



# GasTerra Annual Report 2014

Energizing the future

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# GasTerra

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# Preface

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2014 was not exactly an 'ordinary' year, for GasTerra included. National and international tensions affected our company in various ways and influenced our work. At national level, this concerned the more frequent and stronger occurrence of earthquakes. With all related consequences for the people living in the area around the Groningen Gas Field. They experience damage, feelings of uncertainty and fear. Therefore, the extraction of natural gas, which benefits us socially and economically, also has a dark side, a side that these people are unilaterally and disproportionately confronted with. As a company that forms part of the chain that causes that damage, we are acutely aware of this. Indirectly and very directly: a number of our employees themselves live in the extraction area. There is no doubt in our minds that effective measures are necessary to eliminate the feelings of insecurity.

At international level, relations between the EU and Russia are strained because of the political crisis in the Ukraine. This also affects gas sales, where political and economic stakes in gas are high for both Russia and the EU alike.

In light of this and other developments, GasTerra's Annual Report 2014 marks a turning point. Over the past years, I could report high sales each year. However, in 2014, both volume and prices were lower than the previous year.

The average high temperature and the limited output of the Groningen Gas Field were important contributing factors to the decrease in volume. The government took measures in response to the earthquakes. On 17 January 2014, the Dutch Minister for Economic Affairs, Mr Kamp, announced that a maximum volume had been set for the extraction from the Groningen Gas Field. In addition to this, the production from the clusters around Loppersum, where the strongest earthquakes had occurred, was cut back severely. The proposed decision referred to a production ceiling of 42.5 billion cubic metres in 2014 and 2015, and 40 billion cubic metres in 2016. During this period, the extraction from the clusters around Loppersum was maximised to three billion cubic metres per annum. In a letter dated 29 January 2015 to the Dutch Lower House, the minister conveyed that the total extraction in the Groningen Gas Field would be cut back to a maximum of 39.4 billion cubic metres in 2015 and 2016. On 9 February 2015, the minister announced in a letter to the Lower House that the extraction in the first half of 2015 will be restricted to 16.5 billion cubic metres. This level of extraction, according to the minister, makes it possible as of 1 July 2015 both to maintain the level of 39.4 billion cubic metres and to decide on a further reduction to the level of 35 billion cubic metres for the year 2015.

While the producer of the Groningen Gas Field, NAM, is responsible for not exceeding this production ceiling, GasTerra also has an important role to play here. After all, our company is the exclusive vendor of this gas and draws in sufficient volumes of gas from the NAM to meet the demand from our customers. At the same time, the task of our shareholders – the ministry of Economic Affairs, EBN, Shell and ExxonMobil – remains unchanged. Our mission is to maximise the value of Dutch natural gas. For that reason, we are trying to sell all the gas that is offered to us by NAM and from the small fields as well as possible. We successfully achieved this in 2014.

The demand for gas dropped in 2014. This was a European phenomenon and was mainly due to the high temperatures. It was the warmest year since the measurements commenced. Additionally there was no recovery of a traditional market segment for the gas sector: energy companies have set their Gas-Fired Power Stations to low production or shut them down completely, because gas is too expensive compared with coal. Moreover, the CO<sub>2</sub> price, which could compensate this difference, is still always several Euros below the required level, because the European Emissions Trading System (ETS) has to contend with a high surplus in emission allowance. The reform of the ETS, which is needed to solve this problem, is yet to be finalised.

The European gas market is going through a turbulent period. It is often said that the Golden Age of Gas, which the International Energy Agency already predicted some years ago, is not particularly evident in our part of the world. Various influences contribute to this. First and foremost, the mind-set. The EU and the majority of its member states want to achieve rapidly a fully sustainable energy supply. That is certainly essential; however, fossil fuels will nevertheless continue to play a significant role in the coming decades. If we want to make short and medium term progress in the climate policy without jeopardising the security of supply, then we will have to keep allocating gas to most important position that the energy mix allows. Natural gas is and will remain the cleanest fossil fuel; replacing coal with gas in particular will consequently directly lead to significant reductions in CO<sub>2</sub> emissions. Thanks to its flexible usage, gas can work well with renewable sources. Furthermore, gas can be converted to green biogas. Finally, earth has an abundant supply of natural gas. In this annual report, we discuss significant examples of this, like a product innovation whereby gas is the partner of wind.

Just before the summer I was elected to president of Eurogas, which represents the interests of the gas industrie in Brussels on behalf of a large number of energy companies. Within this role, I come into close contact with numerous European plans and initiatives that can help the energy sector in general and particularly the gas sector to move forward. For instance, the previous European Commission was on the right track in 2014 with its 2030 Framework. The emphasis this policy places on the reduction in CO<sub>2</sub> emissions ties in well with GasTerra and Eurogas' efforts to tackle the climate issue head on. Apart from preservation and energy saving, positioning gas appropriately within that context should be an essential objective. Thanks to the European Council's decision to propose a 40 percent reduction in CO<sub>2</sub> by 2030, a transparent way forward

has been defined for the European energy policy. Juncker's plans embraced by the new Committee for an Energy Union are also possible contributing factors to improving the European energy management. The five pillars of this initiative – promoting energy security and solidarity, completing the internal energy market, reducing the energy demand, decarbonising the energy mix and stimulating research and innovation in the area of energy – offer numerous reference points for an effective and decisive energy policy and tie in well with what we ourselves advocate and do.

The challenges for the energy sector are immense. The energy economy is facing major and fundamental changes. However, it is certain that gas will continue to play a significant role in that, now and in the future. GasTerra's motto, *Energizing the future*, emphasises this. I will gladly work towards this in the coming year. Together with my GasTerra colleagues for whom these are also exciting times. The reduction in our sales volumes and the changing market conditions have compelled us to take a critical look at our costs and organisation. To this end, we initiated a change process in 2014. Such a process unavoidably entails a degree of uncertainty. However, this has not had a negative impact on the operating results. This makes me proud of the GasTerra staff and consequently I look to the future with confidence.

*Gertjan Lankhorst, CEO GasTerra*



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# Reading Guide

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The main objective of this annual report is to inform stakeholders and interested parties about GasTerra's vision and its activities. Because Corporate Social Responsibility is embedded in the conduct and undertakings of GasTerra staff, the company has been reporting the financial and social elements in one annual report for years now. In previous years (2012 and 2013), KPMG only reviewed the issues in the annual report that were related to the sustainable target areas Green and Groningen. In 2014, KPMG expanded the scope of the assurance to include the Gas segment.

## Structure

GasTerra has translated the three basic principles of CSR – People, Planet, Profit – into three areas that tie in with the company's activities: Gas, Green and Groningen. Here, Gas stands for the operating results, Green for our ambition to contribute to a socially responsible energy transition, and Groningen for the society of which we are a part. All of GasTerra's activities can be traced back to these pillars and Gas, Green and Groningen therefore form the main structure of this annual report.

## Guidelines

GasTerra issues an annual report every year. This report relates to the calendar year 2014. Compared to the previous annual report (on calendar year 2013, publication date 13 February 2014), no significant changes have been made to scope, definition, formulation and applied measurement methods.

The annual report 2014 was drawn up on the basis of the fourth generation guidelines for sustainability reporting (GRI G4). We report at core level. We also report in accordance with the legal requirements for annual reporting from Section 391, Part 9, Book 2 of the Dutch Civil Code. Which GRI indicators the company has included in its report are listed in the GRI index. KPMG subsequently verified this.

In addition to the guidelines for sustainably reporting, we also test our annual report against the transparency benchmark of the Ministry of Economic Affairs. The annual report 2013 scored 154 out of 200 points, 22 points more than in 2012. At the very least, we aim to match this score with

this annual report.



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# About GasTerra

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GasTerra BV is an international trading company in natural gas and it has its registered office at Stationsweg 1 in Groningen. The company operates on the European energy market and accounts for a significant share of the Dutch gas supply. We also provide services related to gas trading. The company has more than 50 years of experience in natural gas procurement and sales.

## Mission

GasTerra's mission is to maximise the value of Dutch natural gas. GasTerra fulfils a public role with regard to the implementation of the Dutch government's Small Field Policy. This policy is aimed at promoting natural gas production in smaller gas fields in the Netherlands.

## Vision

The economic value and social importance of natural gas underscore GasTerra's significant role in the utilisation of domestic gas reserves and energy supply in the Netherlands and the European Union. GasTerra promotes the safe and efficient use of natural gas and is active in the development of innovative applications. We attach great importance to making the supply of energy sustainable and initiate projects in this context. Gas will remain an indispensable source of energy in the energy transition process if we wish to safeguard energy supplies and reduce CO<sub>2</sub> emission levels. The Netherlands will continue to be a major producer of natural gas for several decades to come.

GasTerra strives to have the transition to sustainability proceed responsibly, i.e. with a view to both economic and ecological interests. GasTerra is governed by the principles of corporate social responsibility (CSR). We have translated the three basic principles of CSR – People, Planet, Profit – into three areas of endeavour of its own: Gas, Green and Groningen. Here, Gas stands for the operating results, Green for our ambition to bring about a socially responsible energy transition, and Groningen for the community of which we are a part.

A focus on customers, results and improvements are GasTerra's three core values. These are the values that GasTerra's staff adopt as a premise for all their business dealings. In so doing, we work in conformity with a code of conduct in which integrity and respect serve as the guiding principles.

The company strives to build long-lasting business relationships with market operators and to enter into agreements that reflect the value of natural gas and its associated services.

## Strategy

The company implements its mission and vision by capitalising on its position on the European market to the fullest extent possible – specifically in those market segments where demand for natural gas goes hand in hand with demand for supplemental services. In doing so, use is made of gas from Dutch natural resources, as well as the flexibility offered by gas usage. Gas from overseas sources is procured to a limited extent if and when this is coherent with the general supply and demand portfolio. As a proponent of a free energy market, GasTerra is continuously developing new products and services. In this context, we seek to be a reliable and competitive gas supplier to our customers. We aim to contribute to the strengthening of the position of natural gas within the overall energy mix.



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# Message from the Board of Supervisory Directors

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## Meetings

The Board (including the College of Delegate Supervisory Directors) met 11 times, in the presence of the Board of Management. In these meetings, apart from a few exceptions, all members of the Board were present. At two meetings, the Audit Commission (AC) was also represented by the chairperson of this commission. At the invitation of the Board, the external Auditor was present at the meeting, in which the annual report and accounts relating to 2013 were dealt with.

## Shareholders' meeting attendance

	Board of Supervisory Directors	Delegated Supervisory Board members	Audit Committee
<b>C.W.M. Dessens</b>	2/2	9/9	
<b>D.A. Benschop</b>	2/2	9/9	
<b>J.D. Bokhoven</b>	2/2	9/9	
<b>P. Dekker</b>	2/2	N/A	
<b>M.E.P. Dierikx</b>	2/2	8/9	
<b>J.M. Van Roost</b>	2/2	8/9	
<b>F.A.E. Schittecatte (with effect from 15 February 2014)</b>	1/2	N/A	
<b>A.P.N. van Veldhoven (up to and including 15 February 2014)</b>	1/2	N/A	
<b>A.J. Boekelman</b>			4/4
<b>T.P.K. Huysinga</b>			4/4
<b>A.J. van der Linden</b>			4/4
<b>B.E. Westgren</b>			4/4

\* The first number indicates attendance, the second number is the number of meetings that were held this year.

## Strategy and Objectives

The company's strategy and its implementation as a set of objectives for the years ahead were discussed with the Board of Management. Maximisation of the value of Dutch gas continues to be the first matter of importance, and there is no need to adjust the strategy. Also discussed was the extent to which the objectives for the year 2014 had been realised, and the objectives for 2015 were decided on. GasTerra remains committed to drawing attention to the role of natural gas in the transition to a completely sustainable supply of energy.

The developments surrounding the Groningen earthquake dossier have an explicit impact on the company. The minister's draft decision that was announced on 17 January 2014 concerning the usability of the Groningen field had no impact on GasTerra's strategy, but it did influence the way in which the company could put this strategy into effect during 2014. The assessment and management of the risks for NAM for exceeding the set production limits required particular attention. This will also be the case in the coming years. In a letter dated 29 January 2015 to the Dutch Lower House, the minister conveyed that the total extraction in the Groningen Gas Field will be cut back to a maximum of 39.4 bcm in 2015 and 2016.

## Risk Management

In 2014, the Board discussed the risks associated with the enterprise and the results of the management's assessment of the set-up and operation of the internal risk management and control systems (document of representation). Attention was also paid to the management letter from the external Auditor and the corporate social responsibility aspects relevant to GasTerra were also taken under consideration. The Board concludes that GasTerra has a robust control framework, that this functions effectively and is still being further improved in relation to certain points.

## Staffing Matters

The Board of Supervisory Directors and the management together annually discuss potential successors present within the organisation who could fulfil management functions. The Board of Supervisory Directors approves the remuneration policy in the form of the CBA mandate.

If applicable, the Board becomes involved in alterations relating to additional jobs of members of the board of management and other members of GasTerra's management team, and discusses the complete overview of these additional jobs once a year. The overview of additional activities of

members of the Board of Supervisory Directors is also reviewed once a year.

## **Audit Committee**

The Board of Supervisory Directors has one standing committee: the Audit Committee. This committee oversees the workings of the internal risk management and control systems, all financial affairs, relations with the external Auditor and the application of Information and Communication Technology (ICT). At one of the meetings of the Supervisory Board, the Audit Committee reported to the Board on the activities it had undertaken.

The Audit Committee met on four occasions during the reporting year in question.

The composition of the Audit Committee did not undergo any changes during the year under review and at year end 2014 consisted of the following members:

A.J. Boekelman (Chairman)  
T.P.K. Huysinga  
A.H. van der Linden  
B.E. Westgren

## **Self-Evaluation**

The Board of Supervisory Directors discussed its own performance in 2014 and in doing so has confirmed the view established in 2013. The recommendations established during the evaluation will be actively monitored and for the most part have been implemented in the meantime. The next evaluation will take place in 2015.

The Audit Committee conducted a self-evaluation in 2014 and shall ensure that the recommendations set out herein be implemented.

## **Contacts with the employees**

At regular intervals, members of the Board have informed the employees of the progress of affairs by means of informal talks. Leaving aside exceptions, the Board always meets in the company's building.

Consultation meetings between the director and the works council were attended by members of the Board on two occasions in 2014. Topics such as GasTerra 2018 and the new recruitment policy were addressed during these meetings.

## **Personal Details**

As of 15 February 2014, A.P.N. van Veldhoven resigned his position on the Board due to his appointment to another position within ExxonMobil. He was succeeded by F.A.E. Schittecatte.

There has been a vacant position on the Board since 1 June 2013. This vacancy is expected to be filled at the beginning of 2015.

## **Annual Accounts**

The recommendations from the Board of Supervisory Directors to the General Meeting of Shareholders, to be held in Groningen on 12 February 2015, are as follows:

We have examined the Annual Accounts for 2014, prepared by the Chief Executive Officer in accordance with Article 23 of the Articles of Association. We concur with these Annual Accounts and recommend that:

- the net profit for 2014 – set at €36 million – be entirely appropriated for payment to the shareholders;
- the 2014 Annual Accounts be adopted without alteration.

The Board of Supervisory Directors wishes to express its appreciation for the results attained in 2014 and is grateful for the way in which the Board of Management and employees devoted themselves to the company's objectives during the financial year and for the results that were achieved. The Board wishes everyone working at GasTerra every success in their endeavours to achieve the objectives set for 2015.

The Board of Supervisory Directors,

C.W.M. Dessens, Chairman

D.A. Benschop

J.D. Bokhoven

P. Dekker

M.E.P. Dierikx

J.M. Van Roost

F.A.E. Schittecatte.

# Governance

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GasTerra BV is a private limited company with registered offices in Groningen. The company was founded on 1 July 2005 when NV Nederlandse Gasunie was legally split into a transmission system operator (TSO) and a trading company. In doing so, the gas infrastructure (the gas pipelines) and all gas transmission-related activities remained with Gasunie while the newly formed GasTerra continued with all gas trading activities.

GasTerra BV's authorised share capital is €180 million, split into 40,000 shares of €4,500 each. All shares have been subscribed, fully paid up and registered, and can only be transferred by unanimous approval of the Shareholders' AGM. The shares are held by the State (10 percent), EBN BV (40 percent), Shell Nederland BV (25 percent) and Esso Nederland BV (25 percent). No share certificates are issued.

GasTerra is not a listed company, as a result of which the Corporate Governance Code does not apply to the organisation. However, where possible and relevant, GasTerra is guided by the principles of the Code and takes the best practice provisions as a guide. In this chapter, we report on the appropriate principles of the Code.

These are to be implemented in the main when it comes to the principles and provisions included under the task and manner of working of the Board of Directors. The tools that the Board of Directors uses for this consist specifically of the annual activity plan, the budget, monthly and quarterly reports and the Business Risk Analysis (BRA) tailored to the organisation. The structure and operation of risk management at GasTerra is described herein (see also Chapter 'Gas', containing a description of the principal risks). Risk management has been delegated to the line management. Reports are made to the Board of Directors concerning implementation. Via the BRA, the Board of Directors reports at least once a year to the Audit Committee. The external auditor assesses the operating effectiveness of this system to the extent relevant in the context of the audit of the accounts.

The Board of Directors of GasTerra consists of a Managing Director, nominated on the recommendation of the Supervisory Board, approved by the Minister of Economic Affairs. The Managing Director is appointed for an indefinite period. In addition to the Managing Director, the Board of Directors also consists of three Directors/holders of a general power of attorney: the Financial Director, the Commercial Director and the Director of Strategy and Optimisation. The

remuneration of the Managing Director is determined by the Supervisory Board and in addition to a fixed remuneration, it also has a variable component that is dependent on the performance of the organisation. The Supervisory Board decides whether the Managing Director is eligible for a variable remuneration and the amount thereof. The size of the variable remuneration shall not exceed 30 per cent of the fixed salary. The amount of the remuneration of the Managing Director is given elsewhere in the annual report. With regard to the Managing Director, the provisions relating to the maximum number of allowable supervisory board memberships in the Management and Supervision Act shall be observed.

Supervision of the Board of Directors of GasTerra is exercised by the Supervisory Board. The Supervisory Board consists of eight people. One member is appointed directly by the Minister of Economic Affairs, the remaining members are appointed by the Annual General Meeting of Shareholders on the recommendation of the individual shareholders. The number of supervisory board memberships that one person may hold is limited to ensure the proper performance of the duties. The Supervisory Board has appointed its own secretary, who is supported, where necessary, by the Company Secretary.

The *Wet Bestuur en Toezicht* [Dutch Management and Supervision (Public and Private Companies) Act] came into effect as of 01 January 2013. Among other things, this Act contains a provision concerning the balanced participation of men and women in the management and on the Board of Supervisory Directors. The company's current allocation of seats on the Board does not yet comply with this provision. One vacancy existed on the Board of Supervisory Directors during the year under review. At the time of this annual report's publication, this vacancy had not yet been filled.

The duty and manner of working of the Supervisory Board are in accordance with the Code set out in its own regulations. By default, the annual report contains a report from the Supervisory Board. A (brief) profile of the members of the Supervisory Board is included in the annual report. The provisions relating to the supervision of the Board of Directors by the Supervisory Board are effected at the regular meetings of the Supervisory Board. Furthermore, at least once a year (in the absence of the Board of Directors), the Supervisory Board discusses its own performance (and desired competencies) as well as that of its individual members and the Board of Directors.

The Articles of Association stipulate that decisions which are important to GasTerra must be approved by the Supervisory Board or the College of Delegate Supervisory Directors. The Committee of Delegated Supervisory Board members is a statutory company body. The Committee is formed by members of the Supervisory Board and consists of five supervisory directors including the supervisory director who has been appointed by the Minister of Economic Affairs.

The Supervisory Board has established an Audit Committee. The Audit Committee is a non-statutory body composed of four members appointed by the Supervisory Board. The Supervisory Board or the Committee of Delegated Supervisory Directors may refer matters for the consideration of the Audit Committee. Whether solicited or unsolicited, the Audit Committee issues advice to the Supervisory Board or the Committee of Delegated Supervisory Directors on the matters within the remit of the Audit Committee and prepares the decisions of the Supervisory Board in relation to those matters. The Audit Committee generally meets four times a year, and did so in 2014.

The duty and method of working of the Audit Committee are set out in regulations that essentially follow best practice provisions mentioned in the Code. Thus, the duties of the Audit Committee include supervision regarding the financing of the company, operating expenses and capital expenditures in relation to the agreed budgets, the provision of financial information, the operation of the internal risk management and control systems, compliance with recommendations and observations of internal and external auditors, the role and functioning of the internal audit department, maintaining the relationship with the external auditor, and the effect of the information and communications technology. Matters covered in particular by this latter topic are the independence of the auditor, remuneration and the potential provision of work that is not audit-related.

The (system of) remuneration of the Supervisory Board has been approved by the Annual General Meeting of Shareholders (AGM). The total amount of remuneration of the Supervisory Board is stated in the Annual Report.

With regard to the powers of the shareholders, the Articles of Association stipulate that decisions of shareholders may only be taken by a majority of three-fourths of the votes cast. For a number of decisions, in particular the transfer of shares, suspension or dismissal of the Managing Director, amendment of the Articles of Association and dissolution of the Company, unanimity is required.

As regards disclosure of information to shareholders and the potential impact on the share price, it must be noted that the 'GasTerra share' is not traded on the financial markets.

With regard to financial reporting, several times a year (at regular meetings), the Supervisory Board, the Committee of Delegated Supervisory Directors and the Audit Committee supervise compliance with the internal procedures relating to the preparation and publication of the annual report, the annual accounts and the quarterly reports.

The Annual General Meeting of Shareholders appoints the external auditor. It is standard procedure for the Audit Commission to inquire the external auditor with regard to his auditor's report on the true and fair view of the financial statements. Furthermore, the Board of Directors and the Supervisory Board report to the Annual General Meeting of Shareholders on the independence of the external auditor and a recommendation is issued for the appointment of an external auditor. For this purpose, the Board of Directors and the Supervisory Board regularly, but at least once every four years, assesses the functioning of the external auditor. KPMG has been appointed to do the audit up to and including the year 2014. As of 2015, Ernst & Young (EY) is GasTerra's auditor.

The external auditor's findings concerning the financial statement audit are included in the Internal Audits working plan. Findings concerning the internal audit function are included where necessary in the external auditor's Management Letter. The Management Letter is discussed at a meeting of the Supervisory Board. The external auditor reports anything he wishes to bring to the attention of the Board of Directors and the Supervisory Board in relation to his audit of the financial statements and other audit engagements. This gives effect to the provisions pertaining to the principle in the Code on the relationship and communication of the external auditor with the company's organs.

## **CSR and governance**

CSR is an integral part of the strategy at GasTerra and has thus been embedded into our day-to-day operations. Since 2013, GasTerra has integrated the CSR matrix and associated objectives and activities into the Business Plan, which is approved by the Supervisory Board, the most senior governing body. Monitoring of progress is included in the regular reporting cycle. The quarterly reports are discussed by the Committee of Delegated Supervisory Directors, the Advisory Committee of Shareholders and the Audit Committee.

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# Management Information

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Managementteam GasTerra

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## Board of Management

G.J. Lankhorst, Chief Executive Officer

### Directors

M.J.W. de Wilde, Chief Financial Officer

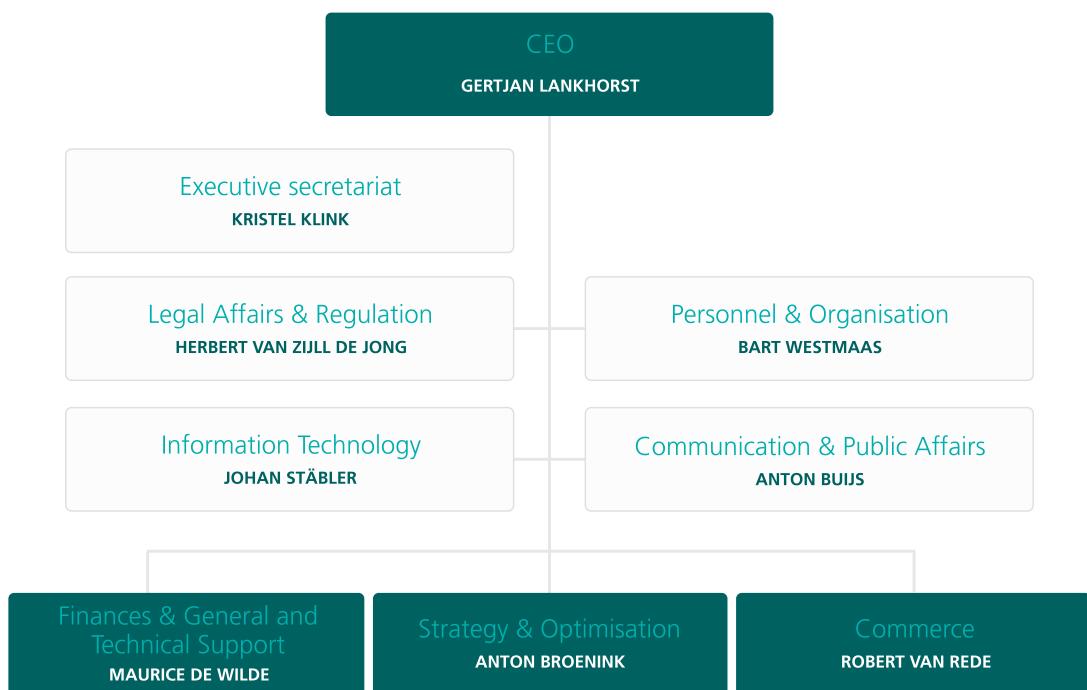
A.E.M. Broenink, Director of Strategy & Optimisation

R.E. van Rede, Commercial Director

### **Heads of Department**

A.J.P. Buijs, Communications & Public Affairs Manager  
J.R.L.W. Stäbler, Information Technology Manager  
B.A. Westmaas, Personnel & Organisation Manager  
H.J. van Zijll de Jong, Legal Affairs & Regulation Manager

View the ancillary positions held by members of the GasTerra Board of Management.



