planning

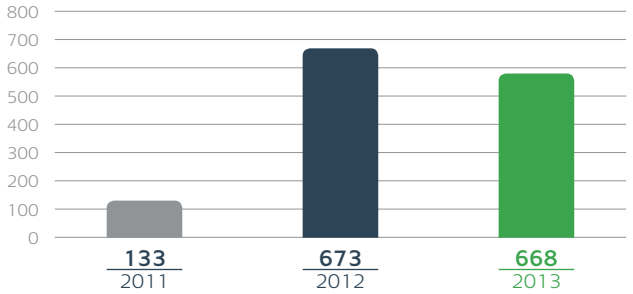
The forecasts predict that in 20 years we will have 110,000 working-age people less than today. If the GDP would remain on today's level the demand for workforce will increase each year. As an organization we face the aging of workforce – by 2016 the number of employees older than 60 years will reach 1,500. Therefore human resources planning and development have been the key words in all Group companies.

We Fill Vacant Jobs Through Internal and Public Competition or Targeted Executive Search

Before announcing the public competition we organize an internal competition to promote employee development. We treat our internal candidates with special attention and in case of equal candidates we prefer our own employees. However, we always base our selection on professional competence, personal characteristics, motivation and compliance with the values of Eesti Energia. We treat all candidates fair and mannerly and ensure the confidentiality of the candidate.

However, we always base our selection on professional competence, personal characteristics, motivation and compliance with the values of Eesti Energia.

New Employees



In 2013 we hired 668 new employees. To make the induction of new employees smooth and effective we are more often using induction programs. In 2013 we organized 5 new employee days in Tallinn and Ida-Virumaa region. We have printed a booklet to smooth the induction of new employees. It considers the needs of new employees and is helpful to those who do not work with computers or do not have access to internal website.

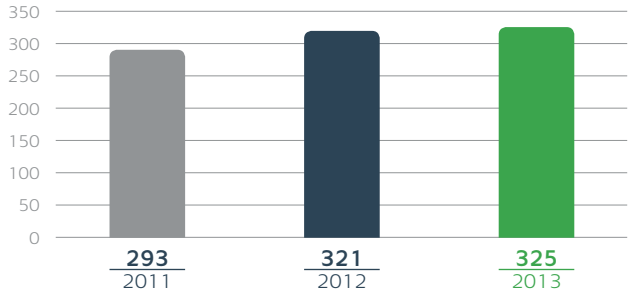
In 2013 the voluntary staff turnover was 2%.

Future Employees and Working With Them

Our aim is to increase the attractiveness of energy-related career opportunities among young people. On developing our future employees we focus on such activities, which have proved the most efficient after years of practice. In 2013, our focus was on internship, lectures in gymnasiums and high schools. We also organized student visits to our entities. In 2013, 1,396 students visited our organization.

Offering internship opportunities has become one of the most important activities in developing our future employees. In 2013 we paid special attention to the development of internship supervisors by organizing workshops and putting together “Best practice of internship supervision”, an instruction material for internship supervisors. Many young people get their first taste of work experience under the instructions of internship supervisors. A successful and productive internship experience increases the probability that young people will join our teams after graduation.

Interns



We provide scholarships to the best engineering students but also to our own employees who have decided to continue with studies. In 2013, we provided scholarships in the amount of 24,220 euros.

We develop our future employees also through supporting our partner organizations and initiatives that promote technology and science faculties and the significance of engineering profession. See for more at page 94-95.

We can see the result of working with future employees only in the future. We base our feedback on three indicators, the most important of which is the number of interns who will choose to work with us within three years from graduation. In 2013 we employed 116 new employees who did their internships with us. Every sixth employee has done their internship in Eesti Energia. As we are working closely with universities in promoting the technology studies we follow also the popularity of those specialties. Thirdly, we keep an eye on the employer reputation studies. The employer reputation study conducted by the research company TNS Emor in 2013 among students found Eesti Energia to be the first choice for students of technology and science faculty.

> On developing our future employees we focus on such activities, which have proved the most efficient after years of practice. In 2013, our focus was on internship, lectures in gymnasiums and high schools. We also organized student visits to our entities. In 2013, 1,396 students visited our organization.

Performance and Knowledge Management

Eesti Energia has implemented common performance and knowledge management system in order to take business strategy to almost all employees through setting personal objectives and lead employees to constant improvement and personal development.

Once a year, the manager and employee compare actual work results and behaviour with set objectives and corporate core values, discuss the development expectations of the employee and actual development needs, and agree on objectives for the next period as well as the development and training plan. The aim of annual evaluation is to increase employee competence and efficiency of daily work. In 2013, we held approximately 2,200 evaluations.

Employee evaluations are supported with employee development audit first introduced in 2013. The first target group included 60 key employees whose strengths, weaknesses, potentials and necessary development activities were discussed by the Management Board of Eesti Energia.

Performance based remuneration balances the interests of the organization and its employees. By the end of the year 97% of employees were covered with performance based remuneration system.

To increase the efficiency of evaluations and development plans we trained 137 managers who were new or were inexperienced in terms of conducting evaluations.

> Employee evaluations are supported with employee development audit first introduced in 2013.

Employee Training and Development

In spring 2013 we updated core values of Eesti Energia. Both, the development and implementation of new values was done in dialogue with employees. All employees of Eesti Energia were involved and the feedback was supportive and positive. In addition to getting introduced to new values the teams got to know each other better thus increasing also trust towards each other and satisfaction with work.

In spring we trained 200 internal trainers and managers to conduct workshops on our core values and support their teams on implementing those values. By the end of 2013, 86% of our employees had gone through the half-day workshop on introduction of our new values. During the workshop the values were discussed from the point of view of daily work.

In 2013 we focused also on improving management quality. In addition to evaluation training we also conducted "Manager's ABC" trainings. "Management in Eesti Energia", an internal training, was run for the first time in order to give the new managers a complete overview of corporate management principles. We used our own top management and specialists for training. We launched development program for project managers where experienced project managers shared their experiences and knowledge to new colleagues. We have also launched company specific management development programs in Group entities and divisions.

By the end of 2013, 86% of our employees had gone through the half-day workshop on introduction of our new values. During the workshop the values were discussed from the point of view of daily work.

We prefer internal trainings and sharing of the experiences by our own employees as a form of training because it develops both the participants and the trainer. We pay special attention on development of internal trainers. In spring we held a workshop on sharing experiences and in autumn we organized a development day where in addition to refreshing our knowledge we also recognized the best internal trainers.

In addition to trainings the significance of development of employees through such activities as supervision of colleagues or future employees, sharing experiences, work shadowing, participating in workgroups and projects is constantly growing. This year the experiences were shared in workshops of project managers and intern supervisors

Primary Areas of Training

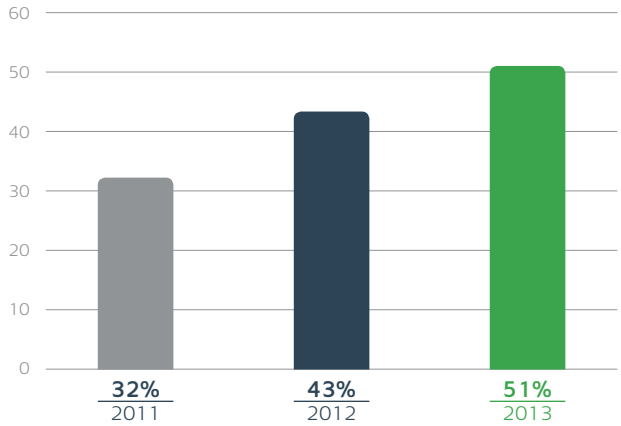
AREA	2012	2013
Power engineering and production	51%	39%
Organization and administration	4%	25%
Management	17%	12%
Environment protection and working environment	8%	7%
Language studies	5%	6%
IT and computer studies	6%	5%
Servicing	5%	3%
Other (law, legislation and psychology, incl. personality development)	4%	2%

but also in our annual conference of about 450 managers and specialists.

In October we held a learning and individual development week as part of national Adult Learners Week with main focus on “I am responsible for my personal development”. During the week employees were work shadowing their own colleagues, participated trainings on „Development through feedback”, attended career planning workshops etc. We recognized employees who graduated from vocational or university during the year and thus developed themselves and the company. In 2013 we had a total of 70 graduates.

In 2013, total employee training hours amounted to 90,000 and total investment to 1.27 million euros.

Share of Internal Trainings (%)



Employee Motivation and Benefits

In 2013 we gave "Employee of the Year" title to 21 employees who outstood the most for their work and contribution to the development of Eesti Energia. The construction of Iru waste-to-energy unit was awarded with the "Team of the Year" title.

Every second year we carry out a survey of employee commitment and internal communication. In 2013 we carried out a similar interim survey for the first time targeting computer users to assess the impact of implemented developments and thus update our activity plans. 912 employees or 64% of target group participated in the interim survey in 2013.

Survey shows a progress in management quality. Open communication and the courage to express personal opinion indicate a positive trend in management. Work content and organization have also improved in several companies and divisions. Additionally, work goals have become clearer and are better understood. We also noted an improvement in attitudes towards the change management – necessity of change is better understood. Employees also feel that information about changes has been shared on a timely manner and the interests of employees have been considered in a best possible way. Even though group wide problems were not brought out each division and business unit has space for improvement. Next steps for improvement will be agreed separately.

We care about our employees and treat them with respect and dignity. We contribute to establishing and developing

long-term employment relationships. Well supported by the fact that the average length of employment of our employees is 13.9 years. Despite of this internal changes always bring along some redundancies. We give the best of us to support our employees in returning to labor market including also the internal labor market of Eesti Energia. We offer retraining and career counselling to our employees. Together with Estonian Unemployment Insurance Fund we arrange briefings and labor fairs.

Veterans' clubs unite our former employees who have contributed over many years to the development of company and are now retired. We support the veterans' get-togethers and invite them to visit our production facilities and our companies.

Out of 460 employees of Viru underground mine, which was closed in 2013, 260 employees were employed internally in other business units and 100 retired. Before the closure we established a 1 million euro support fund, which we used to increase the confidence of those employees who were soon to retire and employees who could not find a new job. We used the support fund to pay retraining scholarships to employees who were still unemployed after passing retraining offered by Estonian Unemployment Insurance Fund and wanted to continue with retraining. Employees who were at retiring age could apply for corporate pension.

We Pay Attention to Work-life Balance

In addition to employee learning and development we remember and acknowledge our long-term employees, support healthy living style and important life events of our employees – birth of child or beginning of school life, loss of a close one etc – whether financially or by offering free time.

In 2013 the following joint events took place: New Year's party, winter sports day for employees and their families, summer days together with Narva Energy Run for our employees, their families and guests and Christmas parties for the children of our employees of up to 13 years of age.

In spring the employees of Eesti Energia Narva Power Plants attended a pilot project „Combining work, family and private life" and the company was among those mentioned in the competition for most family and employee friendly company.

In 2013, 107 employees returned from maternity leave. Depending on the nature of employment we offer them and other employees who have small children flexibility in organizing their work including also home office possibilities.

Partnership With Labor Unions

In putting together motivation packages for employees we cooperate and consult our partners in the trade unions. The benefits of the collective agreement apply to all workers in the company that has concluded such an agreement with the trade union, excluding the members of Management Board who have signed a contract of service. Eesti Energia has a total of six collective employment agreements.

All changes having direct impact to our employees are reported 15-30 days in advance through the employee representatives. Employee feedback and proposals is gathered also through employee representatives.

The joint priority for us and the representatives of employees is to secure safety at work and improve working environment. The collective agreement states that the employee representatives help to explain the employees how significant it is to follow work safety and occupational health requirements. They are also responsible for control mechanisms. As a Group we ensure that our employees have access to protective clothing and footwear, other personal protective equipment as well as proper changing room and washroom. All employees pass a medical examination when they start working for us, and then have regular health checks. In Eesti and Balti power plants the employees may also visit medical aid stations specially set up for them.

> The joint priority for us and the representatives of employees is to secure safety at work and improve working environment.

We Invest in Employee's Health

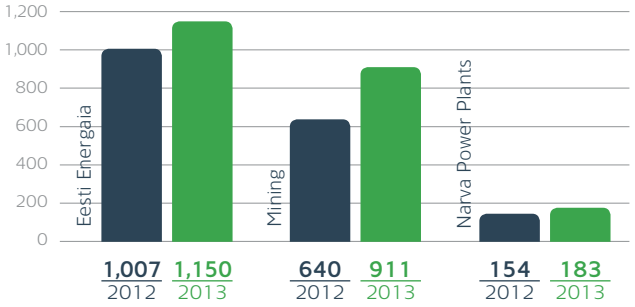
In 2013, we invested 1.75 million euros to employee health and work safety including investments to personal protective equipment and clothing, purchasing medicines and toiletries, organising health checks and access to medical services, employee insurance and other work safety and health related investments.

We have three sports clubs in Eesti Enegria — the Eesti Energia sports club, Narva Power Plants sports club and the Mining division's sports club. The number of members increased in all three clubs in 2013.

Besides weekly trainings our employees are actively attending different grassroot sports events that are also supported by our sports clubs. The largest number of our members ever attended the Tartu ski marathon and Maijooks. Winter sports day, held in March for the first time, had 300 employees and their families attending. Internal competitions are also popular as are also representing Eesti Energia in business-to-business competitions from football, volleyball, basketball to chess or bowling tournaments. „Eesti Energia internal sport competitions": Kossuässad 2013 (basketball); Energiapall 2013 (football); E-võrk 2013 (volleyball); Oil shale volle 2012/2013; bowling tournament „Cuulwärk" 2013.

In 2013 Eesti Energia Group companies supported sports clubs with 266,316 euros to popularise grassroot sporting habits of the employees.

Number of Employees in Eesti Energia Sports Clubs



The Safety of Our Working Environment

One of the core values of Eesti Energia is safety above all. Our operations are always related to environmental and health risks. Therefore, we always need to consider the safety of working environment, health of our employees and environment.

Based on risks analysis of working environment the most difficult working conditions are in mines, open pit mines, oil shale power stations and shale oil industry. Many of Eesti Energia's employees are exposed to physical, chemical, biological, physiological and psychological hazards, and work under difficult conditions and/or outdoors.

Our goal is to ensure all our employees but also the employees of our co-operation partners as safe an environment as possible without any chance of work accidents or professional disease. All our companies employ experienced working environment specialists.

- I will arrive and leave work safely
- I always follow occupational and environment safety requirements
- I draw attention to dangerous situations
- I will not make decisions or behave in a manner that would endanger someone's health or environment
- I increase people's awareness of risks related to our field of operations

In order to create a safer working environment, we have invested in new and safer technologies and equipment. In the course of repairing and renovating the equipment used in the power plants we removed and utilized isolation materials containing asbestos and replaced them with safer materials.

To measure the level of safety in our workplaces, raise awareness about our overall goal, and 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 corporate web.

Even though sever occupational accidents have been declining over years there were 32 occupational accidents in 2013, which is one more than a year before. Unfortunately, one underground employee was killed in a ceiling collapse of a mine.

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).

We pay special attention to teaching and guiding our employees as well as our co-operation partners in order to ensure the safety of employees.

We introduced new safety rules in 2013 for the safe servicing of technological equipment in Eesti Energia's Narva Power Plants. Last year we implemented and certified OHSAS-18001 standard „Control system of occupational health and safety " in Narva Power Plants. The standard has been implemented in all production subsidiaries of Eesti Energia

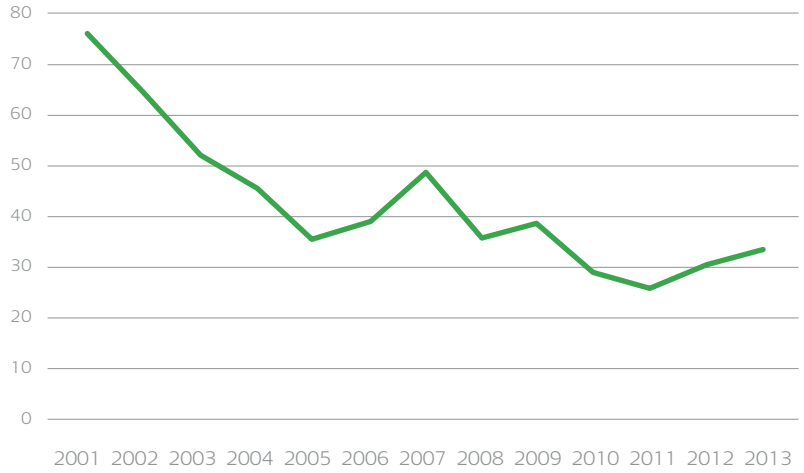
The standard "Control system of occupational health and safety" has been implemented in all production subsidiaries of Eesti Energia and the principles and requirements of the standard are the bases of organizing the occupational environment and safety work.

and the principles and requirements of the standard are the bases of organizing the occupational environment and safety work.

We advise our co-operation 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.

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. These videos are used to advise new employees and the employees of our co-operation partners. In the competitions arranged for electricians we pay special attention to work safety.

Number of Occupational Accidents in Eesti Energia Group Entities



Making it Easy

Simplicity *in our work does not mean primitivism but reliability and better results. Each employee needs to have an answer to a question of why we do this. Everything we do needs to have a reason.*

The solutions by Technology Industry might be complicated and multilevel internally but seemingly they need to be simple and well understood. Same approach should apply also to our work processes.

Martti Kork
Eesti Energia Tehnoloogiatööstus, Chairman of Management Board

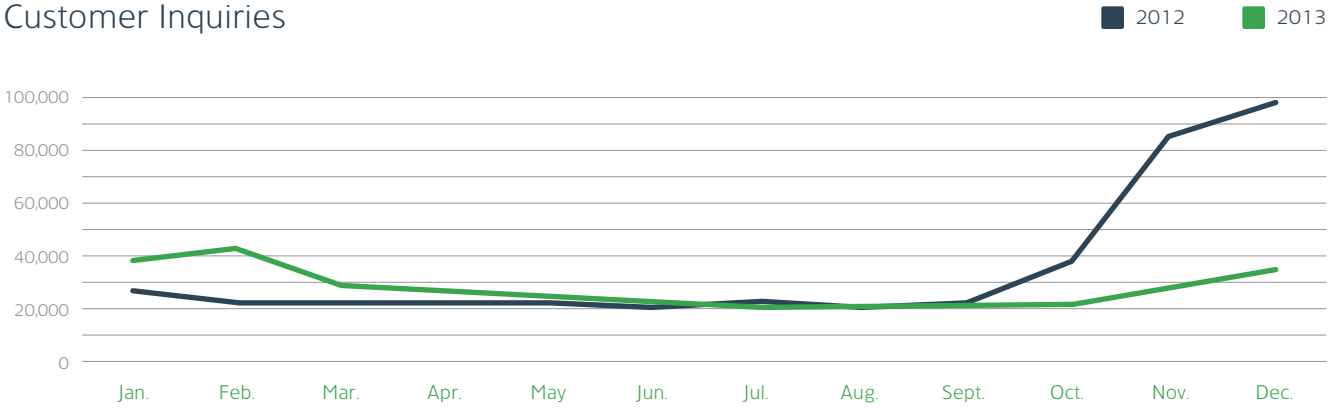
Customer Relations

Estonian electricity market was fully opened in January 2013 marking the end of electricity sales monopoly for Eesti Energia and the beginning of new competition era. While residential customers can choose between eight and business customers even among more electricity sellers, the majority of customers prefer purchasing electricity from Eesti Energia. This is a significant recognition for us. Customer surveys indicate that customers value our reliability, simple service structure and service channels offering fast solutions.

Growing Customer Satisfaction and Improving Service Quality

In 2013 our focus was on improving efficiency of service processes. We are now competing with electricity sellers who are using e-channels and who do not have to keep up and running a complicated and inevitably expensive service system, as requires the servicing of up to half a million customers. In addition to efficiency improvement our priorities included also customer satisfaction with our services.

Customer Inquiries



Graph includes only inquiries related to electricity sale.