## **Board of Supervisory Directors**

C.W.M. Dessens, Chairman\*  
D.A. Benschop\*  
J.D. Bokhoven\*  
P. Dekker  
M.E.P. Dierikx\*  
J.M. Van Roost\*  
F.A.E. Schittecatte

\* Also a member of the College of Delegate Supervisory Directors.

The information about the background of the members of the Board of Management and the Board of Supervisory Directors is to be found here. The Message from the Board of Supervisory Directors is to be found here.

The *Wet Bestuur en Toezicht* (Dutch Management and Supervision (Public and Private Companies) Act) was effective as of 1 January 2013. The *Wet Bestuur en Toezicht* contains, among other things, a provision concerning the balanced participation of men and women in the management and on the Board of Supervisory Directors. The company's current allocation of seats on the Board does not yet comply with this provision. There has been a vacant position on the Board since 1 June 2013. At the time of this Annual Report's appearance, this vacancy had not yet been filled.

## Works council (as at the end of 2014)

R.A. Slob (Chairman)

Z.D. Mulder-Wilts

E.T.O. Medas

A.H. Wijsbeek

L. Beekman

W.C.A. Braat

J. Schriemer



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# Human Resources and Organisation

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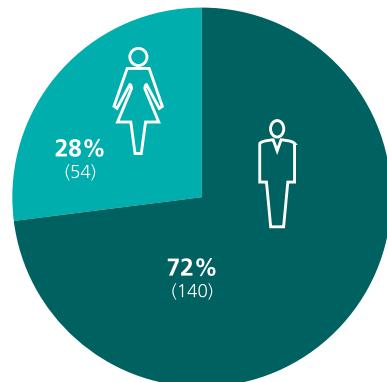
Our slogan *Energizing the future* also applies to GasTerra's human resources policy. We attach great importance to career development, secondments, internship places, traineeships and work experience places. With the developments in the gas market in mind, GasTerra considers it important to keep the workforce flexible. The volumes of gas will decline in the future and market conditions are changing, which may reduce the size of the workforce. For those reasons, the reorganisation project 'GasTerra 2018' has been launched. What we wish to do with this is to enable the organisation to continue to maximise the value of Dutch natural gas. In this, the themes of strategy, efficiency, organisation and human resources are focal. The outcomes of this project are expected in 2015.

## Staffing and numbers

To ensure flexibility, since 2014, we have only been taking on new employees via the so-called 'payrolling system'. This means that the staff employed comes from a payroll company. As at 31 December 2014, 194 people were working at GasTerra (178.6 FTE), divided into 54 women and 140 men. 187 were employees with a permanent position, 7 colleagues had a contract for a limited period.

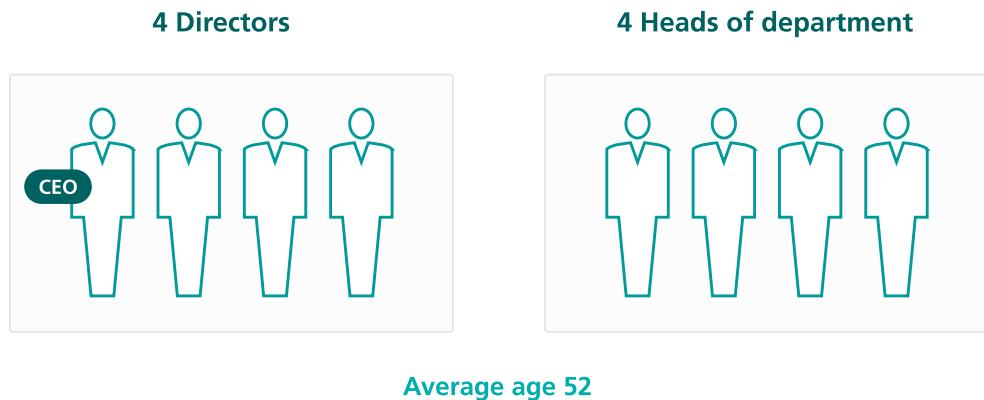
**194 employees**

Average age 41



## Management team

GasTerra's management team remained unchanged in 2014. The team consists of four directors, among whom the CEO, and additionally, four department heads.



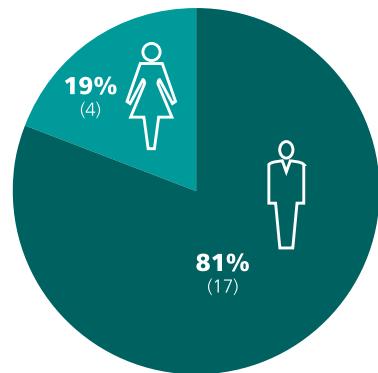
## Middle management team

Likewise, there was no change within the middle management team. The team consists of 21 people.

### Middle Management

21 employees

Average age 48



## Internships and work experience places

We consider it important to offer internships and work experience places. On the one hand, because we can thus give students or recent graduates the opportunity to gain work experience and on the other hand, because, with their fresh outlook, they can introduce new knowledge into

the organisation. These students are mainly recruited locally, in particular via the Energy Academy Europe, the Hanze University of Applied Sciences Groningen and the University of Groningen.

In 2014, two recent graduates were given work experience placements at GasTerra via the network organisation Noorderlink. Noorderlink consists of the 30 largest employers in the North Netherlands and, in cooperation with companies, offers work experience places. In so doing, this organisation focuses in particular on young people who have just graduated but cannot find a job. In this way, GasTerra provides people with work experience and hence better chances on the labour market. We intend to continue with these work experience places in 2015.

## **Traineeship**

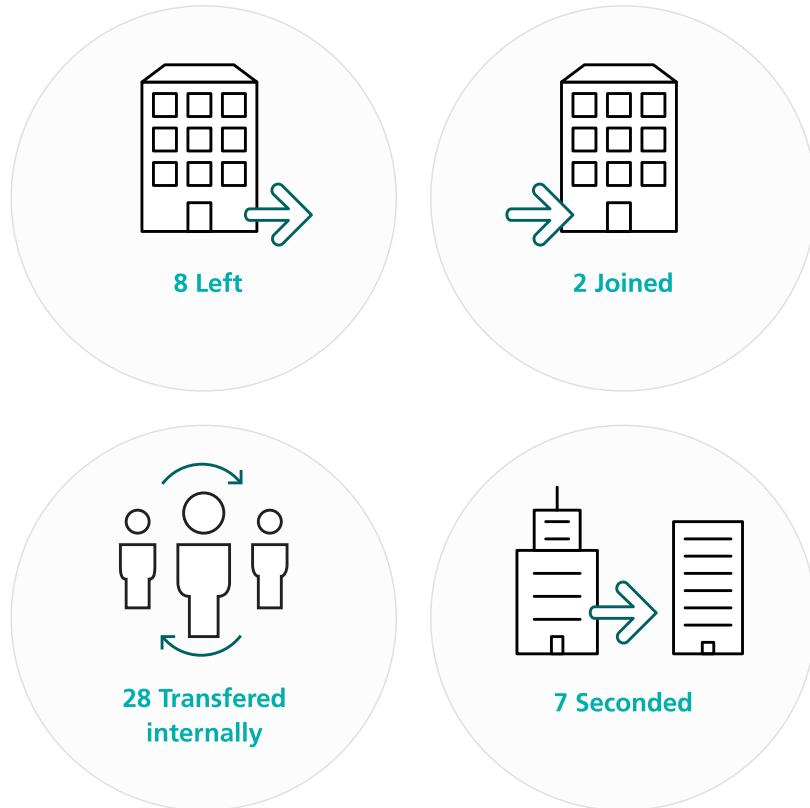
In addition, in the academic year 2013-2014 for the first time, we welcomed a trainee from the Energy Academy Europe. The trainee was seconded in the context of the Hanze Sustainable Energy Traineeship. This programme gives students the opportunity to further educate themselves in a subject that links to their studies. For GasTerra, in collaboration with ECN, the trainee applied himself to a biogas project, in which he investigated the development of flexibility in the gas market after 2020 and the opportunities to convert to biogas production. This type of traineeship is advantageous both to GasTerra and the student. The student is the perfect link between the company and education because he or she can contribute and gain new knowledge and insights.

## **Training and career development**

In 2014, GasTerra organised the 'Working from your talent' workshops. In various sessions, employees were encouraged to think about their talents and careers. This is how we want to motivate our employees to take more individual responsibility in this area. Finally, in 2014, the company again paid full attention to regular job and career-oriented education.

## **Secondment**

GasTerra is no longer growing in number of job places and has a low job turnover rate. As a result, job progression for staff is not a matter of course. That is why, in 2014, secondment acquired an even more important role. GasTerra encourages its employees to gain experience at other companies. In doing so, we offer employees the opportunity of working for one or two years at a company in the energy sector. Thus, in 2014, we had seven employees in positions at Gasunie, NAM, ExxonMobil, the Energy Delta Institute (EDI) and the International Energy Agency (IEA).



## Collective Labour Agreement and pension

GasTerra staff is actively involved in the company's union VPG<sup>2</sup>. Union membership is above 80 percent. In 2014, 168 people came under the Collective Labour Agreement. On 1 January 2015, this Collective Labour Agreement expired. The new negotiations commenced at the end of 2014. The main topics to be addressed in the negotiations are the expense allowance scheme and the necessary adjustments to the new pension scheme. On 1 January 2014, these became part of the Collective Labour Agreement. GasTerra has moved over from a final-salary scheme to an indexed median-salary scheme.

## Health and Safety

In 2014, not a single industrial accident occurred. Absenteeism was comparable with previous years, that is to say: 2.1 percent.



GasTerra's Occupational Health and Safety (ARBO) policy mentions the following risks: traffic, stress, RSI and minor accidents. In order to make employees conscious of these risks, in 2014 presentations were given, messages placed on the intranet and a training course in fire prevention and extinguishing equipment was organised. Finally, two evacuation exercises took place in 2014.

## Objections, complaints and abuses

GasTerra has appointed confidants and has a complaints procedure and a whistle blower scheme. If employees have objections or complaints, or ascertain abuses for which the solution cannot be found among colleagues and managers, they can make use of these arrangements. We have yet again brought these options to people's attention in 2014. In 2014, no abuses or cases of discrimination were reported, nobody lodged a complaint with the complaints committee and no use was made of the whistle blower scheme.



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# Composition of the GasTerra Supervisory Board

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The Board of Supervisory Directors supervises the management by the Board of Directors and the general course of affairs at GasTerra. The Board of Supervisory Directors consists of eight members, one of whom is appointed by the Minister of Economic Affairs. The Board appoints a chairman from among its members; the Minister of Economic Affairs must approve this appointment.

The Board of Supervisory Directors designates from among its members a College of Delegated Supervisory Directors, consisting of five members, one of whom is a commissioner appointed by the Minister of Economic Affairs. The Board may delegate its powers to the College, in so far as this delegation does not infringe on the role and powers of the Board of Supervisory Directors.

The Articles of Association stipulate that every year, at the annual general meeting of shareholders, two members of the Board of Supervisory Directors shall resign, in accordance with a schedule which is determined by drawing lots. The board members who resign are immediately eligible for re-election or reappointment. Successive members of the Board of Supervisory Directors occupy the place of their predecessors on the schedule.

## GasTerra's Supervisory Board

Name	Term of office	Competency	Date of appointment
<b>C.W.M. Dessens</b>	Re-election in 2017	Delegated Commissioner	1 January 2006
<b>D.A. Benschop</b>	Re-election in 2016	Delegated Commissioner	1 May 2011
<b>J.D. Bokhoven</b>	Re-election in 2015	Delegated Commissioner	1 November 2007
<b>P. Dekker</b>	Re-election in 2017	Member of the Board of Supervisory Directors	1 July 2005
<b>M.E.P. Dierikx</b>	Re-election in 2018	Delegated Commissioner	2 July 2011
<b>J.M. Van Roost</b>	Re-election in 2018	Delegated Commissioner	1 July 2005
<b>F.A.E. Schittecatte</b>	Re-election in 2015	Member of the Board of Supervisory Directors	15 Februari 2014

One seat on the Board of Supervisory Directors is currently vacant.

## **C.W.M. Dessens**

Stan Dessens was born on 30 October 1947 in Vlaardingen. He is Chairman of the Board of Supervisory Directors and the College of Delegated Commissioners. From 1974, he worked at the Ministry of Economic Affairs, in the Directorate-General for Industry and Energy. From 1988 to 1999, he was Director-General for Energy. In 1999, he was appointed Director-General of Law Enforcement at the Ministry of Justice. Since 2005, he has been self-employed. Mr Dessens holds various management positions, including president of the stichting Aanpak Voertuigcriminaliteit (Foundation for Tackling Vehicle Crime), Governor of the stichting Meld Misdaad Anoniem (Report Crime Anonymously Foundation) and Chairman of the Executive Board of the CATO (CO<sub>2</sub>Capture, Transport and Storage) project.

### ***Education***

Leiden University, Physics (graduated in 1972) and Law (graduated in 1974)

## **D.A. Benschop**

Dick Benschop was born on 5 November 1957 in Driebergen. He is a Delegated Commissioner of GasTerra. He has worked in various capacities in the Dutch Lower House of Parliament and in the Dutch Labour Party. In 1994, he founded his own consultancy firm. From 1998 to 2002, he returned to politics as Secretary of State for Foreign Affairs in the second Kok cabinet.

In 2003, he entered service with Shell in the European gas company Shell Energy Europe. In early 2006, he moved to Kuala Lumpur where he headed the Gas & Power business (LNG and GTL) in Malaysia. In 2009, he became Vice-President of Strategy for the Royal Dutch Shell Group. Since 1 May 2011, he has been CEO of Shell Nederland and Vice-President of Global Gas Market Development.

### ***Education***

VU University Amsterdam, History (graduated in 1984)

## **J.D. Bokhoven**

Jan Dirk Bokhoven was born on 4 March 1957 in Rotterdam. He is a Delegated Commissioner of GasTerra. From 1982 until 2001, he held various positions, with Conoco, Veba and Clyde, among others. In 2001, he joined Energie Beheer Nederland (EBN) as Technical Manager. Since 2007, he has been Chairman of the Board of EBN and responsible for all activities of EBN.

### ***Education***

Delft University of Technology, Petroleum Extraction (graduated in 1983)

## **P. Dekker**

Pieter Dekker was born on 16 July 1950 in Wassenaar. He is a member of the Board of Supervisory Directors of GasTerra. From 1977, he held various positions within Shell's natural gas organisation, in London and Calgary, among other places. In 1997, he returned to the Netherlands and was responsible for Shell's participation in the Nederlandse Gasgebouw (system of agreements within Dutch Gas sector), particularly for natural gas sales activities. He is also a member of the Board of Supervisory Directors of the Nederlandse Aardolie Maatschappij (NAM – Dutch Petroleum Corporation) and responsible for Shell's participation in the NoordzeeWind offshore wind energy project in the Netherlands.

### ***Education***

Delft University of Technology, Applied Physics (graduated in 1975)

## **M.E.P. Dierikx**

Mark Dierikx was born on 5 June 1953 in Vlissingen (Flushing). He is a Delegated Commissioner of GasTerra. After graduating, he worked for several years in marketing at Esso Chemicals.

Then he opted for a career at the Ministry of Economic Affairs. Here he was initially active in the sphere of Dutch industrial and technological policy, then from 1992 in the sphere of Foreign Economic Relations and from 1994 he occupied the post of Director of Economic Cooperation and Export Policy. In 1996, he moved to the Ministry of Foreign Affairs as Director for Asia and the Pacific, and also Deputy Director-General for Regional and Country Policy, returning in 2000 to the Ministry of Economic Affairs as exempt Deputy Director General for Foreign Economic Relations. From 2004, Mr Dierikx worked at the Ministry of Transport and Public Works as Director General for Water. From 1 January 2008 to 1 July 2011, he was Director General of Civil Aviation and Maritime Affairs. As of 1 July 2011, Mr Dierikx was appointed Director-General of Energy, Telecommunications and Competition at the Ministry of Economic Affairs.

### ***Education***

VU University Amsterdam, Organic Chemistry, with minors in Biochemistry and Economics (graduated in 1979)

## **J.M. Van Roost**

Joost Van Roost was born on 13 April 1955 in Leuven. He is a Delegated Commissioner of GasTerra. From 1979, he held various positions within ExxonMobil. From 1998 onwards, he was Upstream Director of ExxonMobil Benelux. After the merger of Exxon with Mobil, he became president of ExxonMobil Benelux in 2000. He is also director for natural gas and CEO of Esso Nederland BV and CEO of ExxonMobil Petroleum & Chemicals BVBA.

### ***Education***

Catholic University Leuven, electronic mechanical engineering (1977), University of Michigan, M.Sc. in Nuclear Engineering (1978), MBA (1983), Catholic University Leuven, MBA (1983)

### **F.A.E. Schittecatte**

Filip Schittecatte was born on 26 January 1978 in Oudenaarde. He is a member of the Board of Supervisory Directors of GasTerra. From 2001, he held various positions with Exxon Mobil, both in Upstream and Downstream, in London, among other places. In his current position as Gas Marketing Manager, he represents ExxonMobil in the Nederlandse Gasgebouw.

### ***Education***

University of Ghent, electronic mechanical engineering (2001), Vlerick Leuven-Gent Management School, MBA (2011)

# **Ancillary positions held by members of the GasTerra Board of Directors and main- and Ancillary positions held by members of the Board of Supervisory Directors of GasTerra**

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## **Ancillary positions held by members of the GasTerra Board of Directors**

Name	Title/Position	Organisation	Remuneration
<b>A.E.M. Broenink</b>	Treasurer	Foundation Het Houten Huis	no
	Secretary	TKI Gas	no
<b>A.J.P. Buijs</b>	Member of Working Field Advisory Committee	Hanzehogeschool (Hanze University of Applied Sciences) (Communications training)	no
	Board member	Foundation Culturele Relatie Evenementen Gasunie/GasTerra	no
	Advisory member of Board of the Foundation	Infoversum	no
	Chairman, External Communications Committee	Eurogas	no
	Member of Steering Committee	GasNaturally Campaign	no
	Member of Steering Group	Energy Convention	no
<b>G.J. Lankhorst</b>	Chairman, Supervisory Board,	Hanzehogeschool	no
	Member of Permanent Committee, Good Governance	Vereniging Hogescholen (Association of Colleges)	no
	Jury member	Ien Dales (Integrity) Award	no
	Member of Advisory Board	Clingendael International Energy Programme	no
	Board member	Vereniging Energy-Nederland	no

Board member	Energy Delta Institute	no	
Member of Strategic Board	Energy Valley	no	
President	Eurogas	no	
Co-chairman, Energy Working Group and co-chairman, Project Delta	Joint Business Dialogue Netherlands-Russia	no	
Board member	Gasunie/GasTerra Cultural Relations Events Foundation	no	
Member of National Committee	World Petroleum Council	no	
Member of the Supervisory Board	Marketing Groningen	no	
Board member	Vereeniging van Handelaren anno 18471)	no	
Chairman	Koninklijke Vereniging van Gasfabrikanten in Nederland (Royal Dutch Gas Association)	no	
Member of Advisory Committee	Groningen Bereikbaar	no	
Member of Executive Committee	International Gas Union	no	
Member of Steering Group	Energy Academy Europe	no	
Member of Strategic Advisory Council of Construction and Substrate Engineering	TCO	no	
<b>R.E. van Rede</b>	Member	Emmalaan Commissie Haren	no
<b>J.R.L.W. Stäbler</b>	Member of the Advisory Board	Hanzehogeschool (International Business School)	no
<b>B.A. Westmaas</b>	General Board member	Noorderlink	no
	Board Member	Connect International	no
<b>M.W.J. de Wilde</b>	Member of Governance and Investment Committee	Foundation Pensioenfonds Gasunie	no
	Member of the Supervisory Board	Noord Nederlands Toneel (North Netherlands Theatre)	no
<b>H.J. van Zijll de Jong</b>			

## Main- and ancillary positions held by members of the Board of Supervisory Directors of GasTerra

Title	Position
<b>Stan Dessens</b>	Chairman of the Foundation for Tackling Vehicle Crime (AVC)
	Chairman of the Steering Committee on bicycle theft
	Member of the Board of the Meld Misdaad Anoniem (Report Crime Anonymously) Foundation
	Chairman of the Executive Board of CATO (CO2 Capture, Transport and Storage)
	Chairman of the Committee for Additional Innovative Projects (Borssele covenant)
	Member of the Supervisory Board of the National Aeronautics and Space Laboratory (Nationale Lucht en Ruimtevaartlaboratorium – NLR)
	Chairman of the Association for the Preservation of Antiquities, Greenery and Liveability, Voorschoten
	Board member of the Foundation for the Preservation of Cultural Historic Country Estates
<b>Dick Benschop</b>	CEO of Shell Nederland B.V.
	Member of the Executive Committee of the Confederation of Netherlands Industry and Employers (VNO-NCW)
	Member of the Executive Committee of the Association of the Dutch Chemical Industry (VNCI)
	Chairman of the Board of Directors of the Association of the Dutch Petroleum Industry (VNPI)
	Chairman of the Dutch Board of Directors of the World Petroleum Congress
	Chairman of the Christiaan Huygens Prize Foundation
	Member of the Board of the Avond van Wetenschap en Maatschappij (Evening of Science and Society)

Member of the Board of the Apeldoorn British-Dutch Dialogue Conference

Chairman of the Supervisory Board, The Hague Institute of Global Justice

Member of the Supervisory Board of the Veer Stichting (organisers of meetings that shape the world)

Member of Supervisory Board of NCDO (National Committee for International Cooperation and Sustainable Development)

Member of the Sponsor Fund Board of the Rotterdam Theatre

Member of the Advisory Board for the Clingendael International Energy Programme (CIEP)

Member Social Advisory Council for Secondary Education (VO-Raad)

Member of International Advisory Board of Amsterdam Centre for Contemporary Studies (ACCESS Europe)

Member of Trilateral Commission

**Jan Dirk Bokhoven** Chief Executive Officer, EBN B.V.

Member of the Advisory Board of the Clingendael International Energy Programme (CIEP)

Member of the TNO Strategic Advisory Board on Energy

**Pieter Dekker** Vice-President of Joint Venture Governance, Upstream International Integrated Gas West, Shell

Member of the Board of Supervisory Directors of the Dutch Petroleum Company (Nederlandse Aardolie Maatschappij B.V. – NAM)

Member of the Board of Supervisory Directors of NoordzeeWind B.V.

**Mark Dierikx** Director-General for Energy, Telecommunications and Competition, Ministry of Economic Affairs

Member of topteam Energy

<b>Joost Van Roost</b>	CEO of Esso Nederland B.V.
	Chairman of ExxonMobil Petroleum & Chemical, bvba
	Member of the Board of Supervisory Directors of the Dutch Petroleum Company (Nederlandse Aardolie Maatschappij B.V. – NAM)
	Vice-President at the American Chamber of Commerce in Belgium
	Board Member at the American Chamber of Commerce in the Netherlands
	Trustee of United Fund of Belgium
	Member of the Advisory Board of the Clingendael International Energy Programme (CIEP)
	Member of the Koninklijke Vlaamse Academie van België voor Wetenschappen en Kunsten (Royal Flemish Academy of Belgium for the Sciences and Arts)

**Filip Schittecatte** Gas Marketing Manager, Netherlands JV, ExxonMobil Gas & Power Marketing



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# Stakeholder Dialogue

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GasTerra is a natural gas trader. Thereby, we are part of the gas value chain, which runs from extraction to usage. The chain starts with the production of the gas by producers such as NAM. Dealers, also known as *shippers*, purchase that gas. They sell the gas to industries, energy companies, other gas dealers and financial institutions, among others. Some buyers purchase the gas for their own use, others sell the gas on, or supply it to end users. For the transport of the gas, the infrastructure of (inter)national network companies and regional network operators is used.

Stakeholders are a valuable source of information about what society expects of GasTerra. The focus of the stakeholder dialogue lies on the role of GasTerra as a gas dealer in the chain. We have identified the following stakeholders:



For the stakeholder analysis 2013, GasTerra spoke with 27 parties, divided among eleven different stakeholder groups. During these interviews, 21 topics were reviewed. In addition, the stakeholders themselves could bring up topics which they deemed to be of importance for GasTerra's policy. No use was made of this option. Based on the interviews, GasTerra has assigned a score per subject, which indicates the importance of the theme to the stakeholder and GasTerra. This input was used in drawing up the Annual Report for 2014. Because GasTerra did not want to ignore possible developments in 2014 in doing so, halfway through 2014 the enterprise asked its own relationship managers whether they still identified with the results of the stakeholders dialogue 2013. After all, they are regularly in contact with various stakeholders. It turned out that there were few shifts: a few new topics emerged this time. Thus, shareholders named the proposed decision that the Cabinet took on 17 January 2014, concerning production from the

Groningen Gas Field, as being an important subject. And in the framework of supply chain responsibility and security of supply, the earthquakes in Groningen and the tense situation in Russia and the Ukraine were also brought up.

Based on the results of the stakeholder dialogue, GasTerra has accentuated the previously formulated objectives for each of the three G's (Gas, Green and Groningen). These objectives have been linked, through a CSR matrix, to the so-called material affairs which the stakeholders and GasTerra find important. Since 2013, GasTerra has integrated the CSR matrix and the associated activities into the Business Plan. As a result, there is no longer a question of separate GasTerra and CSR policies. The monitoring of the progress of these aims is thus also included in the regular reporting cycle. The formulated objectives per material topic recur in the sections Gas, Green and Groningen on this website.

## CSR matrix

Material topics	Financial results / impact of the benefits of natural gas	Position of gas	Compliance	Responsible supply chain management upstream	Education
<b>CSR main objectives</b>					
Gas 1 Contributions to benefits of natural gas	X				
Gas 2 Develop commercially attractive products	X	X			
Gas 3 Ensure security of supply for customers in compliance with the standards in the market and with legislation	X		X	X	
Gas 4 Promoting gas as a relevant fuel in the energy mix of the future	X		X		
Gas 5 Compliance with external legislation and regulations and internal codes of conduct and procedures			X		
Green 1 Promoting the efficient use of gas		X			
Green 2 Disseminating knowledge about making the energy supply more sustainable, for a better understanding of the role of natural gas in the energy transition		X		X	
Green 3 Promoting sustainable business operations	X		X		
Groningen 1 Establishing the knowledge base par excellence on making the energy supply sustainable in Groningen		X			X
Groningen 2 Having GasTerra actively and visibly participate in the Groningen community		X		X	

# Material topics

The stakeholder dialogue 2013 and the update in 2014, together with GasTerra's vision, have led to the following materiality matrix:



1. GasTerra's CSR vision	GasTerra finds not only the results important, but also the context in which they come about. On the basis of that vision, the enterprise gives substance to CSR.
<b>2. Financial results</b>	<b>GasTerra's core business is the procurement and sale of natural gas. GasTerra endeavours to maximise the value of Dutch natural gas. This is expressed in the agreements concluded with the customers.</b>
3. Benefits of natural gas	GasTerra makes an important economic social contribution through the procurement and sale of a large proportion of the natural gas produced in the Netherlands. The scale of the benefits of natural gas is made known by the government.
4. Energy price developments	Energy prices are an important social theme. These prices are determined by the market, by taxes and by levies. GasTerra principally supplies the wholesale market, which in the Netherlands is determined by TTF (Titled Transfer Facility) prices. The prices on TTF come about in accordance with the principle of supply and demand. As regards export contracts, these can usually be renegotiated every three years. The basis of such renegotiations differs per contract.

5. Coal/gas competition	Despite the current developments, natural gas remains the ultimate transition fuel. Presently, the European market frequently chooses to use the cheaper coal as a fuel for generating electricity. Gas-fired power stations are consequently deployed at minimum capacity or sometimes even decommissioned entirely. This is undesirable from the environmental perspective, because the burning of coal releases far higher levels of CO <sub>2</sub> , making it more difficult to achieve the climate objectives.
<b>6. Position of gas</b>	<b>GasTerra devotes itself to gas advocacy in order thus to reinforce the position of gas in relation to competing fuels, and to emphasise the role of gas in the energy transition process.</b>
7. (more) Sustainable products	GasTerra actively contributes to making the Dutch energy supply sustainable by offering products which fit in with the needs of producers, who also supply sustainable energy. An example of this is the trading in green gas.
<b>8. Education (sharing of energy knowledge)</b>	<b>Knowledge and education enable the energy sector and society to find answers to current and future energy-related issues. GasTerra sees it as its duty to help spread and deepen this knowledge, and to support educational activities in this sphere.</b>
9. Efficient gas applications	GasTerra supports the development and market introduction of innovative gas applications. With its expertise and financial support, GasTerra actively contributes to the development and introduction of new energy-related technologies. Examples of this are Fuel Cells and High-Efficiency Eco-Boilers. In addition, GasTerra, together with the Noordelijke Ontwikkelingsmaatschappij, is involved in fuel cell field tests in Veenkoloniën, Heerhugowaard and on Ameland.
10. Security of delivery (short term)	GasTerra accepts its responsibility of ensuring that, within contractual limits, its customers have sufficient natural gas at their disposal at all times during the year.
11. Security of delivery (short term)	GasTerra ensures that it can meet its (long-term) gas-supply commitments.
<b>12. Internal business operations / compliance</b>	<b>GasTerra occupies an important position in the gas-trading market. The enterprise has an internal compliance policy, in which it actively checks that all employees adhere scrupulously to the regulations relating to competition, such as the cartel prohibition and the ban on abuse of a dominant position, and that they comply with other regulations that are applicable to GasTerra.</b>
13. Transparency	GasTerra wants to communicate as clearly and openly as possible about its activities and management objectives, without however harming its commercial and other interests (including privacy).

14. Personnel and organisation	GasTerra deems it important that its employees are satisfied as regards their work and opportunities. So, an employee satisfaction survey is regularly conducted. GasTerra is striving towards a balanced personnel structure and towards the equal treatment of every employee. GasTerra invests in career development. Personal health and safety have top priority at GasTerra.
15. Sponsorship	GasTerra has an extensive sponsorship programme. The largest part of GasTerra's contribution is expended on activities and institutions that play an active role in the Groningen region. In addition, GasTerra also contributes through the sharing of knowledge and resources with the local community.
16. Sustainable procurement / internal footprint	With regard to requests for quotations, GasTerra pays attention not only to price and quality, but also to the "CSR score" of the potential supplier. Depending on the particular request quotation, specific questions are asked about the company's CSR Policies. GasTerra strives to keep the burden on the environment caused by its operations as small as possible, among other things by restricting the consumption of electricity, gas, water and paper as much as possible.
17. Footprint chain	Within the framework of its CSR policies, GasTerra has conducted studies into the 'footprint' of gas procurement. From these, it emerged that Dutch gas is extracted in accordance with the highest international standards and is transported over short distances. Therefore, gas produced in the Netherlands has a smaller 'footprint' than gas which Europe imports from other countries.
<b>18. Responsible supply chain management upstream (among other things, shale gas)</b>	<b>GasTerra trades in natural gas. Principally, Dutch natural gas, and additionally, natural gas from Norway and Russia in particular. Supply chain management is understood to mean all activities, from extraction to consumption of natural gas. In this respect, GasTerra is responsible for the trading part. Production companies are responsible for the extraction, network managers for transport, and users for the consumption. The division of responsibilities in the chain is contractually determined, and parties can only point out to each other the non-fulfilment of contractual commitments. GasTerra refrains from introducing political or social discussions, for example, into the contractual relationships that GasTerra has with its suppliers but also with its customers. Given the potentially large economic value of shale gas, GasTerra is an advocate of thorough research into the possibilities of extracting shale gas. Social support and safe extraction techniques are preconditions for potential extraction.</b>
19. Responsible supply chain management downstream	GasTerra understands responsible supply chain management to be the support of customers in the resolution of energy issues.

20. HSE (Health, Personal health and safety of employees and service providers has top priority at GasTerra. Safety, Environment)

21. CSR banking Banks play an important role in social intercourse and, in their role as investors and product developers, can stimulate a sustainable economy. GasTerra, in the choice of a bank (as a provider of services to GasTerra) should be able to opt for a bank which stimulates a sustainable economy.

In the matrix, the topic CSR banking was still included in 2014. However, it scores so low that it will no longer be discussed in the stakeholder dialogue 2015. In addition, the Energy Academy Europe (EAE) has been merged with Education, since the EAE is an educational institution. The material topics financial results (2), position of gas (6), compliance (12), responsible supply chain management upstream (18) and education (8) are indicated in white in the above matrix. In the Annual Report for 2013, security of supply was one of the material topics, on account of the importance that our stakeholders place on being able to meet the demand for gas in north-western Europe at all times. GasTerra's role in this is however confined to fulfilling contractual obligations. Therefore, GasTerra has chosen not to designate security of supply as material in the Annual Report for 2014. However, the theme is dealt with in connection with the restriction of production in the Groningen Gas Field and the conflict between Russia and the Ukraine, respectively in the components Market Trend and Supply chain management.

Based on the materiality index, GasTerra has designated five material topics within the pillars Gas, Green and Groningen. Material topics are topics that are important for the enterprise and the stakeholders. The G4 Guidelines prescribe that organisations should determine material topics on the basis of the stakeholder analysis, on reporting in the media and on important internal topics.

## **1. Financial results (pillar: Gas)**

Obviously, the financial results take centre place in the Annual Report, in view of our core activity: the purchasing and sale of natural gas. This material topic falls entirely within GasTerra's responsibilities. An important point for attention in 2014 was value maximisation of Dutch natural gas within the production ceiling fixed by the minister for the Groningen Gas Field. The same thing applied to the renegotiation of long-term purchasing and sales contracts. Described in the section Gas is our approach in the light of these topics.

## **2. Position of gas (pillars: Gas and Green)**

The world is confronted with the challenge to change the present energy mix, based on fossil fuels, into an energy mix based on renewable resources. GasTerra and its stakeholders find it important to have the transition from fossil fuels to renewable resources take place as smoothly as possible, and see an important role for natural gas in this. In view of the different price levels, producers prefer electricity generation using coal, to the detriment of gas. Various north-western European energy companies have already disconnected gas-fired power stations, or have announced that they are going to do this. A worrying development, which has not only been identified by ourselves, but is also mentioned by various stakeholders. Therefore, the position of gas has been designated as a material topic in this Annual Report. Within the value chain, it is in everyone's interest to improve the position of gas in the energy mix, because gas is the transition fuel par excellence. This is a shared responsibility. GasTerra's approach in this sphere is described in the section Green. In order to emphasise the importance of gas in the energy transition, we are developing various initiatives. The objective in 2014 was to support at least eight initiatives concerning energy transition. This objective was in fact realised with more than ten initiatives.

### **3. Compliance (pillar: Gas)**

GasTerra is confronted, to an increasing degree, with regulation at the national and European levels. It is of great importance that GasTerra and its employees comply with this legislation and regulations. Our stakeholders think so too. Therefore, GasTerra has designated compliance as a material topic. Compliance with legislation and regulations falls entirely within GasTerra's responsibility. To ensure compliance, we have drawn up codes of conduct and procedures. Thus, we oblige our employees to follow a compliance course every year. This objective was achieved in 2014. In the section Risk Management, GasTerra's compliance approach is described.

### **4. Responsible supply chain management upstream (pillars: Gas and Green)**

From the updated stakeholder dialogue 2013, it emerged that there exists a lack of clarity among stakeholders concerning GasTerra's role and influence upstream, particularly as regards the earthquake problems and the purchase of gas from Russia. GasTerra's influence on these topics is very limited. NAM extracts the gas from the Groningen Gas Field and is responsible for the implementation of the proposed decision by the Cabinet concerning the restriction of production from the field. GasTerra is responsible for the trading of this gas. Through the intensive collaboration with NAM and through the continuous monitoring of sales in relation to the expectations, we have ensured that the security of supply in the L-gas market has not been endangered by the production restrictions. In order to provide greater insight into this theme and into the limited influence of GasTerra, supply chain management has been designated as a material topic in this Annual Report. GasTerra's approach emerges in the section Supply chain management.

## **5. Education (pillar: Green and Groningen)**

We are faced with major challenges in order to provide future generations with sufficient, sustainably generated and affordable energy. It is of great importance that we train energy professionals for this, as GasTerra's stakeholders, too, emphasise. Therefore, GasTerra has designated education as a material topic. GasTerra's approach is to be found in the section Green. For all parties in the value chain, education is of great importance. We see this as a shared responsibility, and we give substance to it by bringing the energy problem to the attention of schoolchildren and students. One of the objectives in our Business Plan 2014 was the provision of study packages to at least five secondary schools in the North Netherlands. This objective was achieved.

## Future

In 2014, GasTerra altered the process of stakeholder consultation. The enterprise decided to no longer directly consult the stakeholders once a year as regards their view of GasTerra's CSR Policy. Since October 2014, on the basis of the three G's (Gas, Green, Groningen), relationship managers of GasTerra take stock, twice a year, of which topics are relevant to stakeholders. Our relationship managers are in contact with our stakeholders on a daily basis, and they therefore know what is going on. This fits in with our policy of letting CSR be an integral part of our business operations. We use the results of the new stakeholder dialogue in drawing up the business objectives for 2015 and for the Annual Report 2015.

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## Interview Robbert Slob, Works Council chairman

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Robbert Slob (33) has been involved with the Works Council for the past three years; first as a member and since 2014 as chairman. He has a bachelor's degree in Economics and a master's degree in Operations & Supply Chain Management. Robbert has been working with GasTerra since 2005 where, in his capacity as data analyst he is also responsible for the IT architecture. The initial years of his Works Council membership were relatively quiet, but this changed in 2014 with important topics on the agenda such as the GasTerra 2018 reorganisation project.

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I hope that we are given enough time to make GasTerra futureproof

*Robbert Slob*

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### ***How is GasTerra's works council organised?***

"The works council works in GasTerra's best interests. We held elections in 2014, whereby seven employees were elected. It is reassuring to see that there were more candidates than positions. With the current seven members we represent more than 200 colleagues."

*The Works Council has a statutory task in policy formulation and in taking drastic decisions. Can you give some examples from the past year*

"The recruitment policy was a significant change. GasTerra identified a problem in the personnel file. Many of the staff are employed on a permanent basis and the outflow percentage has been low for years now. This is positive since it implies that GasTerra is a good employer. The flip side, however, is that the organisation does not offer much flexibility. New employees are almost always hired on a fixed-term contract. In the past, this used to be extended on good performance and then often converted into an open-ended contract. That has changed now. In 2014, the Works Council agreed to a proposal to employ new staff with a fixed-term contract via payrolling. To this end, GasTerra outsourced the formal employment practices to an external party, which hires the employee. The advantage of payrolling is that it offers GasTerra the desired flexibility."

*Do you not think that this policy will lead to a loss of crucial knowledge*

"That's an important point. You invest a number of years in someone and then they leave the organisation. But what do you consider important as an organisation? Preserving knowledge? GasTerra considers this to be important, but not the most important point. In implementing this policy, the company wants to give starters the opportunity to gain work experience."

*As a Works Council, what do you think of that*

"We understand the employer's dilemma, but we feel sorry for the people that want to stay here. For example, we've noticed that staff that came in about two years ago go through the transition to this new policy, while they were still under the impression that they would be given an open-ended contract. The course has changed. Employees thought 'if I perform well, I'll get a permanent contract.' That is no longer the case. With this new recruitment policy, the Works Council focused on the need for open and transparent communication oriented towards new employees. We therefore included a provision in the policy that new employees will be told whether their contracts will be extended six months before their contracts end. It may well still be possible that GasTerra offers employees an open-ended contract, but this is not likely to happen."

*Another development that is included in the annual report is the GasTerra 2018 reorganisation project. Moreover, the organisation is looking into what GasTerra can do to remain a (financially) healthy company in the future. What is the Works Council's role in this process*

"These are uncertain times for GasTerra's employees. The changing market conditions and the structural decrease in our sales volumes compel the company to take a critical look at the organisation. How can we ensure that we are also able to maximise the value of the Dutch natural gas in the future? In 2014, GasTerra 2018 therefore initiated the formation of three working groups, which are involved respectively with efficiency, commercial processes and the organisation structure and staffing. A steering committee consisting of the Board of Directors decide on the measures to be taken. The Works Council is proactively involved in this process and does not want to wait for a formal request for advice from the Director. All Works Council members actively participate in these working groups to keep track of matters and to influence decisions where

possible. In addition to this, I regularly discuss the progress with the head of Personnel and Organisation. This way, we keep a close track of developments. The results of GasTerra 2018 will be announced in 2015, after which time we expect a formal request for advice."

***As chairman of the Works Council, what do you consider important in this project***

"Openness, transparency and a careful process. I've noticed that many of the employees are involved in this project. That's a positive development. Questions that we, among other things, have to answer: How do we continue to maintain a competitive edge in the current, changing gas market? What sort of structure will the organisation have and, subsequently, how many people do we still need?

I sincerely hope that we are given the time to make GasTerra future proof. That means anticipating the changing market conditions and reshaping any negative developments into a positive outcome. And that not only an economic cost-benefit analysis is made, but also that this project incorporates qualitative criteria. Take, for instance, the role that we play in the area of energy transition and green gas. From a commercial point of view, this seems less interesting, but given our ambition to contribute to a prudent energy transition, I think it would be a shame if we were to stop.&rdquo

***The Works Council's task is twofold. It has to represent the general interests of the personnel, while taking the company's interests into account at the same time. Isn't that awkward at times***

"Yes, this can create difficult situations at times. Our main objective is to represent the interests of GasTerra. With the GasTerra 2018 project, our main and initial focus was on examining how to ensure that this reorganisation project be set up in the appropriate manner. In the meantime, we know the initial results and the concern has shifted to representing the interests of the personnel."

***The theme of GasTerra's annual report is Energizing the future. This is the slogan of GasTerra that represents the vision that natural gas – and likewise GasTerra – plays and will continue to play an important role in the future. What is the Works Council's take on this***

"The Works Council recognises the importance of gas as a transition fuel. We very much appreciate GasTerra's efforts in this area. It is also obvious that GasTerra will still have vast volumes of gas to market in the coming years. GasTerra staff are highly competent and are well able to anticipate changing market conditions. This is also reflected in the way in which our people have implemented the minister's decision to produce less gas from the Groningen Gas Field. We have stayed below the 42.5 billion m<sup>3</sup> production ceiling. That's another reason why this slogan ties in well with GasTerra and our vision as a company.&rdquo

***What do you think will be the greatest challenges for GasTerra in the coming years***

"The biggest challenge is that we cannot trade as much gas in the long term. The assumption is that a smaller gas portfolio and a smaller work force go hand in hand. That is one of the reasons why we initiated GasTerra 2018 now. We have to anticipate these changing conditions. I am

convinced that we will be able to do this with a smaller organisation. We are now faced with the question as to how. Certain departments are under pressure and I hope that we will be given the time to settle this matter in customary GasTerra fashion. We also recognise that the production ceiling requires creativity of our employees in continuing to carry out our mission 'maximising the value of the Dutch natural gas'. However, I firmly believe that we can achieve this together in the coming years. It is evident from the past year that GasTerra staff have excellent anticipation skills."

# Gas

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# Vision

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For more than half a century, gas has been inextricably linked to the European energy supply in general and to the Dutch supply in particular. Since the discovery of the Groningen Gas Field in 1959, at the time the biggest onshore gas field worldwide, more than 2000 billion cubic metres of natural gas has been extracted. More than 95 percent of Dutch households use natural gas for heating. GasTerra is the exclusive vendor of the Groningen gas. A large part is supplied to the domestic market and a significant percentage is supplied to foreign customers in Germany, Belgium and France.

In addition to the Groningen gas, which is low calorific gas (in other words, has a relatively lower heating value), GasTerra also trades in a high volume of high calorific gas. This gas mainly comes from smaller gas fields in the North Sea and from imports from Russia and Norway. The high calorific gas is used by industry and also exported to those countries as well as to Switzerland, the United Kingdom and Italy. Unlike the Groningen gas, producers may also offer the gas from the smaller fields to other gas traders, but GasTerra is legally obliged to procure this gas at a market price.

In retrospect, gas is indisputably a success story. In a time of structural and drastic changes, in which the gas trade and the gas transmission-related activities were separated and the market was liberalised, gas has maintained its leading role in energy supply. Yet nothing can be taken for granted. The position and image of gas are under pressure. The positive characteristics of our product, like comfort, clean fossil fuel, flexibility and versatility are at risk of fading into the background. The underlying causes in our region are the earthquakes, which have reinforced the general opinion that in the best case scenario gas is a 'necessary evil' and, recently, the Russian/Ukrainian crisis, which has only strengthened existing doubts about the security of gas supply in Europe.

The earthquakes have an indirect impact on the company strategy. After all, the production ceiling that the Minister for Economic Affairs announced on 17 January 2014 in the draft decision not only restricts the producer of the Groningen gas, NAM, but also the vendor, GasTerra.

The abovementioned developments obviously have a negative impact on the image of gas. While virtually no one in Europe denies the importance of gas in the energy mix, neither now or in the long term, a considerable group has difficulty seeing our product as part of the solution instead of

a (co) party in causing problems. In the long run, this situation poses a threat for the gas sector and therefore for GasTerra as well. It is therefore our task to improve the reputation of gas. The reality is that gas worldwide, in Europe and in the Netherlands is indispensable and will remain so in the coming decades. This applies from a security of supply point of view as much as a responsible climate policy. The economic and social value of this wealth of resources may also be overlooked. Even today, fifty years after discovering the Groningen Gas Field, the Netherlands still has in total more than 1000 billion cubic metres of conventional natural gas. Responsible extraction offers society both economic and ecological benefits in the future. This is the background to GasTerra's slogan and the motto for this annual report: *Energizing the future*.

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## **Annual Accounts 2014<sup>1</sup>**

The Annual Accounts 2014 comprise the following:

- Balance sheet as at 31 December (before profit allocation)
- Profit and loss account
- Statement of cash flows
- Explanatory notes to the annual accounts

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<sup>1</sup> The original financial statements were drafted in Dutch. This document is an English translation of the original. In the case of any discrepancies between the English and the Dutch text, the latter will prevail.

**Balance sheet as at 31 December (before profit allocation)**

*in millions of euros*

<b>Assets</b>	Note	<b>2014</b>	2013
Fixed assets			
- intangible fixed assets	(1)	<b>29.7</b>	33.8
- tangible fixed assets	(2)	<b>5.0</b>	5.1
Current assets			
- receivables	(3)	<b>2,331.3</b>	3,201.8
- cash and bank	(4)	<b>1,381.0</b>	702.6
Total		<b>3,747.0</b>	3,943.3
<hr/>			
<b>Liabilities</b>			
Shareholders' equity	(5)	<b>216.0</b>	216.0
Current liabilities	(6)	<b>3,531.0</b>	3,727.3
Total		<b>3,747.0</b>	3,943.3

**Profit and loss account**

*in millions of euros*

	Note	<b>2014</b>	2013
Net turnover	(7)	<b>19,500.8</b>	24,292.8
Cost of sales	(8)	<b>-/19,388.4</b>	-/24,219.6
<b>Gross profits</b>		<b>112.4</b>	73.2
Operating expenses	(9)	<b>-/65.4</b>	-/70.2
<b>Operating profit</b>		<b>47.0</b>	3.0
Net financial income and expenses	(10)	<b>1.0</b>	45.0
<b>Results on ordinary activities before tax</b>		<b>48.0</b>	48.0
Taxation	(11)	<b>-/-12.0</b>	-/12.0
<b>Results after tax</b>		<b>36.0</b>	36.0

**Statement of cash flows***in millions of euros*

	<b>2014</b>	2013
<i>Cash flow from operating activities</i>		
Operating profit	<b>47.0</b>	3.0
Adjustments for:		
- depreciation and impairment losses	<b>10.5</b>	10.5
- unrealised foreign exchange results	<b>0.0</b>	-/-0.3
- movements in receivables	<b>870.5</b>	236.1
- movements in current liabilities (excluding short-term financing)	<b>-/-196.3</b>	209.6
Cash flow from operations	<b>731.7</b>	458.9
Interest received	<b>1.3</b>	45.7
Interest paid & financing costs	<b>-/-0.3</b>	-/-0.7
Tax paid	<b>-/-12.0</b>	-/-12.0
	<b>-/-11.0</b>	33.0
<i>Cash flow from operating activities</i>	<b>720.7</b>	491.9
<i>Cash flow from investment activities</i>		
Investments in fixed assets	<b>-/-6.3</b>	-/-12.8
<i>Cash flow from investment activities</i>	<b>-/-6.3</b>	-/-12.8
<i>Cash flow from financing activities</i>		
Movements in short-term financing	<b>0</b>	0
Dividends paid	<b>-/-36.0</b>	-/-36.0
<i>Cash flow from financing activities</i>	<b>-/-36.0</b>	-/-36.0
<i>Net cash flow</i>	<b>678.4</b>	443.1
Exchange rate and translation differences on cash and bank balances	<b>0.0</b>	0.3
<i>Movements in cash and bank balance</i>	<b>678.4</b>	443.4
Cash and bank balances at year-end	<b>1,381.0</b>	702.6
Cash and bank balances at preceding year-end	<b>702.6</b>	259.2
<i>Movements in cash and bank balance</i>	<b>678.4</b>	443.4

## **Explanatory notes to the annual accounts**

### **1 Principles for valuation and determination of results**

#### **General**

The annual accounts have been drawn up in accordance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code (BW). Unless otherwise stated, assets and liabilities are recognised at nominal value. The principles applied as the general basis for the valuation for assets and liabilities and the determination of results are the historical costs.