Number of Customer Inquiries

In 2013 the number of customer inquiries dropped approximately 20% compared to a year before. While in 2012 the inquiries concerning electricity sale amounted to 417,600 then in 2013 such inquiries dropped to 320,968.

In the beginning of the year customer inquiries concerned mainly the market opening due to complications with billing. In the second half of the year the interest in potential extension of existing electricity contracts increased the number of customer inquiries.

Customer Satisfaction Survey Results

Eesti Energia uses TNT Emor to conduct annual customer satisfaction surveys in order to map the customer satisfaction with our services, key factors impacting customer satisfaction and general satisfaction level. The survey results support our business decisions, development of action plans as well as measuring the set objectives. The 2013 survey results indicate that our strengths are: smooth billing, fast and easy signing of contracts, customer focused service.

Corporate customers considered the problems with billing on market opening most disturbing. The billing problems affected every fourth customer in the beginning of the year. In the second half of the year the problems were solved but work on increasing billing efficiency continues.

Problems with billing influenced also the feedback from residential customers. Additionally, the customers are also expecting shorter waiting time on phone calls. The survey revealed that even though many customers see the simplicity of Eesti Energia's electricity packages as an advantage this awareness is still not widely spread. In order to increase the awareness we need to take our communication to a new level. We also need to explain better our pricing strategy. Even though the power market is open for competition and electricity price does not depend on us, Eesti Energia still has an image of the expensive electricity seller.

Service Standards in Customer Service Channels

The servicing of approximately half a million customers means that our service channels need to be ready to handle thousands of inquiries daily. To ensure the service capacity we constantly forecast the number of enquiries and consider this in our staff planning. We train our employees as the better the staff understands the subject the shorter the response to an inquiry. In 2013 we reviewed our work process and decided to involve customer service staff in the development of service process. This allows us to meet customer expectations and prevent potential bottlenecks.

Eesti Energia's service standards enable to keep the focus on high service quality. The standards, based on customer expectations and company specifics, support the service staff in their daily decisions. We have set individual service goals on our service channels to measure how quickly the customers get their problems solved. The outcome of customer satisfaction survey and service standards is used to measure the performance of customer service managers and staff.

THE 2013 SURVEY RESULTS INDICATE THAT OUR STRENGTHS ARE:

- Smooth billing,
- Fast and easy signing of contracts,
- Customer focused service.

Call Centre

According to the service standard of call centre we are expected to respond 70–80% of phone calls within 25 seconds. We met this goal in 10 months of 12. Our customer service assisted Elektrilevi's fault notification line 1343 to offer faster service during power outages caused by autumn storms. However, while helping out during power outages, the servicing our customer service line 1545 was delayed.

E-mails

Over the last two years number of customer request sent by e–mail has increased has increased 36% e-mails. Customers prefer e-mail to service centers, phone calls and webpage. The survey shows that customers expect response within two days.

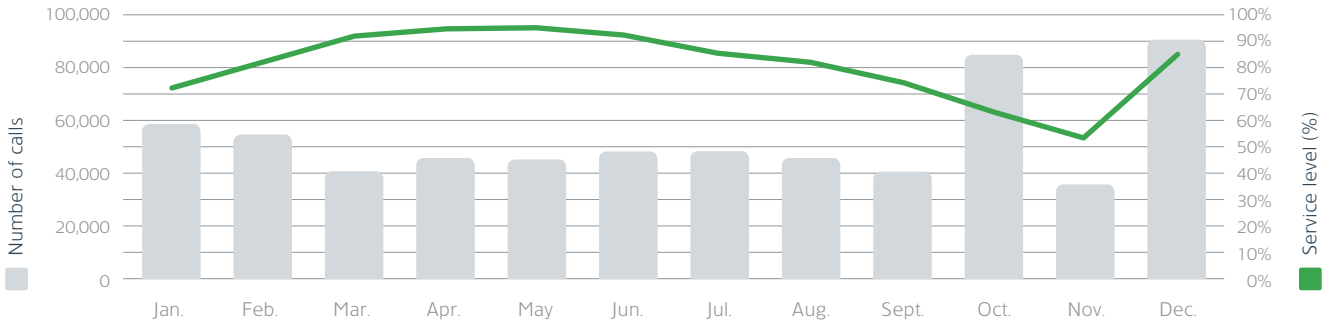
The internal goal of e-mail service is to respond 80% of e-mails within 24 hours and 99% of e-mails within 72 hours.

In 2013 the monthly average results indicated that there is still room for progress as only 67% of e-mails were responded within 24 hours and 91% within 72 hours.

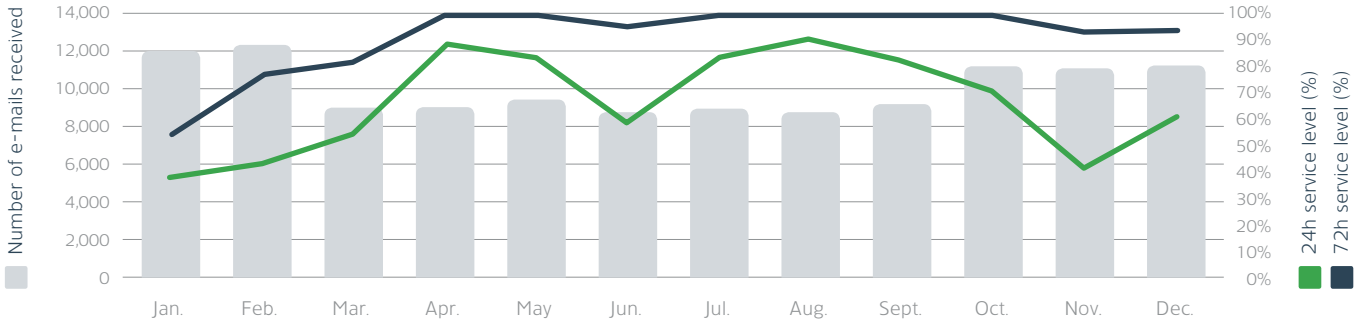
In order to offer faster e-mail service we transferred the e-mail responding team from call center to service division in 2013. The restructuring allows call centre to focus only on customer calls. In addition, we also involved those employees of customer service center who were not busy with customer service in responding the customer e-mails. We also reviewed the templates of e-mails and arranged detailed trainings to unify the knowledge and skills of our customer service staff.

Billing related problems during the first months of market opening increased the number of e-mail by approximately 20%. This also explains why the service level was low in the beginning of the year. As problems were new and different the customer service staff had to first come up and only then offer the solution.

Number of Customer Calls and Service Goal by Months*

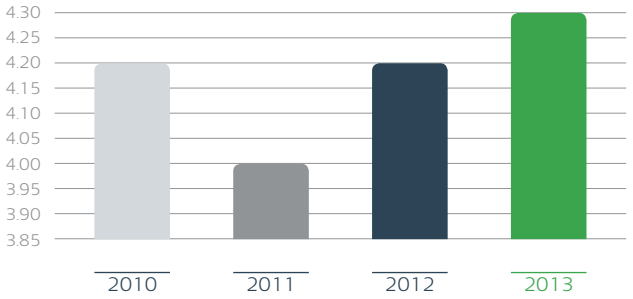


Number of E-mails and Service Goal by Months*

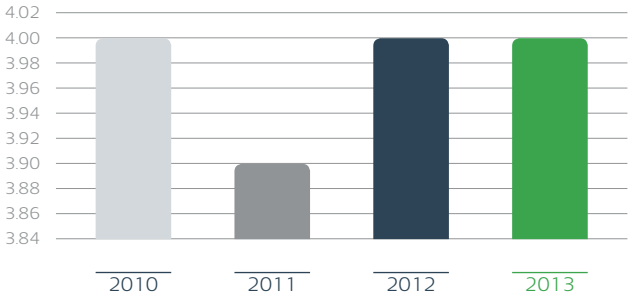


** Includes also inquires concerning Elektrilevi distribution network services*

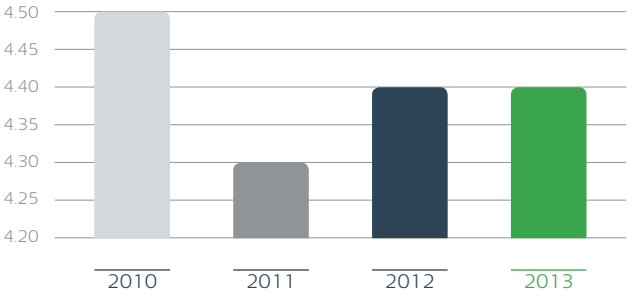
Customer Satisfaction with Phone Channel on 5-point Scale*



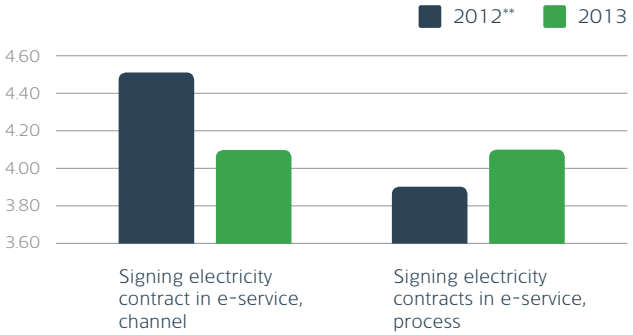
Customer Satisfaction with E-mail Responding on the 5-point Scale*



Customer Satisfaction with Service Centres on 5-point Scale*



Customer Satisfaction with E-service on 5-point Scale*



* *The assessment is based on Eesti Energia monthly feedback from customers who contacted us in previous month.*
** *Average of November and December 2012 as the signing of electricity contracts started in November.*

Customer Service Center

In 2013, Eesti Energia's customer service centre network went through significant changes. Since the peak demand for face-to-face service passed with market opening and customers clearly prefer other channels to request information on electricity sale we started to move our customer service centres to post offices in spring 2013. This allows us to continue providing services also to customers who do not have access to other channels. We are present in all counties. The customer satisfaction with our service centres located in the post offices continues to be very high. As an advantage, customers have brought out a better location compared to earlier centres. In 2013, our service centres serviced 6,112 customers regarding electricity sale. Including inquiries about Elektrilevi's distribution network services the number of customers serviced reached 191,000.