Comparative figures have been adjusted where required to improve comparison. *Inter alia*, this is the case for the costs of software where, in the balance sheet for 2013, the costs of software were classified as tangible assets instead of intangible assets.

An asset is included in the balance sheet when it is probable that future economic benefits will flow to the company and its value can be reliably determined. A liability is included in the balance sheet when it is probable that settlement thereof will entail an outflow of resources that embody economic benefits and the magnitude of the amount thereof can be reliably determined.

Income is included in the profit and loss account when an increase of the economic potential related to an increase in an asset or a decrease of a liability has taken place, the magnitude of which can be reliably determined. Expenses are accounted for when a decrease of the economic potential related to a decrease in an asset or an increase of a liability has taken place, the magnitude of which can be reliably determined.

If a transaction results in almost all or all of the future economic benefits and all or almost all of the risks related to an asset or liability being transferred to a third party, the asset or liability is no longer included in the balance sheet. Furthermore, assets and liabilities are not included in the balance sheet from the time at which the requirements of probability of future economic benefits and/or reliability of the determination of the value are no longer met.

The income and costs are allocated to the period to which they relate. Income is accounted for when all significant risks relating to the delivery have been transferred to the counterparty.

#### **Continuity**

These financial accounts have been prepared on a going concern basis.

#### **Estimates and uncertainties**

In preparing these financial accounts, assessments, estimates and assumptions have been made that affect the amounts accounted for. In particular, this concerns the net sales and cost of sales (including transport costs). The assessments, estimates and assumptions made are based on market data, knowledge and experience, and other factors that are considered reasonable under the given circumstances. The actual results may differ from these estimates. The estimates and underlying assumptions are continually assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in any future periods on which the revision has an impact. Potential special features regarding estimates and assessments, if significant, are included in the notes to the balance sheet and the profit and loss account. As a consequence of the agreement between the shareholders of GasTerra, as explained under the off-balance sheet assets and liabilities, the deviations from these estimates do not affect the result.

#### **Transaction in foreign currencies**

Transactions denominated in foreign currency are translated at the exchange rate applying on the transaction date.

Cash and bank balances, trade receivables and current liabilities in foreign currency are translated at the exchange rate applying on the date of the balance sheet.

The exchange rate results on gas exports and gas imports arising through translation are allocated under gas purchases. The other exchange rate results are accounted for under financial income and expenses.

## **Fixed assets**

### *Intangible fixed assets*

Intangible fixed assets are valued at the historical purchase price or production cost, less straight-line depreciation over the economic life of the assets.

Intangible fixed assets that have not been completed as at the balance sheet date are accounted for under the category intangible fixed assets under construction. After being put into use, the relevant asset will be classified under the category intangible fixed assets.

The depreciation period used for intangible fixed assets is 5 years. Intangible fixed assets under construction are not depreciated.

### *Tangible fixed assets*

Tangible fixed assets are valued at the historical purchase price or production cost, less straight-line depreciation over the economic life of the assets.

Tangible fixed assets that have not been completed as at the balance sheet date are accounted for under the category tangible fixed assets under construction. After being put into use, the relevant asset will be classified under the category tangible fixed assets.

The depreciation periods applied to tangible fixed assets are between 5 and 10 years. Tangible fixed assets under construction are not depreciated.

## **Impairment**

For intangible and tangible fixed assets an assessment is made at every balance sheet date as to whether there are any indications that these assets are subject to impairment. If any such indications exist, the recoverable value of the asset is estimated. The recoverable amount is the higher of the value in use and the realisable value. If it is not possible to estimate the realisable value of an individual asset, the realisable value is determined from the cash-flow generating unit to which the asset belongs.

When the book value of an asset or a cash-flow generating unit exceeds its recoverable value, the difference between the book value and the realisable value is accounted for as an impairment loss. If there is an impairment loss of a cash-flow generating unit, the loss is first allocated to goodwill which is allocated to the cash-flow generating unit. Any residual loss is allocated to the other assets of the unit in proportion to their book values.

Furthermore, at each balance sheet date, an assessment is made as to whether there is any indication that an impairment loss accounted for in previous years has decreased. If any such indications exist, the recoverable value of the relevant asset or cash-flow generating unit is estimated.

Reversal of an impairment loss previously accounted for takes place only if there is a change in the estimates used to determine the realisable value since accounting for the last impairment loss. In that case, the book value of the asset (or cash-flow generating unit) is raised to the estimated realisable value, but not in excess of the book value that would have been determined (after depreciation) if, in previous years, no impairment loss for the asset (or cash-flow generating unit) would be accounted for.

## **Current assets**

### *Receivables*

The receivables are valued at the amortised cost taking collectability risks into account. Trade receivables also include sales that have not yet been invoiced.

## **Pensions**

GasTerra is affiliated with the Stichting Pensioenfonds Gasunie (Gasunie Pension Fund Foundation) together with N.V. Nederlandse Gasunie (Dutch natural gas infrastructure and transmission company). GasTerra's employees have a pension scheme administered here.

As of 1 January 2014, the scheme has been changed from a final salary scheme to a conditionally indexed career average scheme. The financial obligations of GasTerra in respect of the fund as from 1 January 2014 consist of a fixed premium in combination with the one-time payment to the accrual and supplementary benefits deposit of the pension fund. When the resources that the fund has available are insufficient, the risk hereof then lies with the (former) participants.

The pension scheme is characterised by the Pensions Act as a distribution agreement. The 2014 implementation agreement with the pension fund has a term of 4 years. The main agreements included in this implementation agreement are the following:

- On 1 January 2014, GasTerra shall make a one-time deposit of € 0.6 million into an accrual deposit which is intended to prevent accrual discount in case the premium is insufficient in any year.
- On 1 January 2014, GasTerra shall make a one-time deposit of €2.3 million into a supplementary benefits deposit which is intended for the grant of a bonus on the pension rights of participants in active service.
- GasTerra does not have any additional contribution deposit obligation and is not bound to complete any gaps in the fund.
- The premium amounts to 22.6% of pensionable earnings. GasTerra can neither be compelled to pay a higher contribution, nor to fix the contribution at a lower level.
- If in any year the premium is insufficient to fund the pension build-up in that year, additional funding will be made available by the Stichting Pensioenfonds Gasunie (Gasunie Pension Fund Foundation) from the accrual deposit. If the accrual deposit is not sufficient for the additional financing of the pension fund, the pension accrual of participants is set at a reduced amount.

The coverage ratio for the pension fund shows the ratio between the fund's capital and the value of the pensions (the obligations) that the fund shall have to pay out now and in the future.

The minimum required coverage ratio according to the supervisory authority, the Dutch Central Bank (DNB), is 104.2%. The coverage ratio for the Pensioenfonds Gasunie was 110.1% at year-end December 2014 (111.4% at year-end 2013). In addition, the DNB demands the Stichting Pensioenfonds Gasunie to attain a required equity in the long term, which level depends on the composition of the investments. The long-term coverage ratio required by DNB for Stichting Pensioenfonds Gasunie is 114.5% at year-end 2014 (115.1% at year-end 2013).

A provision is also included as at the balance sheet date for existing additional obligations with respect to the fund and the employees if it is likely that an outflow of resources will be required in order to settle these obligations, and the amount of the obligations may be reliably estimated. The provision is valued at the best estimate of the cash value of the amounts that will be required to settle the obligations on the balance sheet date. To the extent this obligation relates to the upcoming financial year, this is recorded in the current liabilities account.

The starting point is that pension charges to be processed in the reporting period are equal to the pension contributions owed to the pension fund during the same period. To the extent that the contributions payable on the balance sheet date have not yet been met, a liability is included for this. If the contributions already paid at the balance sheet date exceed the contributions owed, an accrued asset item is recognised to the extent that there will be repayment by the fund or a set-off against contributions owed in the future.

### **Current liabilities**

The current liabilities are valued at the amortised cost, with which the income and expenditure arising from amortisation are recognised in the profit and loss account using the effective interest method. The initial measurement shall be effected at fair value whereby the transaction costs that are directly attributable to the acquisition are included in the measurement. This relates to liabilities with a term of no more than one year.

Amounts payable also include purchases that have not yet been invoiced. Amounts received from customers due to a decreased purchase of gas under 'take-or-pay' agreements are recorded under current liabilities as an obligation to deliver. The obligation to deliver arising from the receipt of gas in the storage service is also recorded under current liabilities.

### **Financial instruments**

Financial instruments comprise receivables, cash and bank and current liabilities.

Within the course of its normal business activities, the company occasionally uses derivative financial instruments. This relates to forward exchange contracts and gas price swaps in order to hedge the price risk of certain gas contracts.

Financial instruments also include derivative financial instruments (derivatives) embedded in contracts. The company shall separate embedded derivatives from the host contract and account for these separately if:

- the host contract's economic characteristics and risks and the embedded derivative are not closely related; and
- a separate instrument with the same terms and conditions as the derivative embedded in the contract would meet the definition of a derivative; and
- the combined instrument is not measured at fair value through profit or loss.

Financial instruments (derivatives) embedded in contracts that are not separated from the host contract, because the abovementioned conditions are not satisfied, are recognized in accordance with the host contract.

The company applies cost price hedge accounting techniques in order to recognize the results from hedge instruments including the forward exchange contracts and the gas price swaps and the changes in value of the hedged positions simultaneously in the profit and loss account. Forward exchange contracts and gas price swaps are initially valued at cost. The effectiveness of the hedge relationship is determined by comparing the critical characteristics of the hedging instrument and the hedged position in the hedge relationship. If the critical characteristics of the forward exchange contract or the gas price swap correspond with the expected future transaction, the forward exchange contract or the gas price swap will not be revalued. If the critical characteristics, assessed in the context of the hedge relationship, are equal, no ineffectiveness exists. As soon as the hedged position of the expected future transaction leads to the processing of a financial asset or a financial obligation, the profits or losses tied to the forward exchange contract or the gas price swap will be recorded in the profit and loss account during the same period as that wherein the asset obtained or obligation entered into has an effect on the result.

The company documents the hedge relationships and periodically reviews the effectiveness of the hedge relationships by establishing that no overhedge exists. A loss due to an over-hedge is recorded at cost or lower market value directly in the profit and loss account. There are no significant cash flow risks related to the hedge relationships.

GasTerra concludes gas purchase contracts and gas sale contracts as part of its business operations. These contracts are concluded for the actual physical delivery and receipt of gas in accordance with the company's expected purchases or sales levels, or usage requirements. For this reason, these fall outside of the scope of RJ 290 (reporting standard).

### **Gas sales and gas purchases**

The pricing of natural gas for both the sales and purchasing sides is influenced to a significant degree by developments in the gas market prices of natural gas as well as the prices of other energy carriers.

GasTerra's shareholders have concluded an agreement relating to the after-tax profits to be made by GasTerra. This agreement stipulates that the price of the natural gas from Groningen sold by the Nederlandse Aardolie Maatschappij B.V. (NAM) to GasTerra during the year has been set such that GasTerra will retain the after-tax profits determined for that year by the shareholders.

### **Net turnover**

Net turnover is divided into gas sales and other net turnover.

Gas sales represent the income from the supply of gas and the income from the corresponding services provided, after deducting the tax assessed on the turnover.

Other net turnover is represented primarily by the income from the delivery of services to third parties. This income results primarily from flexibility services.

The income is recorded during the reporting period in that the gas was delivered and the services were provided.

A distinction is made between services related to making transport capacity and flexibility available and actual usage. The services are considered to have been provided if the service was made available to the client during the period agreed.

**Cost of sales**

In the main, the cost of sales represents the cost of the purchase of gas and the associated services, the transport costs and the costs related to underground gas storage.

**Operating expenses**

The expenses are determined on a historical basis, taking into account the principles for valuation mentioned previously, and are allocated to the reporting period to which they relate. Losses are recorded during the reporting period in that provisions for them may be made.

**Net financial income and expenses**

This item includes the income and expenses related to financing.

**Corporation tax**

The amount of corporation tax to be included in the profit and loss account is calculated based on the results determined according to this account, in due observance of the valid tax-related provisions and rates.

**Statement of cash flows**

This report provides a statement of the cash flows generated. The statement of cash flow is drawn up on the basis of the indirect method based on the operating results in the profit and loss account.

**2 Explanatory notes to the balance sheet****Intangible fixed assets (1)***in millions of euros*

	<b>Intangible fixed assets</b>	<b>Intangible fixed assets under construction</b>	<b>Total</b>
<b>Balance as at 1 January 2014:</b>			
Purchase value	43.4	11.1	54.5
Cumulative depreciation and impairments	-/-20.8	-	-/-20.8
Book value	22.6	11.1	33.7
<b>Movement in the book value:</b>			
Investments	-	5.5	5.5
Commissioning	13.2	-/-13.2	-
Depreciation	-/-9.5	-	-/-9.5
Disposal	-/-1.0	-	-/-1.0
Write-down on disposal	1.0	-	1.0
Impairment losses	-	-	-
Net position	3.7	-/-7.7	-/-4.0
<b>Balance as at 31 December 2014</b>			
Purchase value	<b>55.6</b>	<b>3.4</b>	<b>59.0</b>
Cumulative depreciation and impairments	<b>-/-29.3</b>	-	<b>-/-29.3</b>
Book value	<b>26.3</b>	<b>3.4</b>	<b>29.7</b>

The intangible fixed assets primarily consist of capitalised software costs for operational process support.

**Tangible fixed assets (2)***in millions of euros*

	<b>Tangible fixed assets</b>	<b>Tangible fixed assets under construction</b>	<b>Total</b>
<b>Balance as at 1 January 2014:</b>			
Purchase value	13.1	0.5	13.6
Cumulative depreciation and impairments	-/-8.4	-	-/-8.4
Book value	4.7	0.5	5.2
<b>Movement in the book value:</b>			
Investments	-	0.8	0.8
Commissioning	1.0	-/-1.0	-
Depreciation	-/-1.0	-	-/-1.0
Disposal	-/-1.4	-	-/-1.4
Write-down on disposal	1.4	-	1.4
Impairment losses	-	-	-
Net position	0.0	-/-0.2	-/-0.2
<b>Balance as at 31 December 2014</b>			
Purchase value	<b>12.7</b>	<b>0.3</b>	<b>13.0</b>
Cumulative depreciation and impairments	<b>-/-8.0</b>	-	<b>-/-8.0</b>
Book value	<b>4.7</b>	<b>0.3</b>	<b>5.0</b>

The tangible fixed assets primarily consist of machinery and equipment and computer supplies.

**Receivables (3)**

<i>in millions of euros</i>	<b>31 Dec. 2014</b>	31 Dec. 2013
Trade receivables	<b>2,312.5</b>	3,187.4
Taxes	<b>9.4</b>	2.9
Other receivables	<b>9.4</b>	11.5
<hr/>	<hr/>	<hr/>
Total	<b>2,331.3</b>	3,201.8

None of the receivables have a term longer than one year.

A provision for bad debts to the amount of € 1.1 million (2013: € 1.0 million) is reserved as at the balance sheet date.

**Cash and bank balances (4)**

<i>in millions of euros</i>	<b>31 Dec. 2014</b>	31 Dec. 2013
Deposits	<b>984.0</b>	699.7
Deposits related parties	<b>286.0</b>	0.0
Other cash and bank balances	<b>111.0</b>	2.9
<hr/>	<hr/>	<hr/>
Total	<b>1,381.0</b>	702.6

The deposits listed under cash and bank balances have a maximum term of three months.

**Shareholders' equity (5)**

*Issued capital*

The authorised and issued capital in 2013 and 2014 amounts to € 180 million and is divided into 40,000 shares, each with a nominal value of € 4,500. The issued capital, that is paid in full, is divided as follows:

Energie Beheer Nederland B.V.	40%
Esso Nederland B.V.	25%
Shell Nederland B.V.	25%
Staat der Nederlanden	10%

*Unappropriated profit*

*in millions of euros*

Balance as at 1 January 2014	36.0
Appropriation of the results for the financial year 2013 in accordance with the resolution of the General Meeting of Shareholders	-/-36.0
<hr/>	<hr/>
Unappropriated profit for the financial year 2014	36.0
<hr/>	<hr/>
Balance as at 31 December 2014	36.0

**Current liabilities (6)**

<i>in millions of euros</i>	<b>31 Dec. 2014</b>	31 Dec. 2013
Amounts payable – for gas purchases	<b>3,244.2</b>	2,436.5
Amounts payable – to related parties	<b>175.3</b>	1,109.1
Other trade amounts payables	<b>7.3</b>	5.6
Taxation and social security contributions	<b>2.3</b>	2.2
Other debts	<b>97.7</b>	166.8
Accrued and deferred income	<b>4.2</b>	7.1
<hr/>	<hr/>	<hr/>
Total	<b>3,531.0</b>	3,727.3

## Financial instruments

### General

In the course of its normal business activities the company uses financial instruments that exposes the company to market risk including foreign currency rate risk, interest rate risk, credit risk, liquidity risk. The company uses derivative financial instruments to manage risks. The company does not trade in derivative financial instruments.

### Credit risk

The credit risk consists of the loss that would be generated if customers or counterparties were to remain in default and fail to fulfil their contractual obligations. The company has drawn up guidelines with which customers or counterparties must comply. These guidelines limit the risk associated with possible credit concentrations and market risks. If customers or counterparties fail to comply with these guidelines, they will be asked to furnish additional security such as bank guarantees. This prevents the company from running any major credit risks in respect of any individual customer or counterparty. Long-term relations have been built with the majority of customers and counterparties. They fulfilled their payment obligations in 2014.

### Interest rate risk

The interest rate risk is limited to potential changes in the market value of funds withdrawn and issued. It is company policy not to use derivative financial instruments to manage fluctuations in interest rates (on an interim basis or otherwise). Given the short-term nature of deposits, the interest rate risk for the year 2014 did not exceed € 100,000.

### Liquidity risk

The company monitors its liquidity position through liquidity forecasts. The management ensures that the company always has sufficient liquidity available to meet its commitments. To limit the liquidity risk, GasTerra has at its disposal a commercial paper programme of €1.0 billion as at year-end 2014 (year-end 2013: € 1.0 billion). This programme ended as at 1 January 2015. GasTerra concluded a Deposit and Loan agreement with NAM and EBN in 2014.

### Foreign currency risk

From 2013, GasTerra is following a policy of controlling currency risks on receivables and payables in the balance sheet using a bandwidth. Currency risks are only – and fully – hedged by short-term foreign currency contracts, if the unrealised results of those risks fall outside a range set by the company.

### Market value

The market value of the majority of the financial instruments recorded in the balance sheet, including receivables, cash and bank and current liabilities, is approximate to the book value of those items as a result of the short maturities.

The estimated market value and the total book value of the gas price swaps as at 31 December are specified in the table below:

<i>in millions of euros</i>	<b>Estimated market value 2014</b>	<b>Book value 2014</b>	Estimated market value 2013	Book value 2013
Gas price swaps	<b>0.0</b>	<b>0.0</b>	0.0	0.0
Total	<b>0.0</b>	<b>0.0</b>	0.0	0.0

As of 31 December 2014, no gas price swaps are due to be settled after the balance sheet date. The estimated market value and the total book value of the gas price swaps as at 31 December 2013 were lower than € 100.000,-.

By applying cost price hedge accounting as set out in the accounting principles, the book value of derivative financial instruments included in the above table is nil.

### **Off-balance sheet assets and liabilities**

#### *Procurement, supply and transport commitments*

GasTerra has long-term procurement, supply and transport commitments pursuant to gas purchase, gas sales and transport contracts. The gas purchase and sales prices depend to a large degree on the future market prices of natural gas, as well as the future market prices of other energy carriers. In addition to this, GasTerra has entered into long-term commitments for office rental and ICT service. The financial consequences thereof are of minor significance for assessing the financial position at the end of the financial year.

€ 28.2 million in bank guarantees (2013: € 22.8 million) have been issued to the benefit of GasTerra by third parties.

The long-term supply commitments are covered by long-term purchase contracts, wherein the planned supply to GasTerra of the natural gas from Groningen more than exceeds the long-term supply commitments. The difference between delivery obligations and the import and domestic procurement obligations, are sold by GasTerra, in particular as short-term, in liquid marketplaces.

GasTerra's shareholders have concluded an agreement relating to the after-tax profits to be made by GasTerra. This agreement stipulates that the price of the natural gas from Groningen sold by the Nederlandse Aardolie Maatschappij B.V. (NAM) to GasTerra during the year has been set such that GasTerra will retain the after-tax profits of € 36 million determined for that year by the shareholders. As a result of the implementation of the above agreement, no notes are given on the valuation of the individual gas purchase and sales contracts.

The commitments and rights arising from long-term gas purchase, sales and transport contracts are not shown on the balance sheet.

Long-term gas purchase and sales agreements usually contain renegotiation clauses enabling the parties to review the contract conditions during the term of the agreement, subject to certain conditions. GasTerra regularly renegotiates the long-term gas sales and purchase contracts with the counterparties. It is not possible to arrive at a reliable estimate of the outcomes of these renegotiations.

#### *Underground gas storage*

GasTerra has long-term financial commitments with regard to underground gas storage capacity that are not included in the balance sheet and that have an average annual payment commitment of € 0.5 billion (2013: € 0.5 billion). The costs related to underground gas storage are accounted for under the gas purchase costs.

**3 Explanatory notes to the profit and loss account****Net turnover (7)***in millions of euros*

	<b>2014</b>	2013
Gas sales	<b>19,450.4</b>	24,240.4
Other net turnover	<b>50.4</b>	52.4
<b>Total</b>	<b>19,500.8</b>	24,292.8

The following is a regional overview of gas sales.

	<b>2014</b>	2013
The Netherlands	<b>8,043.5</b>	9,574.1
Rest of Europe	<b>11,406.9</b>	14,666.3
<b>Total</b>	<b>19,450.4</b>	24,240.4

The volumes decreased by 9.0% to 81.3 billion m<sup>3</sup> compared to 2013. The average selling price is 23.9 cents/m<sup>3</sup> (27.1 cents/m<sup>3</sup> in 2013).

**Cost of sales (8)***in millions of euros*

	<b>2014</b>	2013
Gas procurement	<b>18,819.8</b>	23,710.5
Transmission costs	<b>568.6</b>	509.1
<b>Total</b>	<b>19,388.4</b>	24,219.6

The average selling price is 22.6 cents/m<sup>3</sup> (26.0 cents/m<sup>3</sup> in 2013). The gas purchase costs also include the costs connected with underground gas storage.

The exchange rates results recognized in the profit and loss account under the cost of sales amount to € 1.4 million negative (2013: € 6.0 million negative).

**Operating expenses (9)***in millions of euros*

	<b>2014</b>	2013
Wages and salaries	<b>17.3</b>	22.0
Social security expenses	<b>1.8</b>	1.8
Pension expenses	<b>4.7</b>	6.4
Costs of work subcontracted and other outside expenses	<b>21.5</b>	19.3
Depreciation charges	<b>10.5</b>	10.5
Other operating expenses	<b>9.6</b>	10.3
<b>Total</b>	<b>65.4</b>	70.2

**Net financial income and expenses (10)**

<i>in millions of euros</i>	<b>2014</b>	<b>2013</b>
Interest income	<b>1.3</b>	45.7
Financial income	<b>1.3</b>	45.7
Interest charges	<b>-/-0.3</b>	-/-0.7
Financing costs	-	-
Financial expenses	<b>-/-0.3</b>	-/-0.7
Net position	<b>1.0</b>	45.0

**Tax on profit from ordinary activities (11)**

The effective tax rate for 2014: 25.0 per cent (2013: 25.0 per cent).

**Transactions with related parties**

Transactions with related parties take place when GasTerra conducts transactions with its Directors, its senior executives or its shareholders.

The shareholders Energie Beheer Nederland B.V., Esso Nederland B.V. and Shell Nederland B.V. are classified as related parties of GasTerra.

Transactions between GasTerra and the related parties are processed based on market terms and conditions.