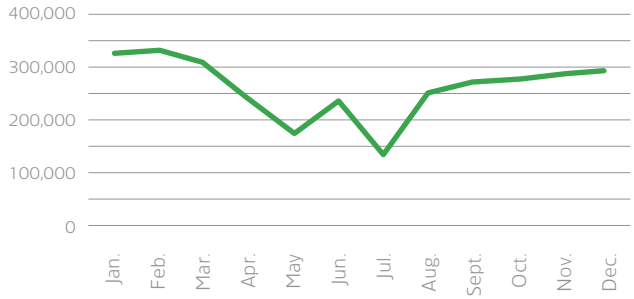
E-service

Eesti Energia's e-service is by far the most popular service channel with every second of our half a million customers using it.

E-service is available 24 hours. The most popular activities include submitting readings to Elektrilevi, payment of electricity and network service bills, signing, changing, terminating electricity agreements, viewing price lists of electricity packages, signing letters of authorization, viewing consumption history and completing energy profile.

To offer our customers the best possible service we have created a separate customer support subdivision to our e-service.

Number of E-service Customers



Constant Improvement of Customer Service Competence

We encourage the customer service staff to take part of different competitions such as the competition for the best service staff of Estonia to measure their competence level. In 2013, we arranged training to all our 300 customer service employees. For the first time ever we focused on mapping the customer expectations and putting together an offer based on this, which was a real challenge as customer expectations are still developing in such a new market.

We organized 10 training days for the service staff with 151 participants. Each service employee passed a one-day training program. In 2013 the emphasis was on management training since the managers are responsible for teaching their customer service staff to keep long-term customer relations.

Product Responsibility

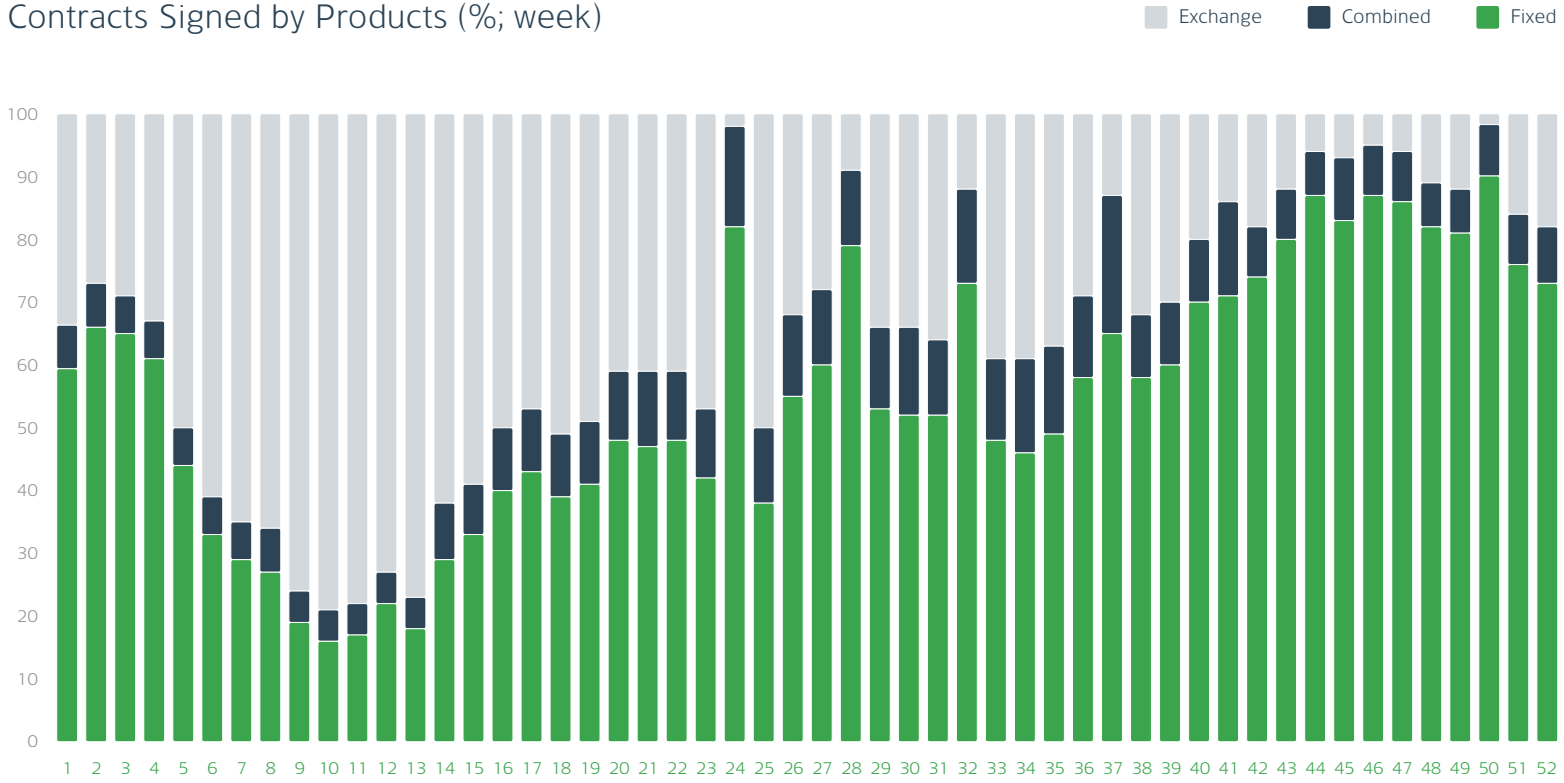
Product Development – Three Simple Products

Eesti Energia's product packages are based on three simple options: fixed price, power exchange based variable price and combined product, which is 50% based on fixed price and 50% on variable price. Within these three options the customer may also choose the term of the contract period and a single or dual-tariff price.

The first year of operations on open market proved that customers prefer simple products.

Eesti Energia's product packages are based on three simple options: fixed price, power exchange based variable price and combined product, which is 50% based on fixed price and 50% on variable price.

Contracts Signed by Products (%; week)



Price Based on Electricity Consumption

In 2013, customer electricity consumption became the key for pricing the electricity packages. While in the beginning of the market opening the price differences were up to 0.2 cents/kWh then by the end of the year such differences were already up to 0.6 cents/kWh.

This is one of the reasons why we recommend our customers also targeted offers based on personal consumption in our e-service channel in addition to information provided in public websites. To see the consumption-based offer customer has to log into e-service environment. Usually personal targeted offers differ from general price lists, which focus mostly on customers with annual consumption of 3600 kWh.

Lowest Fixed Price Always Available

Customers of Eesti Energia can at any point of time check in our e-service whether their fixed price package is the best package available. Price list including the prices of all periods gives a good overview of consumption-based electricity offers. Contracts are signed for free. The lowest price offer can only be displayed for fixed price packages since in case of exchange related packages the conclusions can only be made later.

The first year of operations under open market conditions indicated that customers are still getting used to the new situation where electricity seller no longer can say which package will be the cheapest. We could do that under regulated market conditions when packages did not depend on power exchange prices.

To enhance confidence in this new situation we explain our customers the difference between packages and the impact of difference prices to electricity bill and whether they prefer knowing in advance the price of 1 kWh each month or they accept also prices that are reported afterwards.

Eesti Energia aims to offer its customers simple and transparent electricity price. This is also the core reason why our packages do not include monthly fee, which has significant impact on price of kilowatt-hour but often gains no attention from customers who are only getting used to the open market.

Automatic Renewal of Electricity Contracts

As an option, we offer our customers automatic renewal of Electricity contract. This means that before the end of the contract term we will send the customer an offer for new contract period. The contract extends automatically once the customer accepts the offer.

Green Energy

Eesti Energia is the only electricity seller who guarantees all its Green Energy customers that the green energy consumed is generated from renewable energy sources. To prove this we have applied for certificates of origin from Estonian system operator. Certificates of origin are issued by Elering based on the amounts of renewable energy generated by Eesti Energia.

By the end of 2013 the number of residential and business customers who prefer Green Energy had reached 1,802 and 67, respectively. In 2013, the consumption of Green Energy in Estonia amounted to 37.9 GWh. The market opening has reduced the number of customers who prefer Green Energy but we believe that it will start growing in the near future due to better environment awareness.

We recommend our customers also targeted offers based on personal consumption in our e-service channel in addition to information provided in public websites. To enhance confidence in this new situation we explain our customers the difference between packages and the impact of difference prices to electricity bill.

Customer Notification

Customer notifications are based on the simplicity principle. Our messages have to be equally clear to each and every customer. We always send out the customer information letters in a preferred language whether in Estonian or Russian. We use e-mails, paper letters, electronic newsletters, SMS, announcements in e-service environment, cover letters to electricity bill and the first page of the bill as our notification channels.

In December we agreed on new work process for cases when the customer's e-mail box is full and our e-mails cannot therefore be delivered. We review each and every returned e-mail and identify the reason why it was not delivered. If the e-mail contains information the customer must know, we call the customer and ask for an alternative e-mail address or send the information by regular mail. This allows us to prevent situations where the information about significant change does not reach (on time) the customer and as a result the customer suffers from loss, inconvenience or is discontent.

Solving Billing Related Matters

Market opening brought along number of significant changes in our billing system. Under the closed market conditions we only needed two pieces of information for billing – price of electricity and monthly consumption. In the open market we need hourly consumption data for billing. When the customer has chosen electricity package fully or partially based on power exchange price the electricity seller needs to match hourly consumption with the price on power exchange. Transition to such a complicated billing system contained major risks and some of those unfortunately materialized.

Each month we send out approximately 650,000 invoices. During the first billing period in the open market we issued 90% of those without problems. In the beginning of 2013 we focused intensively on eliminating any issues with billing. This included data organising and IT related developments to enable free data movement between different databases managed by Eesti Energia and between the data warehouses

of Eesti Energia and Elering. Due to extensive developments some of the customers had to wait several months before all problems were fixed.

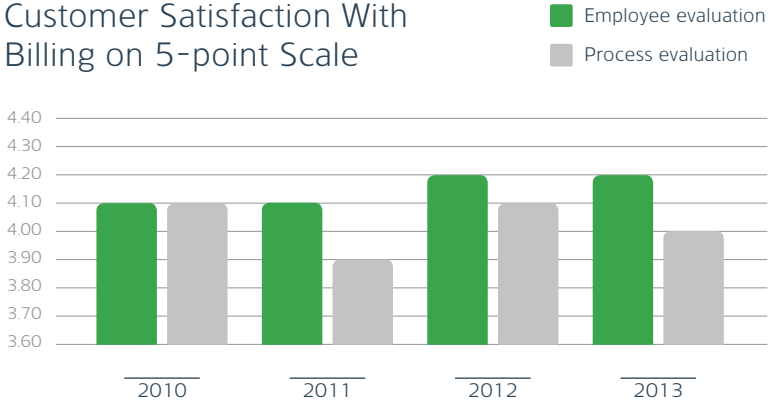
We realized our responsibility to customers and started to inform customers we had problems billing with. We offered free payment schedule to customers who asked for longer payment term. We developed a compensation system to customers who had waited for their invoice long.

All billing related issues arising from market opening were finally fixed by autumn.

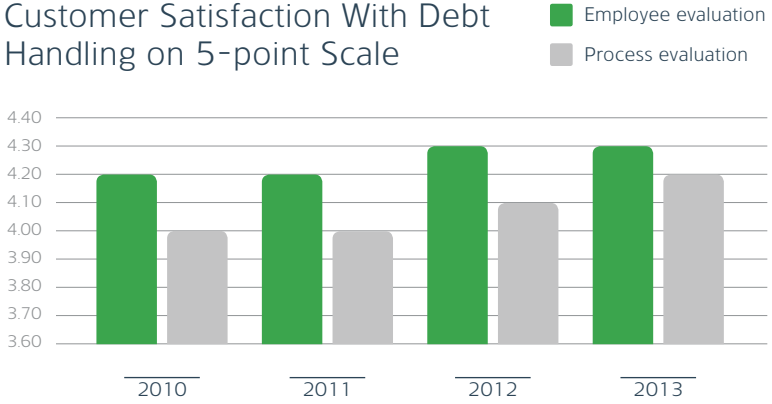
Debt Processing

We generally come to mutually satisfying solutions with customers suffering from temporary solvency problems. We ask customers to inform us about their solvency issues before the payment term. We are always trying to help those customers showing good will. As an exception we allow customers with payment problems to pay their bills based on payment schedule. We also allow temporary payment term rescheduling.

Customer Satisfaction With Billing on 5-point Scale



Customer Satisfaction With Debt Handling on 5-point Scale



Customer Complaints

Our ultimate goal is to reach a point where we do not received any customer complaints. Currently, as we still need to handle them, it is done in the same database with inquiries that the customer service has not solved during the first contact with the customer.

Customer inquiries (incl. complaints), which reached the second level amounted to 3,105 in 2012 and 1,717 in 2013. The number of complicated and problematic inquiries has dropped about 45%. We are also solving inquiries faster. In 2012 it took 8 days to solve an inquiry but in 2013 the average was already 5 days. The improvement is supported by systematic prevention, better customer notification and improved work processes.

In 2013, in order to improve customer satisfaction, we introduced a work process for situations when we are not able to respond customer inquiries within 5 working days. We will contact the customer, clarify the status of the inquiry and explain why the excess time is needed. Customers responded to this improvement very positively. We consider keeping promises

extremely crucial and have therefore set clear rules on who should, on what subjects and by when respond. Database together with performance pay system strongly support the new approach. We have been able to increase the timeliness of solving inquiries from 69% in 2012 to 91% in 2013.

Protection of Customer Data

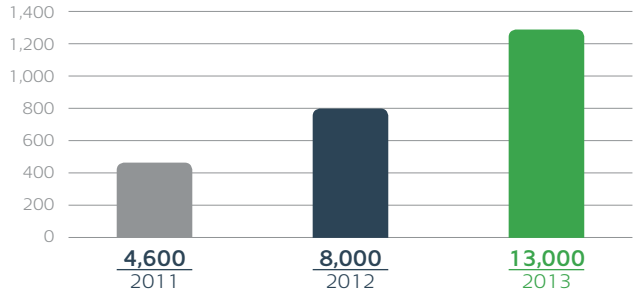
We keep customer data as a whole, updated and correct. Protection of customer data is ensured by the "Principles of customer data processing in Eesti Energia AS Group", a document approved by the Management Board.

Energy Efficiency

Energy efficiency is gaining popularity due to rise in global electricity prices. About 90% of our customers expect information about potential energy saving possibilities. Therefore, we developed a specific energy efficiency website www.energia.ee/en/kokkuhoid, which got approximately 44,000 unique visits by our e-service customers in 2013.

The most practical tool in our energy efficiency website is energy profiling for finding out where to and how much electricity, water and heat the customer uses and the costs by all energy sources. By the end of the 2013, approximately 13,000 customers had filled in their energy profiles. In addition to energy profile, we created 3D home models on energy saving, energy saving blog and energy efficiency tips for those who are interested in energy saving. More information on energy efficiency on page 98.

Number of Customers who Completed Their Energy Profile

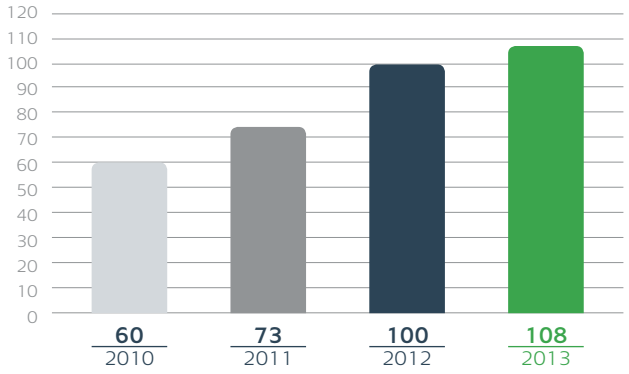


Elektrilevi Invests in Reliable Network Service

The priority of Group network service provider Elektrilevi is to ensure high-quality network service and excellent customer service.

In 2013, Elektrilevi invested a total of 108 million euros to network development. During the financial year the Group renovated and built 679 substations (compared to 707 substations a year before) and 1,826 kilometres of up-to-date underground and overhead cables (compared to 1,738 kilometres a year before). This means that on average 5 kilometres of new cable and 2 new substations were built each day. In the process of upgrading our network we are building a weathertight power network that will cover 75% of total network by 2025.

Investments in Network Development



Weathertight network reduces sharply the length of outages and breakdowns. At the end of 2013, there were three major storms in Estonia that were declared extraordinary subject to the network construction norms. But even these three storms could not impact the level of breakdowns compared to year before. While comparing the breakdowns without extreme weather conditions the decline was 17% year-on-year indicating that the investments targeting lower breakdowns have been well defined. At the same time the extraordinary weather conditions have impacted the length of outages by increasing the average time of outage per customer to 269 minutes in 2013. Excluding the extraordinary outages the outage per customer was 144 minutes compared to 187 a year before.

Elektrilevi started with the large-scale replacement of remote power meters in 2013. By the end of the year 167,499 meters had been already replace while the project is expected to last till the end of 2016 as stipulated by Estonian laws. Within four years Elektrilevi will replace approximately 620,000 smart meters that measure consumption by hour. With new meters the customers no longer need to submit their meter reading. They can manage the consumption and selection of power packages more consciously and thus also improve their cash flows management. Network service provider will be able to fix any breakdowns faster since they get more precise information about the extent of low voltage breakdowns. Additionally, the cost base of network service provider will decline as it no longer needs to check the meter readings or handle reading submitting and processing.

> In the process of upgrading our network we are building a weathertight power network that will cover 75% of total network by 2025.

It Depends on Me

It all begins from us – how we work, what we achieve, how we spend our free time, our personal development and many other things we are responsible for.

Nothing comes in itself. All our values – being useful to customers, growing corporate value, making things easy, ensuring safety – start from our personal contributions!

Gristel Tali
Eesti Energia, HR Director

Environmental Activities

Oil shale industry has been developed in Estonia for almost a century. The experience with handling oil shale industry related environmental impacts has improved significantly since then. The technological progress has enabled us to reduce environmental impacts without decreasing the production volumes but rather even increasing the volumes.

In 2013, one of the key priorities of Eesti Energia was to reduce environmental impacts and increase production efficiency simultaneously. Simply put, our activities on reducing environmental impacts can be split to preventive and restoring. The preventive actions are primarily related to environmental investments.

We continued with planting forest on former territories of oil shale industry and gave a totally new beginning to former Aidu quarry.

Eesti Energia follows all environmental requirements by European Union. In our daily work we are guided by the following principles of environmental protection:

- We use environmental management systems that conform to the international standards ISO 14001 and EMAS to manage environmental impacts.
- We are lowering the CO_2-intensity of the energy delivered to customers.
- 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 work closely with scientific research institutions 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.

Preventive Investments in Environment Protection

We continued to keep the SOx emission levels as low as possible also in 2013. We were able to reduce the emissions remarkably by installing deSOx desulphurisation equipment on four generating units in Narva Power Plants and adding crushed stone and mine waste to other energy units as supplementary source of calcium. This allowed us to meet the strict SOx restrictions and produce at the same time 10.56 TWh of electricity and 1.24 TWh of heat.

DeNOx equipment was installed on one energy generating unit already fitted with deSOx equipment in order to reduce nitrogen oxide emissions. The installed equipment allowed us to reduce NOx emissions almost twice.

We increased efficiency through improved usage of resources. We continued with maximizing the usage of oil shale ash. To increase the efficiency of oil shale resource we started using mine waste, formerly considered as a waste or by-product, and low caloric oil shale in generation process. Diversification of energy generation portfolio has significantly reduced environmental impacts.

With the construction of new Auvere energy unit we invested in a new and cleaner, more efficient and low-emission production capacity. Besides reducing emission allowances the circulating fluidized bed technology allows higher flexibility in fuel usage, such as a combination of oil shale and biomass or other fuels.