**Number of employees**

At year-end 2014, the number of employees in full-time equivalent positions was 179 (2013: 186). The average number of employees in full-time equivalent positions during the financial year was 183 (2013: 186).

**Auditor's fees**

During the financial year, the following fees charged by KPMG Accountants N.V. were charged to the company, as referred to in Section 2:382a of the Dutch Civil Code (BW):

<i>amounts in euros</i>	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>KPMG</b>	<b>Other KPMG</b>	<b>KPMG</b>	<b>Other KPMG</b>
	<b>Accountants</b>	<b>network</b>	<b>Accountants</b>	<b>network</b>
Audit of the financial statements	<b>205,000</b>	-	230,000	22,165
Other audit engagements	<b>24,500</b>	-	-	-
Other non-audit related services	-	<b>68,000</b>	-	100.890
Tax advice	-	-	-	-
	<b>229,500</b>	<b>68,000</b>	230,000	123,055

**Remuneration of Directors and (former) Supervisory Directors**

The remuneration policy of GasTerra is aimed at motivating and retaining Directors of the company who are capable of heading a large enterprise and remunerating them based on their performance. The remuneration policy as regards the company's Supervisory Directors is one of restraint.

*Directors of the company*

The remuneration for the executive director of the company, G.J. Lankhorst M.A., is as follows:

	<b>2014</b>	2013
Periodical remuneration (excluding employer's social security expenses)	<b>€ 369,916</b>	€ 338,975
Employer's social security expenses	<b>€ 9,342</b>	€ 8,808
	<hr/>	<hr/>
Periodical remuneration (including employer's social security expenses)	<b>€ 379,258</b>	€ 347,783
	<hr/>	<hr/>
Variable remuneration	<b>€ 84,002</b>	€ 84,002
Employer's pension premium contribution	<b>€ 74,449</b>	€ 89,907
	<hr/>	<hr/>
	<b>€ 537,709</b>	€ 521,692

The aforementioned bonus payments are based on achieving the agreed objectives during the year under review. In 2014, there were no charges ensuing from the 'crisis levy' (Act elaborating Budgetary Agreement fiscal measures 2013). In 2013, the charge ensuing from the crisis levy was € 40,009. GasTerra did not include this amount in remuneration for the executive director of the company. GasTerra holds an insurance policy that offers Directors and Supervisory Directors coverage in the event of their liability.

*Supervisory directors of the company*

The total remuneration for the (former) members of the Board of Supervisory Directors for the financial year 2014 amounts to € 53,546 (2013: € 55,437).

**Board of Management**

G.J. Lankhorst M.A., Chief Executive Officer

**Board of Supervisory Directors**

C.W.M. Dessens M.A., Chairperson

D.A. Benschop M.A.

J.D. Bokhoven MSc.

P. Dekker MSc.

M.E.P. Dierikx M.A.

J.M. Van Roost MSc.

F.A.E. Schittecatte MSc.

Groningen, 12 February 2015

## Other information

### Statutory provisions regarding profit appropriation

Pursuant to Article 24 of the articles of association of GasTerra, the profit is at the disposal of the General Meeting of Shareholders, with consideration to the provision that such parts of the available profit will be reserved as specified by the Supervisory Board.

### Proposal for the distribution of profit

The board is proposing to pay out all of the net profits for 2014, amounting to € 36 million, to the shareholders.

### Subsequent events

After the balance sheet date, no events took place that had significant financial consequences for GasTerra.

### Independent Auditor's Report

To: the Board of Directors of GasTerra B.V.

#### Report on the financial statements

We have audited the accompanying financial statements 2014 of GasTerra B.V., Groningen, which comprise the balance sheet as at 31 December 2014, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

#### Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the annual report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of GasTerra B.V. as at 31 December 2014 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

#### Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the annual report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the annual report, to

the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Groningen, 12 February 2015

KPMG Accountants N.V.

J.F.G. Morsink RA

# Summary of financial results

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## Summary of financial results

	2014	2013
<b>Income and Expenditure</b>		
<b>in millions of Euros</b>		
Net turnover	19,501	24,293
Gas procurement	18,820	23,711
Transmission costs	569	509
<b>Results</b>		
<b>in millions of Euros</b>		
Profit Before Tax	48	48
Net Profit	36	36
Dividend	36	36
<b>Other Financial Information</b>		
Investments (in millions of Euros)	6.3	13
Liquidity ratio	1.1	1.0
<b>Balance Sheet Data</b>		
<b>year end, in millions of Euros</b>		
Total assets	3,747	3,943
Shareholders' equity	216	216

Short-term liabilities	3,531	3,727
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### **Volumes Sold**

**In billions of m<sup>3</sup>**

Total sales	81.3	89.3
- The Netherlands	34.3	36.1
- Rest of Europe	47.0	53.2

### **Staff**

**year end, in full-time equivalents**

Company staff	179	186
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### **Health and Safety**

Absenteeism (%)	2.1	2.2
Average absenteeism rate	1.1	1.1



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# Market Trend

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Due to various events and developments, the gas market went through quite a few changes in 2014. The European demand for gas was lower in 2014 compared to 2013. On the one hand, this was attributable to the high temperatures in the first and second quarter, resulting in a lower demand for gas among households than anticipated. In addition to this, less gas was yet again used for generating electricity in power plants due to the low coal prices and CO<sub>2</sub> emission allowances. Because the demand for natural gas fell behind expectations in Asia, more LNG became available for the European market. The demand for gas was also low because of the hot weather and the storage facilities were filled. This primarily resulted in lower prices on the gas trade markets during the summer months. As the same time, the virtual trading point Title Transfer Facility (TTF) flourished; never before had so much gas been traded than in 2014.

## Groningen Decision

On 17 January 2014, the Dutch Minister for Economic Affairs, Mr .Kamp, announced that a maximum volume had been set for the extraction from the Groningen Gas Field. In addition to this, the production from the clusters around Loppersum, where the strongest earthquakes had occurred, was cut back severely. The decision, which was provisional at that time, referred to a production ceiling of 42.5 billion cubic metres in 2014 and 2015, and 40 billion cubic metres in 2016. During this period, the extraction from the clusters around Loppersum would not exceed three billion cubic metres per annum. On 29 January 2015, the minister announced in a letter to the Dutch Lower House that the total extraction from the Groningen Gas Field will be cut back to a maximum of 39.4 billion cubic metres in 2015 and 2016. On 9 February 2015, the minister announced in a letter to the Lower House that the extraction in the first half of 2015 will be restricted to 16.5 billion cubic metres. This level of extraction, according to the minister, makes it possible as of 1 July 2015 both to maintain the level of 39.4 billion cubic metres and to decide on a further reduction to the level of 35 billion cubic metres for the year 2015.

The fact that a ceiling has been set for Groningen gas is nothing new. A ceiling was imposed on GasTerra in the past for the procurement of Groningen gas, spread over several years. From 2006 up to and including 2015, 425 billion cubic metres of Groningen gas is to be procured. 449 billion cubic metres applies in the period 2011-2020. The transition from a multi-year ceiling for procuring Groningen gas to an annual ceiling for production from the Groningen Gas Field required the necessary adjustments.

GasTerra procured 42.1 billion cubic metres of gas in 2014. In accordance with the draft decision on the Groningen Extraction Plan, NAM produced 42.4 billion cubic metres from the Groningen Gas Field in that year. The difference between the production and the procured volume lies in NAM's own usage, e.g. fuel gas, and the net withdrawal from the underground storage facilities. Within the restriction that the production ceiling on Groningen is also intended for GasTerra as a buyer, GasTerra has successfully fulfilled its mission to maximise the value of Dutch natural gas.

## **Energy Targets**

On 6 September 2013, various parties signed the SER (Dutch Social & Economic Council) Energy Agreement for Sustainable Growth. One of the agreements is that energy consumption in the Netherlands is to be cut back, among other things, by making houses more energy efficient. Many housing corporations put this into practice. More energy efficiency means lower gas sales among households. GasTerra has adjusted its sales expectations in this segment to reflect this.

At the European level, the European Commission established the Framework 2030 in 2014. The Framework 2030 specifies three energy targets for 2030, namely: 40 percent emission reduction in each member state; 27 percent improvement in the energy efficiency compared with 1990 at European level, and a 27 percent share of renewable sources in the energy mix.

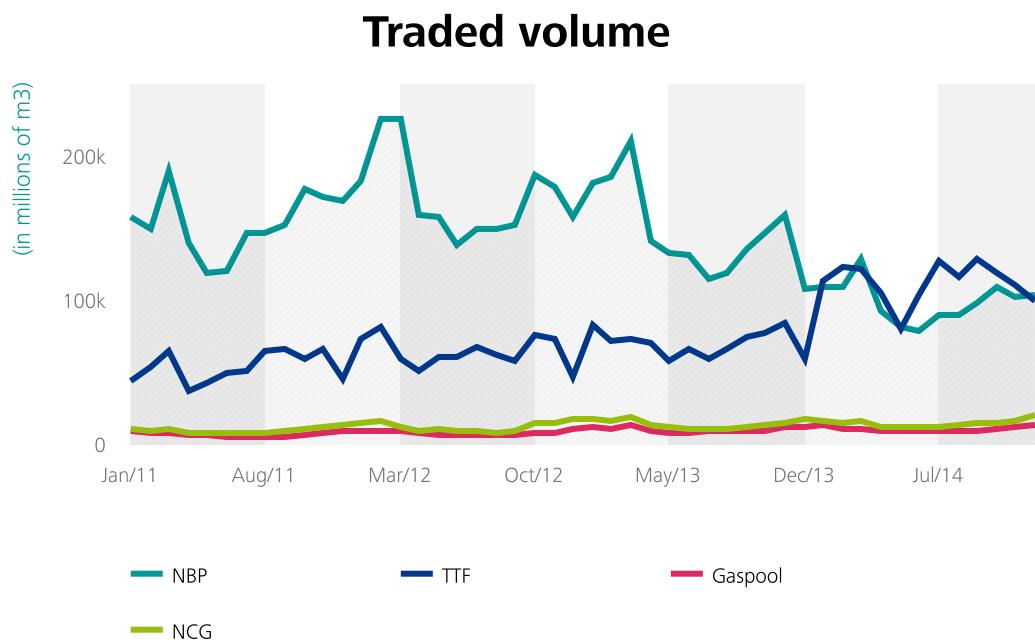
## **Virtual Trading Points**

Trading at the Dutch TTF trading point increased in 2014 to a record high with a traded volume of almost 1,400 billion cubic metres. In doing so, the TTF took the lead position from the British trading point, National Balancing Point (NBP) in the Over-The-Counter trade (OTC). With this method of trading, parties do business with each other directly. The fact that trading is effected in Euros at the TTF and parties are not exposed to currency risks may play a role here. The churn rate also rose sharply in 2014. The average churn rate was 18.5 in 2013 and rose to 31 in 2014.

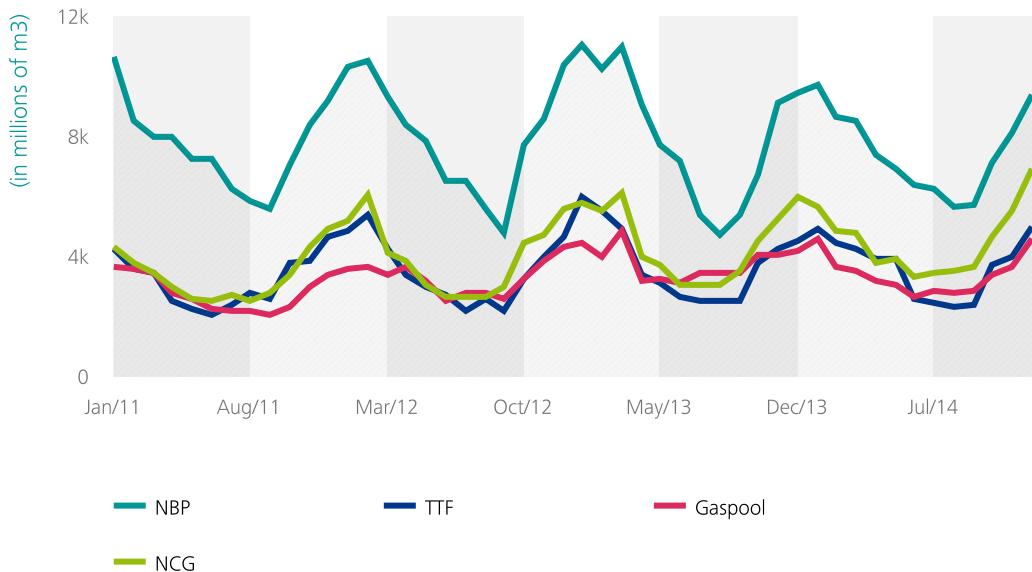
During the summer months, the numbers were above the 50. This was due to the warm weather. The demand for gas was relatively low prior to this and the storage facilities were full; consequently, many parties had procured more gas than they could supply. They offered the surplus on the TTF. This had a downward effect on the prices; at the same time, the volatility (price movements) increased, making the market more interesting for more parties.

The crisis in Russia and the Ukraine had no structural impact on pricing, but did affect the volatility. Political efforts caused an increase in the price and dropped again once an agreement had been reached.

The TTF and the British NBP are frontrunners in Europe as hubs for natural gas. The growth levels on the TTF and the NBP gradually levelled off. Among others, the German trading points, NCG and GasPool are developing further. GasTerra also expanded its trading activities to these German trading points, even though trade is still somewhat limited here compared to the volume that GasTerra trades in the United Kingdom. The TTF remains the most important price marker for long-term contracts and for gas on the other trading points in continental Europe.



## Physical volume



## LNG

Because the demand for natural gas fell behind expectations in Asia, more LNG became available for the European market. For example, particularly Spain and the United Kingdom imported more LNG in 2014 than expected. How the demand for LNG develops in Asia in the coming years is closely related to the economic growth on this continent and the energy choices the countries concerned will make. Japan, for instance, is planning to reinstate a number of nuclear power stations, which had been shut down in response to the nuclear power station disaster in Fukushima in 2011. This will have an impact on the demand for LNG in Japan in the long term.

Partly due to the construction of LNG export terminals in Australia and America, the supply of LNG will grow in the coming years. Australia will be able to tranship 100 billion cubic metres as of 2016 and America 60 billion cubic metres as of 2018. The bulk of this American gas, namely 40 billion cubic metres per annum, has already been contracted by European parties for delivery from 2020 onwards. In addition to American LNG, there is an increase in LNG from Qatar and Russia (Yamal). In addition to these volumes, we have also seen gas from the Shah Deniz gas field in Azerbaijan, which will be transported by pipeline to Italy via countries including Turkey. Contracting LNG does not guarantee that this gas will actually be supplied in Europe. This partly concerns volumes that are supplied in the country of production and which is available for sale on the world market to the buyer of choice. It is also possible to reship LNG supplied in Europe to another market.

## Competition from Coal

The price of coal and the price of CO<sub>2</sub> emission allowances are still comparatively low at the time of publication of this annual report. Coal-fired electricity generation is therefore still much cheaper compared to gas-fired electricity generation. Various north-western European energy companies have therefore shut down their gas-fired power stations, or have announced that they are planning to do so. In Belgium, gas power stations were also shut down because they were not economically viable. However, some gas power stations have been reinstated because of a risk of electricity shortages due to nuclear power stations in the country being unexpectedly (longer) inoperative. There was also talk of starting up gas power stations in the Netherlands to supply the Belgian market.

In the Netherlands, agreement has been made to shut down the five old coal-fired power stations as part of the SER energy agreement. However, these power stations are to be replaced by three new more efficient stations (two coal-fired power stations on the Maasvlakte and one power station in the Eemshaven).

The shutdown of gas power stations has consequences for the security of supply and climate goals. Coal may therefore be a cheaper alternative at present, however, coal combustion releases more CO<sub>2</sub> than gas combustion. Furthermore, coal-fired power stations are not as easy to connect and disconnect as gas-fired power stations, rendering them less suitable in the transition to sustainable energy supply as a supplement to the frequently unpredictable renewable sources. In this context, various European countries are taking measures to safeguard the security of supply. These so-called capacity mechanisms mean that the reserve capacity that energy companies have to adhere to in order to guarantee the power supply will be reimbursed.

In a European context, there is talk of improving the trading system for CO<sub>2</sub> emission allowances. This would lead to higher CO<sub>2</sub> prices and thus promote business investments in emission-restricting measures, like the use of gas.

## Shale Gas in the Netherlands

The Minister of Economic Affairs is investigating whether – and if so, where and under which conditions shale gas can be extracted. In 2014, governments, organisations and civilians were able to respond to the aim of the PlanMER environmental impact study. The decision-making on shale gas extraction in the Netherlands is expected in the second half of 2015.

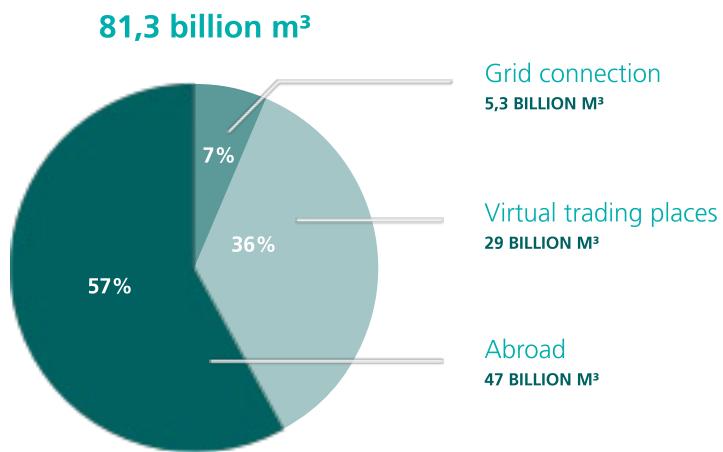


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# Sales and supply

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GasTerra supplied 81.3 billion cubic metres of gas in 2014, 8 billion cubic metres less than in 2013. This is primarily due to the restricted output of the Groningen Gas Field and the average high temperature. 2013 got off to a cold start, while at the end of the year, the winter of 2014 was mild. The temperatures not only had a downward effect on the supplies, but also resulted in a price reduction. The average price paid per cubic metre in 2014 was 23.9 eurocent compared to 27.1 eurocent in 2013.



Overview of GasTerra Gas sales 2014

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## Delivery at the connection point

### Energy Companies and power stations

In 2014, GasTerra supplied 1.8 billion cubic metres directly at the connection point of energy companies and power stations. Consequently, the direct supply to this market segment was slightly lower than expected. This was due to the average high temperatures in 2014. The lower volume in this segment was, however, largely compensated for by the higher sales of within-year products. This means that the gas is contracted and supplied in the same year.

### Wind-dependent gas supply

The wind-dependent gas supply, a product developed by GasTerra in cooperation with energy company Eneco, is a good example of product innovation. Depending on the forecast wind speed, GasTerra supplies more or less gas to Eneco, whereby not only the volume, but also the gas price is linked to the wind speed. This enables Eneco to better control the financial risk associated with the production of wind energy. This product is not only in line with customer needs, but also promotes the use of gas as a transition fuel. Modern gas-fired power stations are highly suitable as back-up for wind power; they are easier to regulate when the wind subsides than coal-fired power stations. Moreover, gas is the cleanest fossil fuel. Two reasons for Eneco opting for this solution.

## **Sales**

The positive effect of continuous product development is reflected in the sales contracts for the coming years. GasTerra responded to the strong increase in smaller, and often local energy companies. These parties contract more gas each year, because they see growth in their own customer portfolios. GasTerra benefits from this due to a higher supply to this market segment.

## **Industry**

In 2014, GasTerra supplied 3.5 billion cubic metres of gas to its industrial customers. In the first half of 2014, the number of contracts for the coming years was lower than expected. This was compensated for by the increase in the number of tenders and contracts in the second half of the year.

Consequently, the supply was lower than expected. There are several reasons for this. Firstly, the economic circumstances had an impact on production, which led to a lower demand for gas. In addition, customers make less use of their cogeneration systems (CHPs), which generate heat and electricity simultaneously. To many customers it seemed cheaper to purchase electricity instead of GasTerra's product, resulting in a lower demand for gas on these systems. Finally, the supply in 2014 was negatively influenced by generator failure in the case of a number of big customers because of faults and maintenance.

## **Product Development**

In spite of the abovementioned developments, GasTerra works hard to preserve and expand the customer portfolio. We continually consult with the customers to ensure that the conditions and products are still in line with the market. This resulted in some product changes being made in 2014.

## **Customer Satisfaction**

GasTerra developed a new customer portal for industrial customers in 2014, which will be introduced at the beginning of 2015. Customers can use this portal to order additional volumes, request and accept quotations and examine their contracts and invoices. In a customer satisfaction survey in 2013, customers indicated a need for more information, specifically on market trends and prices. We have been issuing a digital newsletter since 2013 in response to that need. In addition to this, the company organised a well-attended customer networking day in October with lectures on the gas market and a visit to the Gasunie gas treatment plant in Ommen.

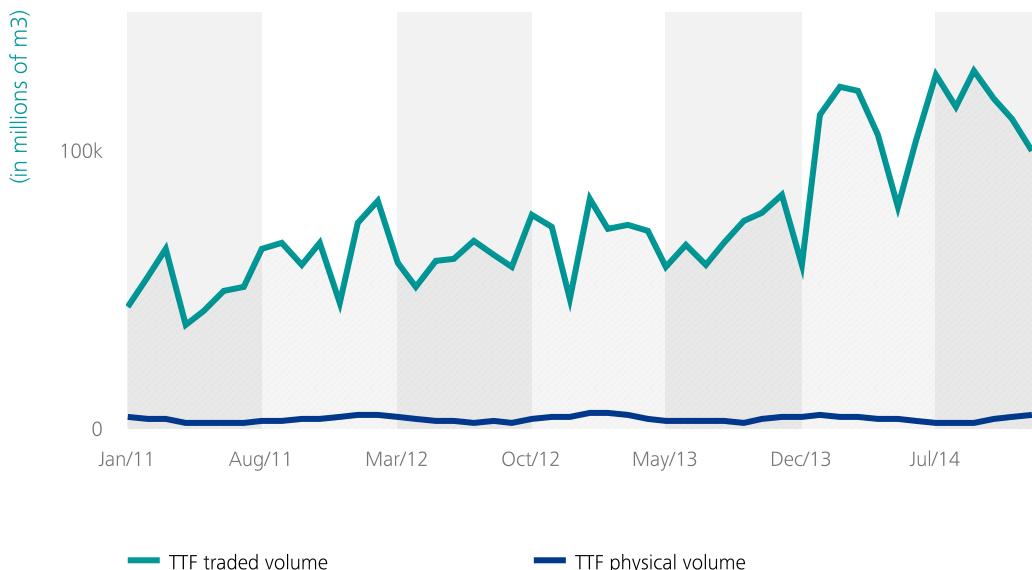
## **Sustainability**

We support our industrial customers in promoting sustainable production processes with the Environmental Plan for Industry (EPI). GasTerra uses this programme to support industrial customers in the improvement of energy efficiency, the reduction of emissions and the sustainability of their production processes. GasTerra implemented six EPI projects in 2014. Thus, the objective was achieved. GasTerra also supports the production and trade in green gas. In 2014, two contracts were concluded with new customers. Thus, the objective was also achieved in this area.

## **Supply on the hub**

The trade on the TTF takes place via standard framework agreements. This means that only the price, the volume and the delivery period have to be agreed for each deal. A deal can be effected directly via the exchange, via a broker with a customer, or bilaterally with a customer. GasTerra's preference goes to the first option. Because many market parties trade via brokers, we often use this channel as well. GasTerra considers it a good development that the number of brokers increased in 2014. This offers market parties more freedom of choice.