In terms of renewable energy we prioritised wind energy but also waste-to-energy generation, a totally new method in Estonia. The new wind parks in Paldiski and Narva were opened in 2013. Narva wind park was built on the former ash field of Balti power plant. The new waste-to-energy unit of Iru power plant is using mixed waste to generate electricity and heat. The new fuel increased the plant's electricity and heat production and therefore also its competitiveness. Iru plant used more than 180,000 tonnes of waste for energy generation in 2013.

Construction of Paide Co-Generation Plant in Final Stage

Increased capacity of decentralised electricity and heat co-generation supports maximum and environmentally sustainable fuel usage.

In 2013 Paide CHP plant reached its final construction stage marking the key event in Eesti Energia's co-generation field. We started the cold commissioning at the end of the year and first heat was produced for Paide in the beginning of year. The electricity capacity of biomass based co-generation plant is 2 MW and heat capacity is 8 MW. Considering the local heat consumption co-generation plant of such capacity is an optimum and best solution. After commissioning the existing boiler plants in Paide will be held in reserve to cover peak demand.

Restoration of Mining Areas

Before returning former open pit mine areas to natural and living environments the areas are restored through forestation, turning into arable land or creating a new purpose for the area. Afforestation is the most common method of cultivating the open cast mines. As a result of mine recultivation forest of up to 50 years of age is growing in open cast mines. In 2013, 251 ha of forest were planted on former mining areas. Since the 1960s we have planted forest on some 13,000 hectares during the recultivation process. In 2013, after the closure of Aidu quarry we had a great opportunity to add new value to the local community in the process of restoration of the area. In 2020 we expect to open in this unique area an international water sports centre together with local municipality. In 2013 the construction of first phase, a 2.3 km long, 162 m wide and 3.5 meter deep rowing channel, was completed. The former open cast mine has 30 kilometres of oblong reservoirs, which are split by 4 million trees planted over 40 years. As many other recultivated open cast mine areas Aidu is becoming more popular for fishing and hunting among locals.

Investigating and Assessing Environmental Impacts

In 2013 we focused on improving the assessment of environmental impacts. So far we had only studied specific emissions from a single source of pollution and their local impact on surrounding environment. In 2013 together with other oil shale companies we started mapping and assessing the impact of oil shale industry on environment. As a first step we ordered a survey to identify the environmental impacts of new technologies used in oil shale mining today. Since last century the oil shale industry has gone through a giant leap towards more efficient and environmentally friendly production. Therefore we need also recent studies. We can say that due to the hard work and extensive investments the oil shale industry of Eesti Energia is cleaner than ever.

Major Environment Projects in 2013

65,000 Salmons at Their New Home

For the tenth year Eesti Energia released 5,000 two-year old salmons into Jägala River, next to Linnamäe hydroelectric power station. Over ten year 65,000 young salmons have found a new home in Linnamäe waters. The spawning conditions in Jägala River are limited due to Linnamäe dam and hydroelectric power station. Therefore, Eesti Energia is compensating the natural process by releasing juvenile fish downstream of dam.

Mixed Waste, a New Resource Introduced by Eesti Energia in Local Energy Landscape

Eesti Energia opened electricity and heat co-generation plant in Iru, first in Estonia to operate on mixed waste. The waste-to-energy unit is not competing with household waste sorting and collection by type but is rather an alternative to landfilling. In Estonia, approximately 300,000 tonnes of mixed waste remains unsorted each year. Of this the waste-to-energy unit is able to recycle about 220,000 tonnes. Approximately 85% of energy in the waste is converted into electricity and heat in Iru.

Oil Shale Ash in Road Construction

We used project OSAMAT to analyse the most efficient way of turning oil shale ash, by-product of oil shale industry, to a valuable road construction material. The parties of the project, partially financed by European Union LIFE+ program, include Eesti Energia, Estonian Road Administration, construction company Nordecon and consulting company Ramboll. Oil shale ash was tested as a stabilising layer under asphalt on Simuna-Vaiatu road.

New Wind Park on Pakri Peninsula

Eesti Energia and Nelja Energia opened jointly a new wind park on the northern end of Pakri peninsula. The wind park is comprised of 18 new 2.5 MW energy generators equally distributed between Eesti Energia and Nelja Energia. The new and existing energy generators on Parki peninsula cover the average electricity consumption of some 50,000 Estonian families.

Forest Taking Over the Territory of Viru Mine

Viru mine was closed on 1 June after 48 years of operations and mining of 80.5 million tonnes of commercial oil shale. The office building, fuel enrichment plant and other buildings will be demolished and the former mining area will be taken over by forest. Estonia mine will continue mining the oil shale in former Viru mining area.

Wind Park on Ash Field

Eesti Energia opened a unique wind park next to Narva on a former ash field of oil shale power plant. The wind park consists of 17 energy generators of 2.3 MW and total capacity of 39.1 MW. Approximately 30,000 Estonian families are supplied with this environmentally friendly wind power.

Oil Industry Strengthen Its Odour Monitoring

Eesti Energia Oil Industry introduced the substance reduction plan to complement the existing monitoring measures. As Virumaa region is densely populated with industrial establishments it has greater potential for unpleasant odour. If all regional entities would strengthen their odour monitoring the problem could be jointly solved.

Eesti Energia Balti Power Plant Testing Low Calorific Oil Shale

Oil shale that has so far been considered unusable for electricity generation is mixed with coal, which has 10–30% higher calorific value, in order to get a fuel suitable for burning. For years 8.4 MJ/kg was considered as the best calorific value of oil shale. This, however, means that a significant portion of low calorific value oil shale remains unused. Such oil shale has been considered as mine waste and unsuitable for electricity and heat production. In the course of testing, low calorific value oil shale is mixed with high calorific value coal that should generate fuel mix suitable for burning. As a result we increase the efficiency of mined oil shale and create less mine waste. It also allows channelling more of high calorific value oil shale to higher value adding shale oil industry.

Environmental Impact and Ratios

Eesti Energia increased the production of heat and electricity significantly in 2013 compared to a year before. The production of liquid fuels and accompanying producer gas remained at the same level as a year before. It is worth mentioning that while the electricity generation increased the environmental emissions increased less indicating a drop in specific emissions year-on-year. This is best described by lower sulphur dioxide or SO_2 special emissions that continue to decline also after a significant drop in 2012.

While higher production increased the utilisation of oil shale the mixed waste was used for the first time as a source of fuel in electricity generation in 2013. The amount of pumped mining water has dropped significantly due to termination of excavation operations in Aidu quarry and Viru mine.

Air emissions have decreased compared to previous years while the production volumes have increased. Lower SO_2 and NO_x emissions indicate that the related investments have been well targeted and efficient. While the production volumes have remained at the same level or even grown we have clearly managed sticking to an annual SO_2 emissions limit, which is 25,000 tonnes a year since 2012.

Higher fly ash quantities are partially related to the introduction of low calorific value oil shale as the mineral substance of fuel used has increased. Therefore, we consider it especially crucial to find more alternatives for using ash. Lower usage of biomass in electricity generation and indirect impact of alternative SO_2 reduction methods are behind higher CO_2 emissions. We stopped the large-scale usage of biomass in Balti power plant in the second half of 2012 due to changes in legislative environment.

Both, the introduction of low calorific value oil shale and alternative SO_2 reduction measures have increased the volume of oil shale ash. In order to increase the recycling rate of oil shale ash, which currently has remained almost on the same level, we have prepared several development projects. The volume of mine waste has decreased since the introduction of low calorific value oil shale. A moto mountain established close to Estonia mine is a perfect example of potential usage of mine waste. The construction requires up to 12 million tonnes of mine waste of which 1.5 million tonnes were used in 2013. Until new projects are launched the depositing of material is temporarily increasing. The level of suspended matter and sulphates that reached environment with pumped mining water is directly related to the volume of dewatering. The latter is mostly impacted by the rainfall.

PRODUCTION	UNIT	2011	2012	2013
Electricity	GWh	10,428	9,378	10,560
Heat	GWh	1,263	1,137	1,242
Liquid fuels	th tonnes	184.5	209.5	213.7
Producer gas	million m³	58.1	65.2	62.1

RESOURCES USED	UNIT	2011	2012	2013
Commercial oil shale	million tonnes	15.8	14.8	17.2
Natural gas	million m³	98.2	59.4	47.3
Biofuels	million tonnes	0.4	0.5	0.1
Mixed waste	th tonnes	-	-	184.2
Cooling water	million m³	1,522.9	1,307.2	1,487.6
Pumped mining water	million m³	224.8	203.0	138.1
incl. water from quarries	million m³	131.8	112.2	61.6
incl. water from underground mines	million m³	93.0	90.8	76.5

EMISSIONS	UNIT	2011	2012	2013
SO_2	th tonnes	56.8	23.2	21.2
incl. Narva Power Plants	th tonnes	56.6	23.1	21.1
NO_X	th tonnes	12.8	9.9	8.8
Fly ash	th tonnes	28.3	6.5	9.1
CO_2	million tonnes	12.3	11.0	13.4

SOLID WASTE	UNIT	2011	2012	2013
Oil shale ash	million tonnes	7.1	6.9	8.1
incl. recycled	million tonnes	0.1	0.1	0.1
Mine waste	million tonnes	9.0	8.1	5.6
incl. recycled	million tonnes	8.1	7.6	3.7

WATER POLLUTANTS	UNIT	2011	2012	2013
Suspended matter	th tonnes	1.7	1.1	0.8
Sulphates	th tonnes	131.5	76.0	64.8

ENVIRONMENTAL FEES PAID	UNIT	2011	2012	2013
Resource fees	million euros	28.7	30.4	28.3
Pollution fees	million euros	19.8	17.8	24.5

Environmental Fees

Environmental fees are split between pollution fees and fee for the right to use the resource or resource fee. Eesti Energia pays resource fees for the state owned resources such as oil shale and water. The state collects a fee for the environment pollution in order to compensate for the damages caused by pollution.

As stated by law part of the environment fees is paid to the local municipality the pollution impacts. Large portion of environment fees is invested to different environmental projects through Environmental Investment Centre (SA KIK) all across Estonia. SA KIK finances environment projects in the fields of water, waste, wildlife, energy and environment awareness. The 53 million euros paid by Eesti Energia oil industry in Ida-Virumaa region as environmental fees is therefore used to improve the environment throughout Estonia. Of this amount 13% goes directly to the budget of Ida-Virumaa municipality that can be used for developing the local area.

The 53 million euros paid by Eesti Energia oil industry in Ida-Virumaa region as environmental fees is therefore used to improve the environment throughout Estonia. Of this amount 13% goes directly to the budget of Ida-Virumaa municipality that can be used for developing the local area.

Environmental Research and Environmental Protection Action Plan

One of the priorities of Eesti Energia is to co-operate with local and international universities, research institutions, consulting companies and technology development firms within its development activities. Eesti Energia is directly involved in environmental protection research and development of different technologies, which becomes especially important in cases when there are no standard solutions on using oil shale. We established a joint entity Enefit Outotec Technology with internationally well-known technology company Outotec to test oil shale of various origins and adjust technological solutions in the lab and pilot plant in Frankfurt, Germany.

Major environmental research and action plans in 2013

- We continued with OSAMAT project, partially financed through EU Life+ program, to test large-scale usage of oil shale ash in road construction. We tested oil shale in mass-stabilisation of peat embankment together with Estonian Road Administration, construction company Nordecon and consulting company Ramboll.
- Eesti Energia, Kunda Nordic Tsement and Tallinn University of Technology jointly study the potential usage of ashes emerging due to changes in fuel characteristics and implementation of new exhaust cleaning equipment in production of different cement composites.
- In co-operation with Tallinn University of Technology we study the efficient usage of oil shale ash in neutralising acid soil.
- We studied with Geological Survey of Estonia the environmental safety of Narva Power Plants ash fields and their potential impact on environment in order to ensure the safety and environmental friendliness of oil shale ash depositing technology.
- Together with Tallinn University of Technology we started with fundamental research on burning oil shale in oxygen in order to prepare for potential CO_2 catching and depositing projects.
- Together with Tallinn University of Technology and the ecology lab of Eesti Energia we continued with industrial testing of co-generation of low calorific value oil shale, coal and other fuels in the circulating fluidized bed boilers of Narva Power Plants. We analysed the results to find an optimum mix of oil shale and coal or other fuels.
- Together with Oil Shale Competence Centre, Tartu University, Tallinn University of Technology and other oil shale processing companies we initiated the compilation of a program researching environmental impacts of oil shale mining and processing. The aim of research is to assess objectively the environmental damages of oil shale industry and to compare revenue from oil shale with expenses arising from environmental impacts.
- During the preparation of Uus-Kiviõli mine for mining operations we ordered several environmental assessments from experts including the impact of mining on soil and groundwater.
- Together with Tartu University we studied the impact of underground mining on wetlands.
- Together with Environmental Board, Environmental Inspectorate and Estonian Environmental Research Centre we prepared action plan for reducing nuisance from odours for Eesti Energia Oil Industry.

Safety Above All

We do not *compromise with safety. We cannot ignore situations threatening health and life or endangering environment.*

Safety above all is unambiguously understood value. There is only one possibility – follow the safety requirements! It is a mentality, a lifestyle.

Veljo Aleksandrov
Eesti Energia Kaevandused, Chairman of Management Board

Social Activities

Our actions and decisions affect directly the environmental, economic and social environment surrounding us. We take full responsibility for society by consciously managing the consequences arising from our daily operations. We promote the development of society with our support and charity projects and invest in experience and knowledge of our employees.

We support initiatives, which impact the widest possible target group and have permanent and long-term positive impact on society. Through various initiatives in 2013 we were able to support the energy sector, environmental protection, Ida-Virumaa community and development of society with about 967,153 euros including 419,667 euros, which was used to co-finance the Energy Discovery Centre. We support the development of society in four categories:

- 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 Tripled the Co-operation Projects Related to Ida-Virumaa Region

More than 70% of Eesti Energia's employees live in East Estonia. As a sustainable entity we want to bring positive changes to the region and support the life in region. In 2013 we participated in more than 30 co-operation projects in Ida-Virumaa region investing close to 260,000 euros in total.

INITIATIVES SUPPORTED IN 2013	CO-OPERATION PARTNERS
Development of Aidu watersport centre	Aidu Veespordikeskus
Events for retired miners	Eesti Põlevkivi pensionärid
Development of "Enterprising school", an educational program by Ida-Virumaa region	Ida-Viru Ettevõtluskeskus
Events of Youth council of Ida-Virumaa region	Ida-Virumaa Youth Council
Establishing Ida-Virumaa Talented Youth Energy Fond	Ida-Virumaa Local Governments Association
Books for the libraries of Ida-Virumaa region	Libraries of Ida-Virumaa region: Iisakul, Illukal, Kuremäel, Kurtnal, Maidlas, Mäetagusel, Olginas, Pagaris, Sinimäel, Soonurmes, Vaivaras.
First super final of European Youth Basketball League in Jõhvi	Ida-Virumaa Sport Association

INITIATIVES SUPPORTED IN 2013	CO-OPERATION PARTNERS
Children and youth indoor football tournament in Sillamäe	FC Almaz
Expanding and increasing the safety of children's playground in Jõhvi	FC Lokomotiv
Prizes to the best of Alutaguse cycling marathon	Jõhvi Jalgrattaklubi
Equestrial winter camp for children in Kiikla orphanage	Kiikla orphanage
Exponents of Kohtla Mining Park	Kohtla Kaevanduspark
Winter song festival Voice of Ice in Toila Oru park	Kultuuriveski
Cultural event "Manor Fireworks 2013" at Maidla	Maidla Mõisa Arendus
Heino Lipp memory competition in shot put and iron days in Maidla	Maidla Municipality
Family event "XIV Maidla parish day"	Maidla Municipality
Chidren and youth swimming competition in Mäetaguse	Mäetaguse Municipality
Maetaguse parish days	Mäetaguse Municipality
PurFest environment seminar for retaining the purity of river	Purtse Jõe Arenduskeskus
Sciences teacher to Sillamäe school within the Teach for All program	Sinimäe school and Noored Kooli SA
The Estonia mine 40th anniversary volleyball tornament between miners and engineers	Sports club Dars
Boxing tournament to commemorate the exacavator driver Jüri Kudrjašov	Sports club Evail-Athletics
Organizing international youth volley-ball tournament in Narva	Sports club Viktoria
III Narva Energy Run	Spordiürituste Korraldamise Klubi
Football summer camp in Voka for children aged between 8 and 12	Terve Narva
Construction of historic lifeboat for Toila port	Toila Merepääste
Informatics day "Modern information technologies in energetics company"	Virumaa College of Tallinn University of Technology
Supporting the education festival "How to become an engineer?" in Ida-Virumaa region	Narva College of Tallinn University
Sporting and recreation equipment for Vaivara recreation centre	Vaivara culture centre
Construction of Olgina playground	Vaivara Municipality Government
Sculpture for movie director and actor Kaljo Kiisk who came from Ida-Virumaa region	Viru Rotary club
Improving health sport trails in Pähklimäe health trails	Äkke sport club

New Initiatives to Improve the Social Environment

To develop the versatility of local young people we initiated in 2013 the Ida-Virumaa Talented Young Energy Fund. The aim of the fund that was co-founded with Ida-Virumaa Association of Local Governments is to support the development of recreational activities of talented children between ages 7 and 19 such as participation in sports competitions, acquiring means necessary for hobbies, participating in competitions, Olympiads or other similar events. In 2013, Eesti Energia's contribution amounted to 5,000 euros of the energy fund's 6,500 euros. In 2013, scholarships were paid to 22 school children for developing recreational activities.

In 2013 we started the co-operation project with Teach for All program in order to lay a foundation for engineering profession already in elementary school. We are looking for mathematics, chemistry and physics teacher to Sinimäe school in Vaivara Municipality for two years. We are offering the young teacher-to-be additional scholarship of 6,080 euros during the course of the program to compensate the expenses related to moving, living, language studies and transportation.

Thirdly, as a totally new initiative we co-operate with libraries to improve the living standard of municipalities largely dependent of oil shale. We consider books as everlasting value benefitting many people. We helped 11 libraries to fill in the shelves with new literature worth 2,500 euros. Majority of the books were children and youth literature.

We Support Projects Expanding Youth Opportunities

We supported the construction of Olgina playground in Vaivara Municipality to improve the living environment and expand the children's horizon. We named the attractions based on the oil shale objects in children's home municipality. Information boards placed on the playground give children important facts about those places.

We supported Ida-Virumaa education festival "How to become an engineer?" to promote engineering and sciences among

young people. Number of seminars and workshops were held in Narva College of Tallinn University during the education festival. We supported also the development of Ida-Virumaa education program „Enterprising school", contributed to youth council of Ida-Virumaa region and financed the expansion of recreational activities targeting children and young people in Vaivara recreational centres. We supported also the construction of historic wooden lifeboat in Toila port in order to create more interesting learning and safety programs for children.

We Promote the Growth of Socio-economic Welfare and Tourism

In 2013 we celebrated the opening of rowing channel complying with all international standards in the territory of closed-down Aidu open-cast oil shale mine as a significant community project. Within a year giant mining machines re-loaded 5 million tonnes of mine. The excavated draught is the first step in the construction of largest Baltic and Nordic water sports centre. The project is run in close co-operation with local government. By establishing the new recreation centre we give the former industrial object a new breathing.

Aidu is becoming one of the largest tourism attractions in Estonia. At the end of summer we invited first 300 guests to celebrate the completion of the first phase and test the 30 km Aidu channel area. We have invested a total over 1.2 million euros to the project.

In spring 2013 the second phase construction works were started in Kohtla Mining Park including the construction of ground area of the mining park and development of expositions. We contributed to the creation of interactive theme park introducing the history of Estonian oil shale. In order to diversify the theme park we donated more than 10 sizable mining machines originating directly from oil shale industry in 2013. The unique centre, which will be completed at the end of 2014, will become a significant tourism attraction for the whole Estonia. Eesti Energia co-finances the development of mining park with 238,657 euros.