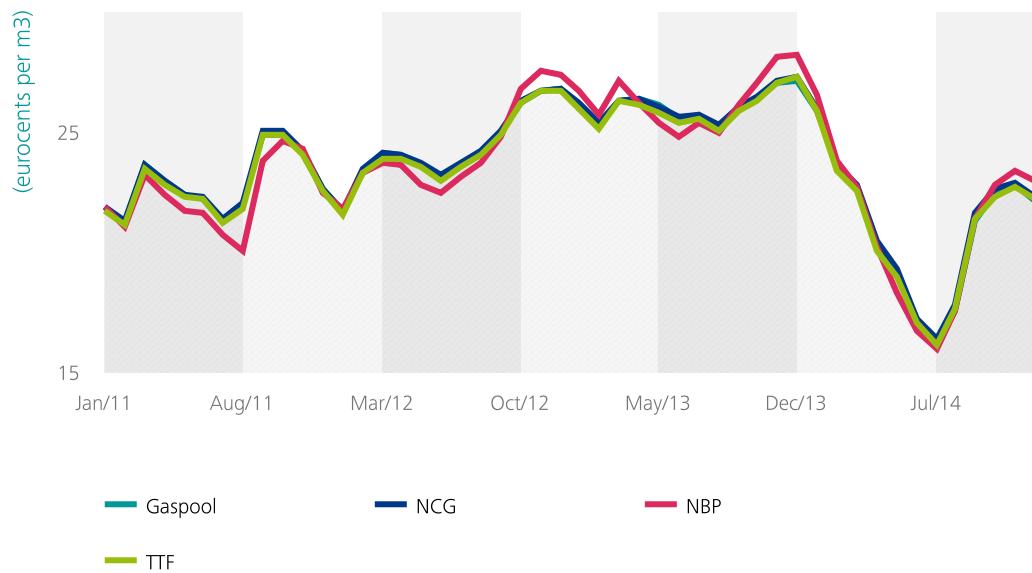
## Trends in physical and traded volumes TTF



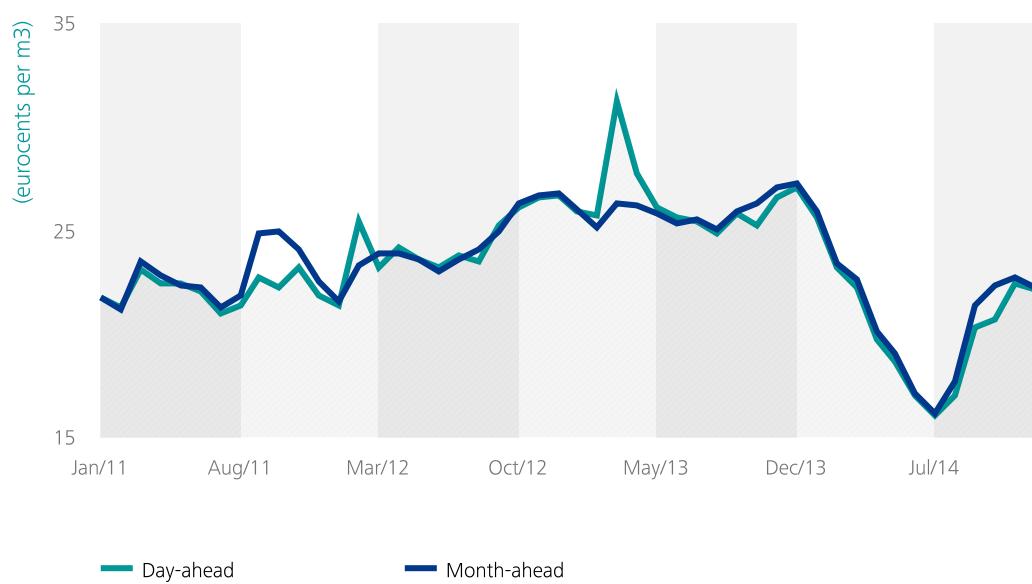
As in 2013, GasTerra supplied 29 billion cubic metres of gas to energy companies, banks and traders via the TTF virtual trading point in 2014. The supply to these target groups was lower than expected. In some respects, this is due to the relatively high temperatures in 2014, resulting in fewer temperature-dependent contracts being concluded. Despite the increase in the number of brokers, the number of parties on the TTF dropped slightly, because a number of financial parties had become less active. In 2014, a total of 44 billion cubic metres were physically delivered via the TTF. GasTerra's share of this amounted to 66 percent.

On average, the prices that were established on the TTF were lower than in 2013. The annual average *day-ahead price* dropped by 6.0 eurocent per cubic metre compared with the cold year 2013; the annual average *month-ahead price* dropped by 5.1 eurocent per cubic metre. The crisis in Russia and the Ukraine had a restrictive impact on the pricing, more specifically the price volatility. When tensions arose, the price increased, only to drop again after agreement was reached.

## Trends in average monthly month-ahead prices



## Trends in average monthly TTF prices



## Overseas

In 2014, GasTerra exported 47.0 billion cubic metre of gas to a limited number of big energy companies, which resold the gas to other energy companies or end users. Compared to 2013, export to these customers dropped by 6.2 billion cubic metre. This decrease can mainly be explained by the high temperatures in 2014.



Natural gas sales of GasTerra

(in billions of m <sup>3</sup> )	2014	2013
<b>The Netherlands</b>	34.3	36.1
<b>Belgium</b>	5.4	5.4
<b>France</b>	4.9	6.5
<b>Germany</b>	18.1	22.4
<b>Italy</b>	8.3	8.6
<b>UK</b>	9.5	9.5
<b>Switzerland</b>	0.8	0.8
<b>Total</b>	<b>81.3</b>	<b>89.3</b>
<b>Total excluding the Netherlands</b>	<b>47</b>	<b>53.2</b>

A number of export contracts were renegotiated in 2014. The most important theme is the transition in the market from oil to gas indexed prices. This resulted in the roles of the various parties in the value chain being redefined. Apart from the price, topics that play a role here include contractual flexibility and the point of supply. In many cases, the parties are coming closer together, but this requires a lot of time and effort.

### Security of supply

On 17 January 2014, the government announced a draft decision on the maximum gas output from the Groningen Gas Field. This was in response to the earthquakes in the extraction area. This caused uncertainty among export customers concerning GasTerra fulfilling the obligations in the long term. The proposed decision referred to a production ceiling of 42.5 billion cubic metres in 2014 and 2015, and 40 billion cubic metres in 2016. During this period, the extraction from the clusters around Loppersum may not exceed three billion cubic metres per annum. In a letter dated 29 January 2015 to the Dutch Lower House, the minister conveyed that the total extraction in the Groningen Gas Field will be cut back to a maximum of 39.4 billion cubic metres in 2015 and 2016. Despite the production limitation, the company is still able to meet its contractual obligations. On 9 February 2015, the minister announced in a letter to the Lower House that the extraction in the first half of 2015 will be restricted to 16.5 billion cubic metres. This level of extraction, according to the minister, makes it possible as of 1 July 2015 both to maintain the level of 39.4 billion cubic metres and to decide on a further reduction to the level of 35 billion cubic metres for the year 2015.

With regard to concluding new long-term contracts, we abide by the Minister's wishes. This means that we will not be concluding any new long-term contracts and the existing ones will not be extended or increased in volume.

### **Conversion from L-gas to H-gas**

Due to the declining volume of production from the Groningen Gas Field after 2020, existing users of Groningen L-gas will have to switch over to H-gas. In various European countries, particularly Germany, France and Belgium, the conversion from L-gas to H-gas is an important theme. The conversion will have to commence from 2020 in Germany and from 2024 in Belgium and France. This issue only applies in the Netherlands from 2030. In the meantime, the plans for the conversion in Germany are becoming increasingly more real. The German gas transmission operators have developed a joint plan for this purpose. According to this plan, the conversion will start on a small scale in October 2015 to offset the drop in L-gas production from German fields. The details of the plan are still being worked out. The Belgian and French transmission operators have also announced that they are preparing to cut back import of Groningen gas. In December 2014, GTS announced its plans to increase its nitrogen capacity to safeguard the security of supply of L-gas in the long term.

The current restriction of production has no impact on the conversion; the reduced production from Groningen will, if necessary, be offset through quality conversion of high calorific gas with nitrogen.

### **Virtual Storage Services**

GasTerra provides market operators with options for contracting virtual storage space for gas. These virtual storage services (VSS) are offered in the form of so-called Standard Bundled Units (SBUs), enabling market parties to inject or withdraw gas into or from a virtual storage facility. GasTerra provides this service on the TTF. ICE Endex, the gas and power exchange, auctions the volume as an independent party on instructions from GasTerra, so that purchasers remain anonymous to GasTerra.

In November 2013, market parties signed contracts for 3.7 million SBUs in the form of a one-year product (storage year 2014/2015). GasTerra also offered a five-year product (storage years 2014/2019) in November 2013. Of these, 4.1 million SBUs were contracted. Finally, the remaining 5.4 million SBUs were sold on the auction in February 2014 as a one-year product.

The first auction for the year 2015/2016 was held in November 2014. 4.5 million SBUs were sold at this auction in the form of a one-year product. The remaining capacity (4.5 million SBUs) will be auctioned again as a one-year product in February 2015.



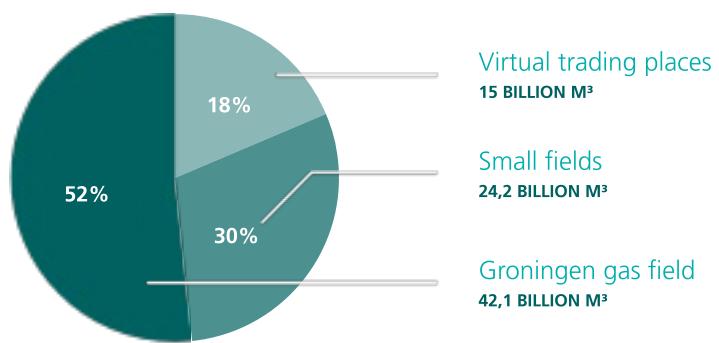
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# Procurement

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In 2014, GasTerra procured 81.3 billion cubic metres of gas. 81.6 percent of that gas originated from the Netherlands. The remaining 18.4 percent was procured at trading points or imported.

**In 2014, GasTerra procured 81.3 billion m<sup>3</sup> of gas**



## Groningen Gas Field

On 17 January 2014, the Dutch Minister for Economic Affairs, Mr Kamp, announced that a maximum volume had been set for the extraction from the Groningen Gas Field. In addition to this, the production from the clusters around Loppersum, where the strongest earthquakes had occurred, was cut back severely. The decision, which was provisional at that time, referred to a production ceiling of 42.5 billion cubic metres in 2014 and 2015, and 40 billion cubic metres in 2016. During this period, the extraction from the clusters around Loppersum would not exceed three billion cubic metres per annum. On 29 January 2015, the minister announced in a letter to the Dutch Lower House that the total extraction in the Groningen Gas Field will be cut back to a maximum of 39.4 billion cubic metres in 2015 and 2016. On 9 February 2015, the minister announced in a letter to the Lower House that the extraction in the first half of 2015 will be restricted to 16.5 billion cubic metres. This level of extraction, according to the minister, makes it possible as of 1 July 2015 both to maintain the level of 39.4 billion cubic metres and to decide on a further reduction to the level of 35 billion cubic metres for the year 2015.

The fact that a ceiling has been set for Groningen gas is nothing new. A ceiling was imposed on GasTerra in the past for the procurement of Groningen gas, spread over several years. From 2006 up to and including 2015, 42.5 billion cubic metres of Groningen gas is to be procured. 449 billion cubic metres applies in the period 2011-2020. The transition from a multi-year ceiling for procuring Groningen gas to an annual ceiling for production from the Groningen Gas Field required the necessary adjustments.

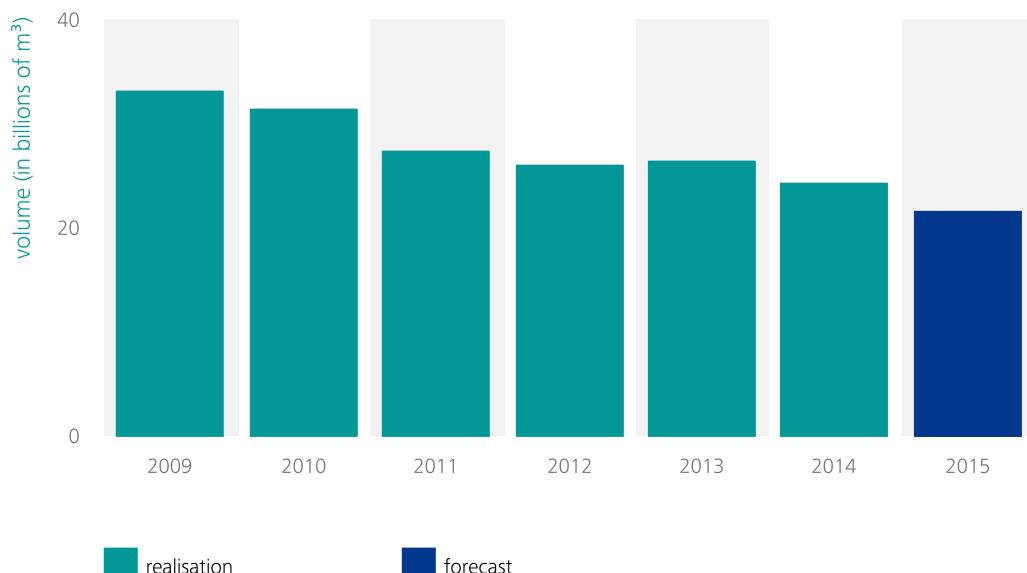
GasTerra procured 42.1 billion cubic metres of gas in 2014. In accordance with the draft decision on the Groningen Extraction Plan, NAM produced 42.4 billion cubic metres from the Groningen Gas Field in that year. The difference between the production and the procured volume lies in NAM's own usage, e.g. fuel gas, and the net withdrawal from the underground storage facilities. Within the restriction that the production ceiling on Groningen is also intended for GasTerra as a buyer, GasTerra has successfully fulfilled its mission to maximise the Dutch natural gas.

## **Small Fields**

In 2014, GasTerra procured 24.2 billion cubic metres of gas from the small fields, 2.1 billion cubic metres less than in the preceding year. In the past decade, the procurement of gas from small fields decreased by about two bcm per annum. This is due to a decrease in the reserves in the small fields. As a result, the pressure in these fields declines, and the production decreases steadily. While reserves are still continuously being found in new small fields, this does not fully compensate for the decrease in production.

The outlook for the coming years shows a further decrease. These projections are based on statements from the producers and assume a stable level of investment.

## Procurement from small fields



## Improved Terms & Conditions

In 2013, GasTerra and the producers replaced the Buyer's Request Regime with the Seller's Nomination Regime. This means that the supply is no longer determined by the demand from GasTerra, but by the production. This allows producers to adjust the supply to the technical facilities of the fields more easily. To this end, they have to indicate the volumes they expect to supply in advance. The producers may indicate a limited share of the volume the day before delivery.

In 2014, as well as taking the initiative to improve the delivery terms & conditions, the company proposed that the producers announce the volume to be delivered a full day ahead. This method of working in line with the market means that GasTerra takes the producers' requirements into account. In turn, the producers provide GasTerra with non-binding production forecasts for the short, medium and long term. We expect that all producers will automate the forecasts within the course of 2015 and will deliver according to the new terms and conditions.

## Procurement from Virtual Trading Points and Overseas Markets

GasTerra procured 15.0 billion cubic metres of gas in 2014. This was effected via virtual trading points and by way of imports, specifically from Norway, Russia, Germany and the United Kingdom. Due to the long-term nature of the import contracts, little changed compared to the previous years.

Approximately 5 percent of the gas procured by GasTerra comes from Russia. This gas is procured based on a long-term procurement contract, wherein the rights and obligations of both parties are set out. Over the past year, the crisis in the Ukraine has put the trading relations between the EU countries and Russia under pressure. However, the gas trading activities have remained outside the scope of the sanctions and have not had any impact on the commercial relations. GasTerra may well have procured less gas from Gazprom in 2014, but this was because the Russian producer needed more gas to fill its storage facilities. This reduction was part of the contractual agreements.

Many of the import contracts were renegotiated in 2014. The most important theme is the transition in the market from oil to gas indexed prices. This resulted in the roles of the various parties in the value chain being redefined. Apart from the price, topics that play a role here include more flexibility and the point of delivery. In many cases, the parties are coming closer together, but this requires a lot of time and effort. The ultimate goal is not only to actualise the contracts such that so they do justice to the existing agreements, but also to adapt to the reality of the prevailing market circumstances. When the negotiating parties are unable to reach agreement, they may submit their dispute to an arbitral tribunal.

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# Transmission

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In the Netherlands, GasTerra procures the transmission capacity from Gasunie Transport Services B.V. (GTS), operator of the national gas transmission network. The costs for procuring transmission capacity in 2014 were € 569 million. As a result, the transmission costs were € 60 million higher than in 2013, in line with expectations. The GTS rates in 2012 and 2013 included a refund imposed by the regulator NMA (now known as ACM) of approximately € 400 million. With the removal of this refund, the rates in the Netherlands have risen. We expect that the transmission costs will remain more or less stable in the coming years.

In 2014, GasTerra saw an increase in short-term transmission bookings at home and abroad. When booking transmission capacity, the company makes maximum use of the booking platform PRISMA. Gas traders can book and offer transmission capacity with and to various transmission system operators on this platform. Thanks to a modification in the software in 2014, PRISMA is now integrated properly into our systems. GasTerra procured the most capacity on PRISMA via auctions. However, the term of the transmission capacity offered does not always correspond with the term of typical commodity deals. We would like to see these more closely coordinated.

## Regulations

To promote cross-border gas trade within the European Union, European supervisory authorities, market parties and transmission companies are working towards harmonising access to international transmission systems. A number of network codes were implemented in the Netherlands in 2014. For example, a New Balancing System came into effect on 3 June. Consequently, the bid price ladder (BPL) was swapped for trading on the within-day market. With the BPL, GTS made arrangements every day with parties who committed themselves to supplying extra gas or conversely to withdraw gas from the network in case of supply-demand imbalances. Now, if an imbalance occurs, GTS trades on the exchange during the day itself to redress the balance. Up until now, the new regime has been maintained without any problems under mild weather conditions.

Furthermore, the oversubscription and buy back scheme came into effect on 1 January 2014. Under this scheme, GTS can offer more capacity at certain border points than is technically available, on the assumption that not all parties will use the full one hundred per cent of their booked capacity simultaneously. To date, this has not presented any problems for GasTerra.



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# Supply chain management

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GasTerra places great importance on responsible supply chain management. In doing so, we focus primarily on the use of our product, because we consider it extremely important that we use gas efficiently. The updated stakeholders dialogue 2013, however, show that there is a lack of clarity among stakeholders concerning GasTerra's role upstream, particularly as regards the earthquake problems and the procurement of gas from Russia. In order to provide greater insight into this theme, GasTerra has decided to define upstream supply chain management as a material topic in this Annual Report.

## The chain

GasTerra procures and sells gas and related services. In doing so, we have to deal with various national and international parties. Obviously, we not only have to deal with producers, suppliers and customers, but also, for example, with transmission system operators for the transmission of the gas, market regulators and public authorities who are responsible for (monitoring) legislation and regulations. Within the chain, the trading portion falls within GasTerra's responsibilities. In addition, we have the public duty to give effect to parts of the Gas Act.

We participate in various joint ventures within the chain. In doing so, the company aspires to achieve various goals like exchange of information, the development of sustainable energy applications, promoting the advantages of gas in the transmission to a sustainable energy supply and improving regulations. Within the context of the latter two topics we are active in The Hague and, primarily via the trade organisation Eurogas, in Brussels. We are also affiliated to the association of Dutch energy companies, *Vereniging Energie-Nederland*. GasTerra primarily focuses on downstream supply chain management as described above. As a trading company, we only have a limited on upstream supply chain management. GasTerra refrains from introducing political or social discussions, for example, into the contractual relationships that GasTerra has with its suppliers and customers.

## Upstream supply chain management

GasTerra primarily trades in Dutch natural gas, and to a lesser extent, natural gas from Norway and Russia in particular. Supply chain management is understood to mean all activities from extraction to consumption of natural gas. In this respect, GasTerra is responsible for the trading part.

Production companies are responsible for the extraction, network managers for transport, and users for the consumption. The division of responsibilities in the chain is contractually determined and parties can only point out to each other any failure in performing contractual obligations. For the procurement of gas, GasTerra mainly does business with Dutch gas producers, who, *inter alia*, have to meet strict requirements with respect to environmental, safety and good employment practices.

## **The Netherlands**

On 17 January 2014, the Dutch government announced the proposed decision on the amended extraction plan, which will restrict gas production from the Groningen Gas Field. This was deemed necessary in response to the increasing frequency and strength of the earthquakes in the extraction area. Under the decision, extraction of natural gas from the field may not exceed 42.5 bcm in 2014 and 2015, and 40 bcm in 2016. Furthermore, the extraction at five production sites in the heart of the earthquake zone, around Loppersum, will have to be reduced by 80% up to a maximum of 3 bcm. The NAM (Dutch National Oil Company) extracts gas from the Groningen Gas Field within the preconditions set by the minister in the product decision. GasTerra has procured the gas produced and resold it.

In addition to gas from the Groningen Gas Field, GasTerra also procures Dutch gas from the small fields. GasTerra promotes the production of this Dutch gas by matching the contract conditions for the small fields to the needs of producers wherever possible. This way, GasTerra gives substance to the small field policy, which states that gas from the Dutch small fields can be produced with priority. GasTerra has the legal duty to procure this gas under normal market terms and conditions.

## **Overseas**

In addition to Dutch gas, to a lesser extent, GasTerra also procures gas from Norway and Russia. This gas is procured based on long-term procurement contracts. In 2014, the crisis in the Ukraine placed the trading relations between the EU countries and Russia under pressure. However, the gas trading activities have remained outside the scope of the sanctions and have not had any impact on the commercial relations. Approximately 5% of the gas procured by GasTerra comes from Russia. This volume, however, only covers a small share of the export volume from Gazprom.

## **Security of supply**

The European Union has conducted a stress test to define the possible consequences if the supply of Russian gas to Europe via the Ukraine stops partially or in full. This will not have any consequences for the Netherlands, which is self-sufficient and also exports gas. A halt on supply may well present problems in Southeast Europe, Finland and the Baltic States. Finland and the Baltic States are almost entirely dependent on Russian gas, but not on transmission via the

Ukraine. They do not have a pipeline connection to the rest of Europe. In addition to gas storage, the new LNG receiving terminal in Lithuania is the only alternative for supplying natural gas, but these options are not sufficient to meet the European demand for gas. To a large extent, Southeast Europe depends on Russian gas supplied via the Ukraine. For the countries concerned, supplies from Western Europe provide an alternative to a certain extent, because ever since the interruption of the Russian supplies via the Ukraine in 2009, more possibilities have emerged in the European gas transmission network for supplying gas from west to east. By making transactions on wholesale markets, GasTerra can make an indirect contribution to supporting supply to Southeast Europe.

Several proposals have been made to reduce the dependency on Russian gas. For example, politicians have been put forward to restrict the import from Russia by importing LNG from the United States. However, this gas is more expensive than Russian gas, particularly due to the transmission costs and because substantial volumes will only become available in a few years.



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# Risk Management

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A thorough risk policy is a prerequisite for the company to achieve its objectives in a controlled manner. Risk management is an integral part of the Management Control System at GasTerra, which involves implementing risk management at strategic, tactical and operational level.

## Strategic and tactical levels

Prior to the annual planning and control cycle, GasTerra drafts a strategic plan. This plan is based on the current and anticipated developments on the European gas market and incorporates the strategic long-term choices. The plan also includes a description of opportunities and threats (risks).

GasTerra then translates this strategic plan for the short and medium term into a Business Plan and a budget. In monthly and quarterly reports, the results are compared with the targets set out in the Business Plan. This Business Plan contains a risk analysis at the tactical level. The validity of this risk analysis is assessed a further two times during the year. This analysis includes both specifically named risks and the measures that are needed to manage these risks.

## Operational level

Departments are responsible for risk management at the operational level. This consists of a risk analysis, control measures, documentation and reporting. The assumption is that the line management in all parts of the organisation is responsible for identifying relevant risks and for implementing the appropriate measures.

## Review

GasTerra periodically reviews the effectiveness of its risk management by carrying out internal audits. Moreover, activities in this area are assessed within all departments and at all levels on an annual basis. These assessments are summarised in the Document of Representation. All these risk-related activities are supervised by the Audit Committee appointed by the Board of Supervisory Directors.

## Risks and Risk Management

By means of regular discussions of risk, we pinpoint the principal risks and uncertainties facing GasTerra. In doing so, strategic, operational and financial risks are examined, as well as risks in the fields of financial reporting, legislation and regulations. The principal risks and uncertainties relate to the following issues:

## **Production Ceiling Groningen**

On 17 January 2014, the Dutch Minister for Economic Affairs, Mr Kamp, announced that a maximum volume had been set for the extraction from the Groningen Gas Field. In addition to this, the production from the clusters around Loppersum, where the strongest earthquakes had occurred, was cut back severely. The decision, which was provisional at that time, referred to a production ceiling of 42.5 billion cubic metres in 2014 and 2015, and 40 billion cubic metres in 2016. During this period, the extraction from the clusters around Loppersum would not exceed three bcm per annum. On 29 January 2015, the minister announced in a letter to the Dutch Lower House that the total extraction in the Groningen Gas Field will be cut back to a maximum of 39.4 billion cubic metres in 2015 and 2016. On 9 February 2015, the minister announced in a new letter to the Lower House that the extraction in the first half of 2015 will be restricted to 16.5 billion cubic metres. This level of extraction, according to the minister, makes it possible as of 1 July 2015 both to maintain the level of 39.4 billion cubic metres and to decide on a further reduction to the level of 35 billion cubic metres for the year 2015.

The most important challenge for GasTerra was and is the evaluation of the consequences of these decisions for the gas market, and to react to them in an adequate manner.

## **Regulation**

GasTerra is confronted with more and more regulation at national and European level, particularly in the area of energy and finance. We note that the regulations that are relevant for GasTerra are increasingly fragmented. This leads to inefficiencies in the business operations due to the obligation to meet all applicable rules, national and European.