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To encourage the cultural spirit of community we supported several family events targeting locals including also a unique winter song festival „Voice of Ice". We contributed to the opening of sculpture of Kalju Kiisk, a movie director and actor who was born in Ida-Virumaa region.

We Care for Health and Good Feeling of Local People

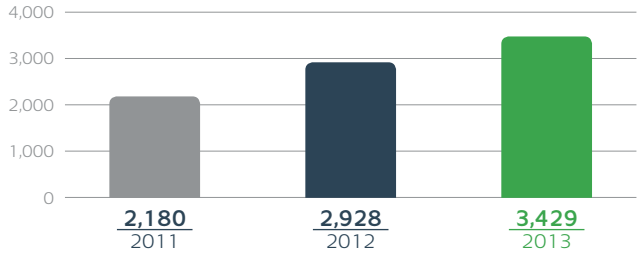
To motivate the young people spend more time in sporting we supported 12 sports related initiatives in Ida-Virumaa region in 2013. We supported events that promoted trainings and offered children and young people experiences on competitions. Considering the diversity of recreational activities we also contributed to the expansion and safety of Jõhvi football stadium.

A record of more than 3,400 sports fans participated in Narva Energy Run, the largest sports event in Ida-Virumaa region. We hope that Narva Energy Run motivates more locals to enjoy sports. At the same time, the aim of the event is also to increase the importance of Ida-Virumaa region on Estonian cultural and sports landscape. The event has also become one of the most expected for professional sportsmen.

The citizens of Narva were also involved with the preparations for the third Narva Energy Run. In spring 200 people improved the exercising pavilion and outdoor gym built as a charity contribution of Narva Energy Run to Pähklimäe health trails. With the collective action also racetracks were cleaned and new signs placed on trails.

In 2013 we invested a total of 40,000 euros to strengthening the health and sporting habits of people living in Ida-Virumaa region.

Number of Participants in Narva Energy Run



Leader of Energy Sector Future Employees

In order to ensure supply of new personnel we focus on promoting interest of young people towards the energy sector. We also strive to create co-operation opportunities for students and establish partnerships with various educational institutions.

In 2013 Virumaa College of Tallinn University of Technology opened a continuing education course on excavation operations. The initiative, which came from Eesti Energia Kaevandused, enables mining engineers and specialists working in Ida-Virumaa region to upgrade their education on high school level while still close to home. Many employees of Eesti Energia Kaevandused have already used this opportunity.

In cooperation with Innovation and Business Centre of Tallinn University of Technology, we accept sponsorship applications from all representatives of faculties and student organizations of Tallinn University of Technology twice a year. In 2013 we supported projects promoting energy-related education with 25,000 euros.

During 2013 fall semester Eesti Energia together with energy faculty of Tallinn University of Technology taught „Strategic development of energy system", a public master's subject. The lecturers included top specialists and managers of Eesti Energia but also of other companies. Some of the top specialists of Eesti Energia are also responsible lecturers of several bachelor's and master's studies in different universities.

Together with Tallinn University of Technology we gave popular science lectures about energy in Estonian and Russian language schools in Ida Virumaa region in spring and autumn of 2013. These 450–550 gymansium students present at

the lectures broadened their knowledge about energy sector and career planning possibilities.

In cooperation with Narva Power Plants we opened a classroom for heating equipment operators. The classroom is actively used by students of vocational school, Latvian and Lithuanian specialists and employees attending on-spot training and continuing education in Narva Power Plants.

The reconstruction of Energy Discovery Centre (Energia Avastuskeskus), which has pleased its visitors for 13 years, started in the beginning of 2013. The renovated discovery centre focusing on energy and science is expected to open in summer 2014 and will be one of the kind in Europe. Eesti Energia supports the project financial but also creates the exposition. Total reconstruction cost is 3.7 million euros of which Eesti Energia invests 562,191 euros.

The renovated discovery centre focusing on energy and science is expected to open in summer 2014 and will be one of the kind in Europe.

We Care for Nature and Promote Energy Saving Life Style

The main subjects of Eesti Energia's environment day 2013 included the different usage possibilities of oil shale ash and environment friendly technologies in energy generation. We also gave an overview of steps Eesti Energia has taken in recent years to reduce the environmental impact of oil shale industry.

We helped to organize environment seminar, which took place for the fourth time during Purtse river festival PurFest. Seminar focused on the impact oil shale industry has on Purtse river area and discussed activities, which have improved the condition of bodies of water.

Eesti Energia has become one of the largest planters of forest land in Estonia with more than 13,000 ha of forest planted since 1960. During the environment protection month in 2013 the 150 employees of Eesti Energia planted 6,000 pine plants to Narva mine. Trees were planted in total of 82 hectares of Narva mine but also to about 169 hectares of Aidu mine.

In 2013 Eesti Energia helped to arrange energy saving week for the fifth consecutive year. In October we handed out energy saving learning materials to 550 Estonian elementary schools and gymnasiums, which are also available at our website https://www.energia.ee/et/jarelkasv. As part of the energy saving week the employees of Eesti Energia were guest lecturing at schools about energy saving. We offered our customers a possibility to fill in their energy profiles in our main offices in Tallinn, Tartu, Pärnu, Paide and Jõhvi, which was used by 259 customers during a week. We also organized our first intra-group publicity campaign motivating

our employees to indicate in interactive posters the energy saving steps they are taking at their homes. More information about energy saving activities is at page 69.

Together with Looduse Omnibuss we aim to turn trips to nature and getting acquainted with nature a normal part of the daily life of each Estonian. A total of 150 nature and cultural trips to different parts of Estonia were organized by Looduse Omnibuss in 2013. Around 7,100 people participated in those trips while some 6,300 nature lovers learned something new on 33 nature evenings. The annual key event for nature lovers is the Nature Photograph of the Year competition, which in 2013 had 1,383 photographers with some 11,000 photos attending. As a co-organizer to the competition Eesti Energia awarded the picture with best energy.

We Promote Healthy Lifestyle

We wish that as many Estonians as possible would have access to recreational sporting in well-maintained and illuminated health trails. Therefore, we together with Swedbank and Merko Ehitus have created a network of health trails across Estonia so that each and every person in Estonia would be granted free access to outdoor exercising year-round. Eesti Terviserajad (Estonian health trails) started with video learning set on its website in 2013. The set includes 35 training clips, which had a total of 58,000 viewers. The joint initiative established in 2004 has created approximately 800 kilometres and a total of 100 well-maintained and illuminated health trails. Each year some 4 million people visit the health trails. In 2013, Eesti Energia invested 64,000 euros to the development of health trails.

More information about Narva Energy Run, an event initiated to promote public health is available at page 93.

Promoting Youth Entrepreneurship

People, who want and dare to bring their ideas into life, are the power behind the development of society and economy. Eesti Energia's youth entrepreneurship development program Entrum has encouraged more than 1,700 young people over last three years to come up with entrepreneurial initiatives. The young people from Ida-Virumaa region, South-Estonia and West-Estonia have initiated 345 ideas in the fields of social enterprises, technology, ecological and creative enterprises to promote life in regional level or in Estonia in general.

Interactive e-textbook AndroidÕpik won the Entrum competition in 2013 held in West-Estonia. In autumn 600 young people from North Estonia started with Entrum program to develop their entrepreneurial skills through practice. Young people registered 171 ideas that they want to turn into actual business within seven months.

Current Results

ENTRUM Ida-Virumaa 2010/2011 (1 county)	**ENTRUM** South-Estonia 2011/2012 (5 counties)	**ENTRUM** West-Estonia 2012/2013 (4 counties)
Participants: 644 students	**Participants:** 475 students	**Participants:** 580 students
Ideas: Initiated 86, at the finals 26 (30%)	**Ideas:** Initiated 98, at the finals 33 (34%)	**Ideas:** Initiated 161, at the finals 42 (26%)
Winner: Youth job market InSpe	**Winner:** Estonian student exchange program VeniVidiVici	**Winner:** AndroidÕpik, IT and engineering

ENTRUM is a network of several hundred organizations and best experts of their fields. In addition, close to 160 entrepreneurs over Estonia support young people as mentors. Eesti Energia supports the program both financially as well as substantively with mentors, volunteers and participating in the development of concept.

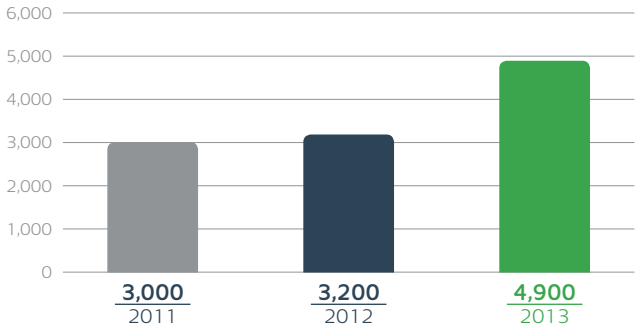
In 2013 ENTRUM was announced as the winner in the best youth entrepreneurship programme category of World Chambers Congress's international competition. Entrum was also awarded with the European corporate social responsibility award. In 2011 Entrum was acknowledged as the best promoter of entrepreneurship by Ministry of Economy and Communications, best corporate social responsibility initiative by Swedish Business Awards and best business initiative of civil society by Estonian Civil Society Association.

We Teach Electrical Safety

During the electrical safety campaign in 2013 the employees of Elektrilevi trained 4,900 children to discover the electricity related dangers. Compared to earlier campaigns we focused more on the substantive teaching. We prepared safety related teaching materials, talked about electrical safety to small children during the electrical safety mornings held in Artis cinema, taught elementary school students how to avoid threats in 14 safety camps organized by Elektrilevi and the Estonian Rescue Board. Electrical rabbit (Elektrijänes) teaches children in public family events, regional safety days and kindergartens.

In order to address the subject of electrical safety more efficiently, Elektrilevi regularly updates respective sections on its website.

Number of Youth Attending Electrical Safety Trainings



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