Examples of these fragmented regulations are the introduction of European Regulation No. 1227/2011 concerning integrity and transparency in the wholesale energy market (REMIT), EU Regulation No. 648/2012 concerning OTC derivatives, central counterparties and trade repositories (EMIR) and EU Directive 2004/39/EC concerning markets in financial instruments (MiFID).

Some European regulations, such as Regulation 715/2009, which governs the conditions for access to the natural gas transmission networks, as well as the subsequent procedural rules for congestion management (CMP), are not introduced simultaneously in all Member States. Finally, this regulation creates mechanisms for the allocation of transmission capacity on cross-border

transmission links (CAM). This type of European regulation also requires the necessary representation of interests by GasTerra. You can read more about these regulations in the Compliance chapter.

We control the aforementioned risk in two ways:

1. The close tracking of regulatory developments at European level and at national level in the countries where we are active. Where possible, we try to influence the developments. New regulations are implemented on time.
2. In discussions with government and EU leaders, GasTerra emphasises the need for a univocal European energy policy to reduce fragmentation between EU member states.

## **Financial instruments**

### **General**

In the course of its normal business activities the company uses financial instruments that exposes the company to market risk including foreign currency rate risk, interest rate risk, credit risk, liquidity risk. The company uses derivative financial instruments to manage risks. The company does not trade in derivative financial instruments.

### **Credit risk**

The credit risk consists of the loss that would be generated if customers or counterparties were to remain in default and fail to fulfil their contractual obligations. The company has drawn up guidelines with which customers or counterparties must comply. These guidelines limit the risk associated with possible credit concentrations and market risks. If customers or counterparties fail to comply with these guidelines, they will be asked to furnish additional security such as bank guarantees. This prevents the company from running any major credit risks in respect of any individual customer or counterparty. Long-term relations have been built with the majority of customers and counterparties. They fulfilled their payment obligations in 2014.

### **Interest rate risk**

The interest rate risk is limited to potential changes in the market value of funds withdrawn and issued. It is company policy not to use derivative financial instruments to manage fluctuations in interest rates (on an interim basis or otherwise). Given the short-term nature of deposits, the interest rate risk for the year 2014 did not exceed € 100,000.

### **Liquidity risk**

The company monitors its liquidity position through liquidity forecasts. The management ensures that the company always has sufficient liquidity available to meet its commitments. To limit the liquidity risk GasTerra has at its disposal a commercial paper programme of €1.0 billion as at year end 2014 (year-end 2013: € 1.0 billion). This programme ended as at 1 January 2015. GasTerra concluded a Deposit and Loan agreement with NAM and EBN in 2014.

## **Foreign currency risk**

From 2013, GasTerra is following a policy of controlling currency risks on receivables and payables in the balance sheet using a bandwidth. Currency risks are only – and fully – hedged by short-term foreign currency contracts, if the unrealised results of those risks fall outside a range set by the company.

## **Borrowing Requirements**

As a trading company with few fixed assets and without inventories, GasTerra has a limited borrowing requirement, and only in the very short term, often for only a few days. This borrowing requirement is met by either issuing GasTerra's commercial paper, with a maximum of €1.0 billion Euros unused in 2014, or financing by means of short-term bank loans. (which was also not necessary in 2014). The commercial paper programme was terminated as of 1 January 2015.

## **Compliance**

GasTerra attaches great importance to safeguarding the quality and integrity of the staff's actions. To this end, a code of conduct outlining standards and values has been established. All GasTerra staff subscribe to the code of conduct on joining the company. Attention is also regularly drawn to the code of conduct within the organisation, e.g. via the intranet and the annual compliance programme. In addition, various supplementary rules and procedures have been drawn up, which are designed to ensure compliance with external legislation and regulations. The objective of this is to make staff aware of the importance of the duty to adhere to legislative and other regulatory requirements applicable to GasTerra. That is why this topic is designated a material topic. The internal auditor regularly vets each department to check whether they are complying with all procedures. Results of all audits are discussed with Board of Management and the auditor, as well as the Audit Committee. No reports of staff having not complied with the code of conduct and/or supplementary procedures were received in 2014.

## **Competition Compliance Programme**

The code of conduct explicitly states that staff must comply with the Dutch and European competition regulations. GasTerra elaborated these regulations into an integrated Competition Compliance Programme. A Compliance Officer has been appointed who is responsible for

implementing the programme. Part of the Compliance Programme includes an annual compulsory compliance course for all staff. The objective of this is to make staff aware of the importance of the duty to adhere to legislative and other regulatory requirements applicable to GasTerra. The course material addresses topics like ancillary activities, the anti-bribe and anti-corruption procedure and the REMIT procedure. Potentially problematic situations are pinpointed and the staff learn what they ought and ought not to do in these situations. In 2014, 97% of employees took the compliance course.

We also continually assess whether the code of conduct and procedures need to be adapted or supplemented. Within the framework of the European Financial Regulation EMIR, with effect from 12 February 2014, market parties are obliged to report specific gas deals that are concluded on the exchanges to the so-called Trade Repositories. GasTerra has changed the internal procedures to comply with this. Another adjustment will likely be necessary when this regulation is worked out in more detail. Application of other European legislation, the MiFID regulations in particular and further elaboration of the sector-specific REMIT Regulations, is also expected to lead to changes in the code of conduct and/or procedures.

## **REMIT Procedure**

REMIT prescribes that market parties having information that might constitute insider information are obliged to publish it as quickly as possible. If GasTerra has information that might constitute insider information, all trading activities will be stopped immediately for reasons of security. The trading activities will only be resumed when the information has been published on the website. In 2014, GasTerra placed such a publication on its website nine times.

## **Whistle blower scheme**

A whistle blower scheme has been in force at GasTerra. Employees who uncover severe abuses and whose reports fall on deaf ears within the organisation can report these in confidence to the Chair of the Board of Supervisory Directors. By doing so, they need not be apprehensive about repercussions or unfair treatment. In 2014, nobody availed of this scheme.

## **Violations and fines**

No fines were imposed on the organisation in 2014.

## **Transmission Regulations**

The European Union wants to promote cross-border gas trade by implementing univocal regulations for the transmission of natural gas, which applies to all member states. The European supervisory authority and transmission companies are setting out the details of these regulations in

the so-called European Network Codes. In 2014, progress was made in the Netherlands with the implementation of various network codes. For the greater part, the Dutch supervisory authority, ACM, and the national transmission system operator, GTS, have indicated their preference to implement these regulations as soon as possible. In some cases, a start has already been made with this prior to the European network code being approved. However, premature implementation may have drawbacks, given that the network code may be changed later. In that case, changes already implemented will have to be reversed and adapted. We therefore believe that it is better to wait for the definitive regulations before proceeding with (possibly premature) implementation.

## **Congestion**

Another regulation, Congestion, concerns contractual congestion issues. Parties must pre-book the transmission capacity they anticipate using with transmission system operators. Sometimes one party will have a shortage of booked capacity whereas other parties are not making full use of their pre-booked capacity. The Congestion Management Procedures (CMP) Guidelines are intended to resolve these contractual congestion issues. Upon implementing this regulation, EU member states will have to opt for an oversubscription and buy back scheme from the TSO, possibly combined with re-nomination restrictions in the short and long term. In the Netherlands, ACM and GTS have not seen any need for implementing re-nomination restrictions in the short term. This means that as of 1 January 2014 GTS could offer more capacity at certain border points than is technically available, on the assumption that not all parties will use the full one hundred per cent of their booked capacity simultaneously. Despite the differences in interpretation and implementation in the EU member states, this has not presented any problems for GasTerra to date.

## **Allocation**

Another network code that transmission system operators have to observe and that influences GasTerra is the network code, Capacity Allocation Mechanism (CAM). This stipulates that entry and exit transmission capacity will have to be offered at auction via the central platform (PRISMA) as a single bundled product rather than as two separate products. As a result, the gas can no longer be supplied at the border points, unless the necessary transmission capacity is already contracted. Transmission system operators must comply with this code by 1 November 2015. GTS implemented the new rules ahead of schedule as of 1 January 2014. Germany also opted for early implementation. This presents problems for the various technical capacity calculations on both sides of the border. The transmission system operators are in consultation to solve this problem.

In addition, ENTSOG (European Network of Transmission System Operators for Gas) submitted a proposal for changing this network code in 2014. This concerns the method of assigning new incremental capacity to be developed. ENTSOG's objective is that new and incremental capacity

can be offered to the market via integrated auctions (together with the annual capacity auctions). ENTSOG's proposal, however, enables the TSOs to offer new capacity projects via the Open-Season method. The Open Season is a procedure that TSOs use for developing supplementary transmission capacity via binding long-term capacity requests from market parties. We have tried to obtain clarity about the costs for this expansion. The transmission system operators' viewpoint is that parties first commit to an investment, after which information about the exact costs can be provided later. This is an important point of discussion in the network code Tariffs.

## **Balancing**

Another development in 2014 is the implementation of the new balancing regime on 3 June 2014. This was introduced by GTS, whereby the bid price ladder was swapped for trading on the within-day market. With the BPL, GTS made arrangements every day with parties who committed themselves to supplying extra gas or conversely to withdrawing gas from the network in case of supply-demand imbalances. Now, if an imbalance occurs, GTS procures and sells on the within-day market during the day to redress the balance. Up until now, the new regime has been maintained without any problems under mild weather conditions.

## **Collaboration and Communications**

The network code Interoperability describes operational, technical, business and data exchange regulations that are designed to facilitate communications and gas transmission between the various transmission system operators. This code will officially come into effect as of 1 May 2015 and had no impact on GasTerra's business operations.

## **Tariffs**

The only network code that has not yet been completed should prescribe how tariffs for gas transmission are established. Following a public consultation, the transmission system operators jointly presented a proposal to the European supervisory authority, ACER, at the end of 2014. ACER is expected to comment on the submitted network code in March 2015. The concluding implementation process between the European member states is expected to start in September 2015. GasTerra would like the market parties to be aware of the reference price before the capacity auctions for the new year commence. In addition to this, GasTerra has been working towards stipulating the right to establish tariffs for the market parties before the booking period. This is an important condition for market parties, to continue booking long-term capacity. Once the member states have approved the network code, they will have to implement it before 1 October 2017.

## **Financial Regulation**

As a result of the global financial crises, the European Committee is currently revising the financial regulations. EMIR (The Regulation on OTC Derivatives, Central Counterparties and Trade Repositories – also known as the European Market Infrastructure Regulation) came into force in 2012. This means that with effect from 12 February 2014 market parties are obliged to report specific gas deals that are concluded directly on the exchanges to the so-called Trade Repositories. These parties pass the deals on to ESMA (European Securities and Markets Authority, the framework for European financial regulators). The underlying intention is that EMIR counteracts market manipulation. We have adjusted the internal systems and procedures to meet these European regulations. Because GasTerra is a commodity party, the company has obtained exemption from certain reporting obligations within EMIR. Consequently, GasTerra does not have to apply certain risk-mitigation techniques, like prompt confirmation of deals and portfolio reconciliation. The European Commission will evaluate EMIR in 2015.

The European Commission approved a sector-specific regulation in 2011 for the energy sector – *Regulation in Energy Markets Integrity and Transparency* (REMIT). This sector-specific regulation includes a ban on insider trading and market manipulation. GasTerra has set up a compliance programme to prevent trade with insider knowledge and market manipulation. The European Commission would like to expand this further by making it compulsory to report deals that are not concluded directly on the exchanges. These reporting obligations imposed on ACER (Agency for the Cooperation of Energy Regulators, the European supervisory authority of the gas market) were expected to come into force during the second half of 2014. However, this deadline was not met. The European Commission passed the Implementing Acts on 3 October 2014. The official publication in the EU paper followed mid-December and ACER provided an explanation of the interpretation of definitions in the Implementing Acts. Market parties are now obliged to report standard deals as of 7 October 2015, followed by the wholesale contracts that are not concluded on an organised market point (non-standard deals) as of April 2016.

## Dutch Legislation

The Ministry of Economic Affairs initiated a project to merge the Gas Act and the Electricity Act. The objective of this legislative project, called *STROOM* (POWER), is to streamline, modernise and optimise the Dutch and European legislation to reduce administrative burdens for companies, supervisory authorities and the government. Among other things, this concerns the increase in sustainable energy and decentralised energy production in the energy mix. At the beginning of February 2014, the ministry consulted the market parties and other organisations like the *Vereniging Energie-Nederland* to establish the boundaries. This led to a consultation on the draft legislation by the end of August. Some chapters from the current Electricity and Gas Act have been adapted in this proposal; other parts have been taken over temporarily as policy-neutral items. GasTerra has responded to both consultation rounds. This part of the draft legislation is expected

to come into force at the beginning of 2016. A similar project will be underway mid-2015 for the components that have been taken over one for one for this first draft legislation. The entire new legislation is expected to come into force at the beginning of 2017.

Given the current trends on the gas market, GasTerra subscribes to the modernisation of the Electricity and Gas Act. As a member of the Vereniging Energy-Nederland (VEN), GasTerra has already responded to the restrictions of the procedures for objecting to the code decisions of the ACM (these decisions are used to establish the transmission tariffs). In the current draft legislation, this topic is not addressed in any detail. This shall be done during the next phase of the STROOM project, in the summer 2015.



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## Interview Kees-Jan Rameau, Eneco

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Sustainable energy for everyone. That is not only Eneco's mission, but also the vision of Kees-Jan Rameau (52), member of Eneco's Board of Directors. Rameau is responsible for an extensive portfolio of wind, solar, biomass and gas-fired power stations, gas storage and *trading*. Since 2014, the network companies – Stedin and Joulz – have been added to that. With a broad base – Rameau studied Applied Physics in Delft and holds an MBA from INSEAD – he contributes both a managerial and technical vision.

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Determining a nice role for gas in the rapidly shifting energy landscape; that's the big challenge for the gas industry

*Kees-Jan Rameau*

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*The theme of GasTerra's annual report is Energizing the future. This is the slogan of GasTerra that sums up our vision that natural gas plays an important role as a transition fuel. How does Eneco view this?*

"Our mission is sustainable energy for all. If it were possible, we would like to replace all fossil fuels, including gas, tomorrow by sustainable energy. But this is not realistic. Only four percent of our energy utilisation is generated sustainably; the remaining 96 percent is fossil. That's why I

prefer to first get rid of the more polluting forms of energy. For the same reason I still see an important role in store for gas in the coming decades. Natural gas is by far the cleanest of the fossil fuels. In addition, gas, compared to electricity, can be transported and stored very efficiently. Finally, gas can play a role in offsetting sharp peaks and troughs in energy production from sources such as solar and wind. In the long run, gas production in The Netherlands will decrease, but by that time there will be more inexpensive options for sustainable energy."

***What does the ideal energy mix look like to you?***

"In The Netherlands, offshore and land-based wind are the best bet, supplemented by solar and biomass. As a backup, I think gas is the most appropriate partner due to the high quality gas infrastructure. What I'm less happy about, is the role played by coal in the current energy mix. The CO<sub>2</sub> savings achieved by replacing fossil fuels with sustainable energy is largely cancelled out by the CO<sub>2</sub> emissions from coal-fired power stations. The gas-fired power stations are pushed out of the race by coal-fired power stations and I find that development most unsatisfactory."

***What is Eneco doing to arrive at that ideal mix?***

"We conserve the energy we provide to our customers by investing (along with customers and other partners) in sustainable production such as solar, wind and biomass. We help customers to generate their own sustainable energy themselves. And develop new products and services to bring sustainable energy a step closer for everyone. One example of this is the product 'wind-dependent gas supply' that GasTerra and Eneco worked out together. The chief characteristic of that is that GasTerra supplies more gas at a lower price when there is little wind and the opposite when there are high winds. These prices come into effect on the free gas hub TTF (Title Transfer Facility). I find this very innovative, because it enables us to show in one product what our vision of energy transition is. Namely sustainable energy with gas as its partner for backup and balancing."

***Do you think a similar product could also be of value for solar energy?***

"That is certainly an option, because the more we shift towards sustainable energy, the more the weather dependency increases. That has always been there, such as an increase in gas consumption when it is very cold. That dependency will only increase with sustainable energy. For that reason, we have for some years employed a number of meteorologists. It makes a difference if you are better able to predict what the weather will be than your competitor and thus be able to adjust your positions: offer just a bit more or less wind or solar energy. Developing innovative products with gas backup really provides added value."

***What do you see as the biggest challenge for the energy transition?***

"I think it's important that on the one hand we make seriously progress with sustainability, but on the other hand keep the total cost of the energy transition under control. A large proportion of Dutch households are still connected to the gas network. If these homes are transformed into all-electric homes, then this requires a fair bit of electricity infrastructure. The existing gas infrastructure would then basically no longer be required. But is that sensible? Everyone looks at

his own business case and forgets to look at the network costs. If you do take these into account, you have to write off a piece of gas network and invest in reinforcing the electricity network. Do we want that? Sooner or later that will be too expensive for the consumer. I fear that people will then say that sustainable energy is too expensive. This need not be so, but we must ensure that the total energy system remains efficient. Who has the complete picture? Who guides things so that the total costs of the energy transition remain manageable? I think that government must still play a role, with us as energy companies cooperating by providing insight into costs."

*A number of major European energy producers such as RWE, the German EON and the Swedish Vattenfall are in search of new revenue models. Thus, RWE wants to offer technological services, media services and perhaps telephony to households. Will we also soon see Eneco pursuing a different revenue model?*

"The old adage "cobbler stick to thy last" also applies to us, but of course a lot is changing in energy supply. As an energy company, you used to be the owner of the production capacity. Now you see that much more energy is generated locally and the consumer, with solar panels on his roof, has also become an energy supplier. As an energy company you can then do something about demand-side management. We are undergoing a change from being an energy producer and supplier to being a service provider that enables the customer to implement his own control over his energy supply. That's where the added value is for energy companies such as Eneco: developing smart applications that allow customers to balance their own energy supply. The customer indicates to what extent he allows demand-side management. This takes place partly automatically with smart meters and all kinds of IT applications such as Toon®. I anticipate that demand and supply management at all levels will take place. That requires many IT applications and processing of Big Data. At present, we have a single data point, the annual meter reading. This is going to change into a large number of data points for balancing the system. And that in turn creates a whole new branch of activity that balances supply and demand of energy at the household level using all kinds of smart IT applications. These services are different from those we offered in the past, but it remains close to our core business: energy."

*Do you anticipate that we will also start balancing demand and supply of sustainable energy at European level?*

"To me that seems to be a perfectly logical solution. On the one hand, there are more and more opportunities to balance local supply and demand by means of energy storage, demand-side management and exchange amongst energy systems (for example, converting cheap electricity into heat). On the other hand, we can balance across countries. To that end, in Europe, we need to build better physical connections, but also link markets to each other better. Sustainable energy is very environment-driven. In The Netherlands, we have wind on land and sea and a little bit of solar and biomass. But in southern Europe, the mix will certainly be much more solar and in Scandinavia much more hydroelectric energy. If you connect these systems with each other well, then the peaks and troughs average out much more. Then you still have to balance the rest, but

much less than if each European member state were to do this individually. That would thus be very sensible. Unfortunately, most European countries find it annoying to be dependent on structurally large-scale imports."

***Do you think the recent Ukraine crisis has reinforced this sentiment?***

"I think that this worry has always been there. It is not a new topic; look, for example, at the oil crisis in the 70s. That was when we were first forced to see the facts: how dependent we were on importing energy. Russia also proved – even during the Cold War – to be a reliable supplier of gas; there was never anything wrong with that. However high the tensions escalated, the Russian gas supplies were never in danger. That's a fascinating observation. But the recent developments in the Ukraine will make sure that the discussion about energy dependency flares up again. And along with that the desire to be energy-independent. Sustainable energy can help with that. After all, one of the characteristics of sustainable energy is that the "fuel" does not belong to anyone; nobody can claim it and sit on top of it saying: this is mine."

***Despite the sustainability goals for 2020, the competitiveness of gas is under pressure, particularly in the electricity sector. As a result, production processes have become less sustainable; most large companies opt for electricity generation from other sources. What do you think we ought to be doing about this?***

"Increasing the CO<sub>2</sub> price would help tremendously, but I don't see this happening any time soon. Moreover, that would still not be sufficient to position the gas-fired power stations in *order of merit* above the coal-fired power stations. What the government could do about it, is focus on standards much more strictly. How much CO<sub>2</sub> may you emit per kWh and how many nitrogen oxides, how much sulphur oxide and particulate matter. Doing this will, of itself, cause the most polluting coal-fired power stations to shut down. Then the cleaner, newer gas-fired power stations will regain the advantage. Furthermore, the gas sector must consider how they can ensure that they are seen as an attractive part of the solution. Surveying the playing field and determining a nice role for gas in the rapidly shifting energy landscape; *that* is actually the major challenge for the gas sector in the coming decades."

A photograph of an offshore wind farm. In the foreground, the white blades of a wind turbine are visible against a bright blue sky. The ocean extends to the horizon where a dense grid of wind turbines is scattered across the water. The sky is filled with wispy, white clouds.

**Green**

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# Vision

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That fossil fuel gas is essential for the reduction of the greenhouse gas carbon dioxide in the short and medium term, is at first sight paradoxical. It seems absurd to assert that the more natural gas is burned, the fewer are the CO<sub>2</sub> emissions. And yet that is the case. The explanation lies in the simple molecular composition of natural gas (methane): one carbon atom with four hydrogen atoms. The two other major fossil fuels, coal and oil, consist of many longer carbon chains, with many more carbon atoms. As a result, during combustion, significantly more greenhouse gas is released. By replacing coal and oil by natural gas where possible and sensible, overall emissions from energy consumption are thus considerably reduced.

This apparent contradiction is the crux of GasTerra's energy transition and sustainability policy. In doing so, the company focuses on society's concerns about energy policy and the role of gas in the solution of the energy problem: security of supply and affordability, reducing greenhouse gas emissions, improving air quality. That's why we advocate the use of various methods: promotion of renewable energy sources, especially biogas, technological innovation, maximum energy savings, binding emission ceilings and strengthening the competitiveness of gas.

In this context, we place the emphasis on promising applications of gas: in the built environment and transport sectors. For example, the introduction of LNG for shipping and road transport and CNG for cars makes for significantly cleaner fuels that can significantly reduce polluting emissions and CO<sub>2</sub> on a large scale. We also advocate an effective reform of the European emissions trading system to improve the now shaky position of gas in core electricity production. In addition, wherever possible, we seek dialogue and cooperation with other stakeholders from the government, politics, science and education, think tanks, NGOs and companies, whereby we emphasise that we agree on the objectives: a CO<sub>2</sub> neutral, secure, and affordable energy supply.

What remains our principle is our conviction that the efficient large-scale use of natural gas contributes substantially to solving the energy and climate issue. The future cannot do without gas.



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# Knowledge sharing

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GasTerra considers it important to generate more interest among stakeholders for the energy problem. After all, we are facing major challenges in order to provide future generations with abundant, sustainably generated and affordable energy as well. That's why knowledge sharing is one of the substantive issues in this annual report. We share knowledge through education – from primary school through university – and by means of public debate. Making the energy supply more sustainable, the energy transition and the role that natural gas can fulfil are central issues in that. So we think together about the energy provision of tomorrow.

In the context of our slogan *Energizing the Future*, we consider it important to already make children acquainted with energy at a young age, so that they can later make informed choices based on their knowledge. In this respect, we are in keeping with the desire of the government to raise awareness of sustainability among the youth. GasTerra sees the importance of the transition to sustainable energy provision and to this end is initiating various projects. In 2014 we spent approximately 3.1 million euros on energy transition projects.

## Energy Academy Europe

Investing in knowledge about energy is one of the spearheads of GasTerra's CSR policy. To raise this concern to a higher level, in 2012, GasTerra worked as a *founding partner* along with the University of Groningen, the Hanze University of Applied Sciences Groningen and Energy Valley to found the Energy Academy Europe (EAE). We actively participate in the activities of EAE by giving guest lectures, participating in considering the curriculum and offering internships. In the years to come, the EAE wants to develop into *the* international institute of higher and postgraduate education about energy. In addition, the EAE has set itself the goal of putting The Netherlands and more specifically Groningen on the map in the field of energy transition and sustainability. The Master's programmes offered by the EAE therefore anticipate the future energy supply. In doing so, particular attention is paid to themes such as solar, wind, gas, biofuel, power-to-gas, systems integration, energy efficiency and CO<sub>2</sub> emission reduction. Because the energy transition demands an approach from various perspectives, the studies are characterised by their multidisciplinary nature, whereby various disciplines work together to create a better and smarter future energy supply. In brief, the contribution to EAE is an apt illustration of the role that GasTerra ascribes to itself as a leading gas trading company: *Energizing the future*.

Meanwhile, international students have also found their way to the EAE to get a degree in energy studies. Currently, the European Master's in Renewable Energy is being offered. The European Master's in the field of system integration and social issues is under development. In early 2014, the first students received a certificate.

In 2014, the Energy Academy Europe was given its own place in the Zernike Science Park in Groningen, where several faculties of the University of Groningen and the Hanze University of Applied Sciences Groningen are also located. To be able to accommodate the activities of ever more students, researchers and companies, in 2015, the temporary accommodation will be replaced by a new building. The starting signal for this new building was given on 12 June 2014. Also in the new quarters sustainability is at the focus. It thus promises to become the most sustainable educational building in The Netherlands.

## **EnTranCe**

EnTranCe (Energy Transition Center) is also located in the Zernike Science Park. This is a so-called *living lab*, a practical learning environment where educational institutions and the business community conduct research into future energy supply. A place where creative ideas and proposals in the energy field are developed into successful products or projects. GasTerra is involved in several of EnTranCe's research projects. Since its establishment in 2012, the company has been working to this end with the EAE, BAM, Gasunie, Imtech and RWE. The underlying idea is that more can be achieved with shared innovation.

In 2014, a stakeholder event took place at EnTranCe. Politicians, external experts, researchers and entrepreneurs were introduced to the project teams who are concentrating on energy transition issues. EnTranCe also organised an event for SMEs, at which those interested in energy and sustainable mobility could become introduced to this energy testing ground. For EnTranCe, SMEs are an important target group: small and medium-sized enterprises provide over 70 per cent of the innovation in the field of energy.

## **Learning Module for Energetic primary schools**

To playfully teach children more about (sustainable) energy and the energy transition, in 2014, together with the Institute for Nature Education and Sustainability (IVN), GasTerra developed the 'Energetic primary schools' learning module. This learning module is designed for pupils from grade 5 through 8, and will be offered in the next few years to all primary schools in Groningen and Drenthe. Our contribution to 'Energetic primary schools' consists of financing, participating in thinking about content and giving guest lectures at schools.

## Tested by children

The learning module has been developed in close cooperation with four primary schools and takes a month to complete. In this way, IVN and GasTerra satisfy themselves that the module slots well into primary education. The schools have the discretion to give their own interpretation to the learning module. In the next few years, the lesson boxes will circulate among more than 300 primary schools, where the aim is to introduce some 10,000 children to this learning module.

The project kicks off in early 2015. That's when 17 primary schools in the municipality of Aa en Hunze will get going with this learning module. Each school receives a lesson box containing a manual, workbooks and experiments that the children can carry out themselves. The teachers of the primary schools are pre-trained, learning about the basic principles of the energy transition.

## Energy Podium Dinners

To promote dialogue among parties involved in the energy world, from amongst science, trade organisations, government and politics, environmentalists and entrepreneurs, GasTerra organised ten 'Energy Podium Dinners' throughout the country in 2014. During the dinners, the attendees hold discussions about preselected energy topics. The aim of this is to deepen and broaden knowledge about energy and enhance understanding for each other's points of view. GasTerra commenced this initiative in 2012, which has since come to play an important part in our stakeholder dialogue.

## Energiepodium.nl

The dinners grew out of an earlier initiative of GasTerra: the independent debate site Energiepodium.nl. This website publishes news, opinion and background information about the world of energy in a journalistic way. There are regular columnists who are free to choose topics within their areas of specialist interest and to determine positions. In order to ensure independence, we requested PACT Public Affairs, a public affairs and communications agency in The Hague, to take charge of the editing. The points of view of the authors do not necessarily represent the views and opinions of GasTerra.

## Energy Podium Debate

The third activity associated with Energiepodium.nl is the Energy Podium Debate, in which, in the presence of an audience, expert speakers debate with each other about an energy topic. So far, four of these debates have been organised, three in The Hague and one in Brussels.



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# In practice

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Sustainability is one of the spearheads of GasTerra's policy. With various initiatives and projects, we actively contribute to the greening of our energy supply.

## Green gas

By means of various contracts, GasTerra gives meaning to the 'Green Gas Green Deal', an agreement which the company signed with the government and other market parties in 2011. In this we committed ourselves to trading the entire volume of green gas which can be fed into the GTS network in The Netherlands. With the purchase of this gas, GasTerra contributes to the fulfilment of its own goal: responsible sustainability of our energy supply. In doing so, GasTerra also focuses on households. In this context, in 2014, GasTerra supported projects in Ameland and in Gelderland. Since 2014, this province has been offering a grant for the installation of high-efficiency boilers that run on green gas. Through this, residents contribute to higher efficiency and sustainability of natural gas. In 2014, this project launched with a campaign which sought to roll out 1,250 high-efficiency boilers. However, with 30 boilers, this has not yet led to the desired result. Therefore the manufacturer, Remeha, has decided to involve the installation sector in Gelderland in the roll-out of the high-efficiency boilers in 2015. It is expected that the involvement of the installation sector will result in greater participation in the high efficiency campaign in Gelderland.

In 2014, GasTerra and the eco-technology company Bio Rights signed an agreement for the production and delivery of 23 million m<sup>3</sup> of sustainably produced gas per year. The contract has a term of twelve years. We also reached an agreement in 2014 with Ecoson, producer of green energy from fermentation, for the purchase of gas that Ecoson is going to produce in 2015 and 2016 with its green gas production facility. In addition, we have extended the expiring contracts with HVC and Greenchoice for the next few years.

## Environmental Plan for Industry

To help our customers make more efficient use of natural gas, in 2014, we also offered the Environmental Plan for Industry (EPI). In 2014, six industrial customers made use of this opportunity to have their production process scrutinised. Technical consultants, together with

these customers, identified opportunities to improve energy efficiency in their business processes, reduce emissions and make their processes more sustainable. With the EPI we are realising our objective to promote the efficient use of gas.

*For an overview of all projects in the educational field, please refer to our section [GasTerra Doet](#)*

## **GasTerra's footprint**

One of GasTerra's objectives is the promotion of sustainable business operations. GasTerra helps its customers with this through the [EPI](#), but does not forget its own business operations either. We realise that our own footprint is limited, but nevertheless want to make a contribution.

### **Travel**

In 2013, GasTerra took a big step in this area with the move to a new office with an A+ energy rating. Because of the central location of this office, the limited number of parking spaces and its proximity to the Groningen Central Station (CS), since then most employees now come to work by public transport or on their bikes. GasTerra encourages its employees to use public transport for business travel and to this end has purchased public transport (OV) tickets. Apart from train, bus, tram and metro, this ticket also enables employees to use public transport taxis, public transport bikes and Park and Ride parking spaces.

In 2014, a new style of working became further integrated into the company. More people appreciate the benefits of working from home and take advantage of this opportunity. To reduce business travel as well, GasTerra makes regular use of a video conferencing system.

### **Energy usage**

The energy usage also decreased again. When putting out for tender of the new building, the company set itself the target of reducing gas consumption to 35,000 m<sup>3</sup> of gas per year. GasTerra attained this objective in 2014. Gas consumption decreased from 38,264 m<sup>3</sup> in 2013 to 16,820 m<sup>3</sup> in 2014. This decrease was partly due to the mild winter in 2014, but alongside that, improvements were also made to the building energy management system. The office is heated by two gas absorption heat pumps which make use of geothermal energy (heat and cold storage). When it is colder and the heat pumps do not have enough capacity, two HR107 boilers serve as a buffer to increase capacity. By means of improved balancing, the heat pumps worked for more hours this year and the boilers for much fewer. The lighting was also adjusted better so that lights are no longer on at undesired times. We expect to be able to reduce energy consumption even further in the next few years.

GasTerra has also compensated for its CO<sub>2</sub> emissions for air travel and leased vehicles in 2014. The Climate Neutral Group compensates for GasTerra's emissions by replanting forests. The company adheres to strict quality criteria and is monitored by independent bodies.

	<b>2013</b>	<b>2014</b>
<b>Gas consumption</b>	38.264 m3	16.820 m3
<b>Electricity</b>	421.573 kWh	346.237 kWh
<b>Water consumption</b>	1193 m3	1393 m3
<b>Paper consumption</b>	50.000 sheets	35.000 sheets

## Procurement

Finally, we look into all the products and services we buy with respect to price, quality and the efforts of the suppliers in the area of sustainable entrepreneurship. Based on these three criteria, a choice is made from what is on offer. We do this because we consider it important in order for sustainability to become rooted in our organisation. We are aware of the impact of our activities on people and the environment and demonstrate in this way, both internally and externally, that we are taking corporate social responsibility seriously. For example, we do business with an IT Company which has an A certification based on GRI guidelines and uses so-called green data centres. In addition, when choosing a supplier, preference is given to local partners to stimulate the economy of Groningen.



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## Interview Jan Paul van Soest

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Jan Paul van Soest is one of the most experienced environmental and sustainability experts in The Netherlands. His background as a researcher, consultant, project manager and entrepreneur in this area dates back to the seventies, when he was deeply moved by the Report to the Club of Rome, *The limits to growth*. This reinforced his conviction that environmental protection is an absolute necessity and determined his choice of study: environmental health at the University of Wageningen. After graduating, he worked from 1982 in various job roles at CE Delft, whose service he left in 2003 as a director. Thereafter he started up for himself. His company, which he governs with his wife Barbara, is part of the cooperative *De Gemeynt*, in which, as the website states, independent consultants, thinkers and entrepreneurs 'are involved in the interaction between the economy and ecology and in organising cooperation among key players to facilitate sustainable solutions.'

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We must fully dedicate ourselves to climate policy

*Jan Paul van Soest*

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*The report to the Club of Rome, which warns of a rapid depletion of resources, was your source of inspiration. How do you look back at it after all these years? After all, it is criticised by many as an exaggerated message of doom which has not come to pass.*

"The core message is still standing. Which is that we cannot continue in the same way as before. The analysis is correct in general terms, irrespective of the numbers, even now. To be sure, it was a different time. In the seventies, the emphasis was on the finiteness of resources. Now we focus much more on the negative effects of usage. But that makes no difference to the conclusion that we drastically need to turn over a new leaf."

*The ideals that drove you at the beginning of your active career, are they still as relevant today as they were then?*

"Even more relevant. The urgency has increased. But the themes have changed. In the seventies and eighties, these were much more local in nature. We kept ourselves occupied with acidification, smog formation, water pollution, waste problems. Now the emphasis is primarily on global issues: the nitrogen and carbon cycle, loss of biodiversity, climate change caused by human activity. In *The Limits to growth*, this is only casually talked about."

*Climate change is currently by far the most important environmental issue. Is this not at the expense of other issues that are perhaps more urgent, such as air quality?*

"I don't believe so. We should also not underestimate the urgency of the climate issue. That this nevertheless happens has to do with the human spirit which is almost incapable of conceiving of future climate change as urgent. That you must now make sacrifices to prevent irreparable damage later unfortunately does not sink in for most people."

*Many environmentalists and activists are warning that the world is facing a catastrophe if we do not switch over to 100 per cent sustainable energy within ten or fifteen years. Europe is aiming for 80 per cent in 2050. How realistic are those ambitions?*

"Renewable energy ought not to be the main objective. The issue at stake is greenhouse gas reduction. You have to choose your goals based on the problem. I have no problem with fossil fuel *per se*; it is the effects of consumption with which I am struggling. What's the point of aiming for a goal of 80 per cent renewable energy if the CO<sub>2</sub> emissions nonetheless rise, *inter alia* because relatively clean fuels such as natural gas are displaced by coal?"

*The world is struggling with more major issues in addition to climate change: poverty, hunger, epidemics. What they have in common is that a lot of money is needed to fight them. However, you can only spend a euro once. Shouldn't we, in cases of urgency, make choices? First, the most important?*

"The stability of ecosystems is a prerequisite for life on earth. Without a habitable planet none of those other issues can be solved. There is thus an order of priority. We must fully commit to climate policy. Businesses and consumers have enough money. There is no need to weigh the charities up against each other. It is about making different choices. Spending on the environment versus spending on cosmetics, to mention just one example."

*Then we're talking about lifestyle. Which cannot be forced.*

"No, but that is not my intention. Ideally, you take generic measures such as the imposition of a charge. That is then reflected in economic choices. But it remains for companies and individuals to make those choices. I think a general CO<sub>2</sub> tax is best. But a trading system such as the European

ETS may also suffice provided, of course, that it is reformed. The current CO<sub>2</sub> price is totally inadequate for inducing businesses to make the right decisions. The biggest changes in this area should come from the business-to-business markets. To be honest, I don't expect anything from the consumer. That isn't where the driving force for change is to be found. If thirty years of environmental studies has taught me one thing, it's that."

*It is likely that the temperature will rise more than the limit of two degrees that has been politically established. Isn't it time that we devote more resources to adaptation, mitigating the effects of climate change rather than to reduce greenhouse gas emissions?*

"Adaptation is ultimately meaningless if you don't do anything about the source. But it's not a question of either-or, but rather of both-and. I am also concerned that we do too little about adaptation. But virtually no adaptation strategy is able to cope with nearly four degrees of warming."

*The environmental movement often reacts negatively to arguments that emphasise the feasibility of measures. They seem to find the ambition to achieve something more important than feasibility of an objective. What is your take on this?*

"There's nothing wrong with ambition. To put it even more strongly: without ambition, nothing ever changes. But you must very clearly distinguish reality from your ambition, your vision, your ideal. Those who only want to talk about feasibility, I will gladly confront with the consequences of that: *warming-as-usual*. On the other hand, I would like to confront the idealists with the reality. Thus, we may think that the promotion of electric vehicles is a success. But the reality is that billions of euros of taxpayers' money have been given away to plug-in hybrid cars that, unless they are charged, give you a fuel consumption of no more than 1:11. About 1,500 euros per metric ton of avoided CO<sub>2</sub>; count your losses."

*The theme of our annual report is Energizing the future. This is GasTerra's slogan, by which we indicate that we see ourselves as having an important role to play for gas as a transition fuel. A good choice?*

"That depends on how you interpret the slogan. The claim that gas is the ideal transition fuel is, I think, untenable in today's world with its low coal prices, low CO<sub>2</sub> prices, vast gas reserves and a growing concern about methane leaks. CO<sub>2</sub> prices must first go up sharply, to a minimum of 50 euros per metric ton. In addition, you also have to consider what gas can actually contribute to reducing CO<sub>2</sub> emissions. Let's take a broader look at gaseous fuels instead of *natural* gas alone which, particularly in Europe, has seen its *licence to operate* crumbling away. Too little is said about gas in the broadest sense of the word, that is to say about green gas, hydrogen, its flexibility, the storage capabilities of gas, and so forth. As an innovator, the gas industry has a lot to offer. I think LNG is a good example of this. This can be of great assistance in cleaning up highly polluting shipping. The use of fuel cells is another striking example. All this must of course take place under the precondition of sharply declining CO<sub>2</sub> emissions."

*And Carbon Capture Storage (CCS)?*

"That's certainly part of it, even stronger: without CCS, gas cannot, in the long run, make good on its claim that gas helps reduce carbon emissions. The more I look at all the analyses, the more I realise that gas is now being discarded in favour of coal which, please note, gives off twice as many emissions. Gas must therefore distinguish itself more strongly against coal. Not only verbally in the public debate, but also by thinking about incentives to push coal back."

*The climate issue is incredibly complex and seems almost insoluble. After all those years in the environmental sector, are you still optimistic about a final solution for it?*

"I try not to let the question of whether I am optimistic or pessimistic depend on what is feasible. I do what I do because I think that it puts something in motion. Optimism or pessimism might dissuade you from doing the right things. I am hopeful, though. Hope, said the former Czech President Vaclav Havel, is a quality of the soul and does not depend on what happens in the world. He was right. And finally that wall fell."

*What does the world need more? Idealists or pragmatists?*

"Pragmatic idealists and idealistic pragmatists."

# Groningen

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# Vision

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Partly as the result of discussions with its stakeholders, GasTerra has translated the three well-known pillars of corporate social responsibility into Gas, Green and Groningen. The choice of Groningen is obvious. The majority of GasTerra's portfolio consists of Groningen gas, but aside from that, we consider it very important to make a meaningful contribution to the local community of which we are part. We therefore sponsor various activities in the areas of sports, culture and social life.

After the establishment of GasTerra as an independent company in 2005, the emphasis in sponsorship policy was on activities and projects that could increase the brand awareness of the new company in the region. The most important example of this is the financial support to Groningen's professional basketball club GasTerra Flames. By connecting the name of our company to the team, we generated maximum publicity. Independent research has shown that this approach has been successful. GasTerra has become a fixed and known value in the Groningen community.

Now that the brand awareness has reached a high enough level, we shift our attention to emphasising our economic significance and promoting our vision of the energy and climate issue. *Inter alia*, we do this in practice through the 'GasTerra Doet' ('GasTerra Does') campaign. Within this theme, five sub themes have been identified: GasTerra inspires, GasTerra sustains, GasTerra researches, GasTerra takes action and GasTerra connects. Depending on a sponsorship activity, GasTerra expands, *inter alia* on the website *GasTerra Doet* on a sub theme in order to raise awareness of its role in society.

In addition, in the coming years, we will gradually increasingly opt for social sponsorship. This change of direction is related to changes in society and the demands we place on our role in society. The community is increasingly asked to take responsibility for the quality and viability of their habitat themselves. As a result, the welfare state gets a different, more austere character. Enterprises cannot and should not fill the resultant gap, but they can help to ease the transition to what has become known as the participatory society. This is another way in which we try to bring our motto *Energizing the future* into practice.

In 2014, we started this recalibration of the sponsorship policy. From now on, our sponsorships will place more emphasis on social projects and initiatives, of course particularly in the Groningen region. In concrete terms, this means that charities will get a more key position than previously assigned. Where we do cultural or sporting sponsorship, we are always looking for a possible link with existing charities and encourage our partners to do so as well. This, in itself, is not new. Examples: a substantial part of the sponsorship money for the Flames (in the meantime renamed Donar) also goes to social projects. This summer, with our support, The North Netherlands Symphony Orchestra gave a concert in a less prosperous area of Groningen. The Ladies Run and the '4 mijl van Groningen' racing event are also affiliated with charities.

 ASSURED BY KPMG

# Sponsorship

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As a Groningen company, we primarily focus on the city and region. We sponsor various activities, in relation to which we shifted our attention in 2014 from (top-class) sports to social sponsoring.

## **Sports, culture and society**

In 2014 we spent 900,000 euros on sponsoring initiatives. This also serves a company objective. We wish hereby to bring the name of the enterprise and the role that we play locally and internationally to people's attention. This policy has been successful in recent years. Thus, it emerged from research that by now most citizens of Groningen know GasTerra by name. That, however, does not apply in the same measure to the core activities of the company – a reason why we shall pay more attention to this in the coming period. The total amount that is spent on sponsoring will be reduced in the coming years.

Initiatives that were also able to count on financial support from GasTerra in 2014 were the Walk for Life (action against cancer), Ladies Run (Pink Ribbon) and an initiative of the Academie Minerva, which, with support from GasTerra, organised a contest among students to stimulate them to create works of art on the theme sustainability.

## **GasTerra Flames**

Last year, the Groningen basketball team GasTerra Flames became cup winner and national champion. This was also the moment at which GasTerra took its leave as main sponsor of the club. Commencing in the season 2014/2015, the name GasTerra Flames was changed, and the basketball team is now called 'Donar'. During the coming two seasons, the contribution to the basketball team will be gradually phased out.

## **Infoversum**

GasTerra jointly made it possible for the Infoversum, the only full-dome 3D theatre in the Netherlands, to open its doors to the public on 18 June 2014. In the Infoversum, the public can get acquainted with science in the broadest sense of the word. By means of films, exhibitions,

lectures, concerts and congresses, the visitor goes on a journey of discovery. Together with the University of Groningen, the Municipality of Groningen and Target (the mathematics and physics faculty of the University of Groningen) GasTerra is a founding partner of the Infoversum.

## **Eurosonic Noorderslag**

Every year during Eurosonic Noorderslag, the top-class event in which for four whole days Groningen dedicates itself to European pop music, various national and international acts perform, and awards are handed out. For GasTerra, Eurosonic Noorderslag is particularly suitable for relationship management and, moreover, it is an important sponsoring project, since social and cultural goals come together here. Thus, the open air festival Eurosonic Air, one of the top attractions, is accessible free of charge, and in addition to that, for many European musicians it is an important platform from which to break through internationally. Within the totality of Eurosonic Noorderslag, GasTerra also sponsors the GasTerra Energy Stage: a performance stage freely accessible at no charge, where Groningen pop talent can showcase itself.



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## Interview Edwin Valentijn, initiator of Infoversum

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Groningen is one of the four places in the Netherlands where astronomy can be studied. *Prof. Edwin A. Valentijn* (62) is an old hand of that part of the University of Groningen where astronomical research is carried out: the Kapteyn Institute. He already has a long scientific career in astronomy behind him, which took him to Geneva, Munich, Madrid and the observatory on La Palma in the Canary Islands, among other places. In his CV, however, there is more to be found than astronomy alone. These days, Edwin Valentijn primarily occupies himself with information technology and he is the initiator of, and driving force behind, the Infoversum in Groningen, which opened in 2014. GasTerra is a founding partner and main sponsor of this Full Dome 3D Theatre, the only one in the Netherlands. In this interview, it emerged that all these activities are closely related to each other.

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If I get my teeth into something, I don't let go quickly

*Edwin Valentijn*

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*Why astronomy?*

From a young age, I was interested in the universe and the stars. My father took me outdoors in the time when the nights were still dark. There I learnt to reflect on the big questions: Where do we come from? Where are we going? That ultimately led me to opt for the study of astronomy in Leiden. I did my doctoral thesis on radio astronomy, on clusters of galaxies, to be precise, under Prof. Harry van der Laan. At the age of 26, I got a job with ESO, the European Southern Observatory. Ultimately, I came back to Groningen. I was asked to collaborate on the building of the British/Dutch/Spanish observatory on La Palma. When that job was finished, I got down to work in Groningen definitively. Here, I have occupied myself with the ISO, the *Infrared Space Observatory*, and with the building of an information system for the observatory in Chile, among other things. In short, I've been active in many areas of astronomy: optical, radio, infra-red, in space travel and at observatories."

***Do you have particular preferences within this extensive field of expertise?***

"No, in fact I'm interested in the integration of the various disciplines. The greatest common denominator is information technology. And so it's not surprising that I've specialised in that in recent years. *Data science* has now become a separate field of expertise.

At a certain moment we had to build a new information system in order to process the constantly growing flood of data. The Board of Governors also saw a lot in it too, and thus arose *Target*: a public-private collaboration with the aim of creating Big Data-systems. A large and important project costing 32 million euros, which the *Samenwerkingsverband Noord-Nederland* (SNN – North Netherlands Alliance) subsidised. A well-known and internationally-acclaimed programme like *LifeLines*, in which people are monitored for thirty years in order to study how syndromes develop in families, is also part of this. I myself am the founder of the *Target Holding*. Based on that constellation and the instructions of the university and SNN to commercialise this project – to "valorise" it, to use an ugly word – we were able to broaden the basis of Target. From the private sector, IBM, Oracle and a number of medium-sized and small businesses came on board. The Provinces of Groningen and Drenthe also turned out to be interested in Target as an instrument for the deepening of knowledge and regional development, and jointly contributed a sum of 850,000 euros."

***How do you see yourself now? As an astronomer or as an information technologist?***

"As an astronomer! Big Data may be a hot topic by now, but it isn't new. As astronomers we were already fully engaged in it, at a time when the entire concept still had to be invented."

***Where did the idea for an Infoversum come from?***

"Mmm, how do these things happen... I was on holiday with my daughter in Hamburg, and visited the Planetarium there. I thought at the time: we must have this in Groningen too, an extension of the Big Data systems and, at the same time, a bridge to the broadly interested public.

We had some money. Within the framework of the public-private collaboration within Target, I approached various parties. Then it became an adventure. It's thanks to the support of those around us that it succeeded: the University of Groningen, the municipality, the construction companies, Rabobank, Rottinghuis, CiG-Central Staal and GasTerra, of course. We had to face a lot of obstacles, but with every drawback, there came a demonstration of support. I could write a boys' book about it!

***And everything according to plan...***

'That has to do with an unpleasant character trait of mine. If I get my teeth into something, I don't let go quickly. In any event, I'm proud that it was realised in accordance with the plan and within the construction budget.'

***Does the Infoversum satisfy your expectations?***

'Emphatically, yes. When we do something special, the public turns up in large numbers. That is the main goal, and it's going fantastically. We see that people leave feeling satisfied. I am happy with this bridge to the broad public.'

***Does the Infoversum also have a valuable scientific role?***

'Yes, as well as being a crowd puller, it is also a discovery theatre for scientists. We can project scientific data in 3D, and discover things in the images that remain hidden in ordinary 2D images. This emerged during a congress about neck tumours. We projected this in 3D, which the specialists were very enthusiastic about. With the university's Rekencentrum (Computer Centre), we are working on this objective in accordance with a business plan.'

***The Infoversum must reach as broad an audience nationally as possible. Do you also see possibilities of bringing non-Groningen people to the Infoversum?***

'Certainly. We want to promote the Infoversum as a new medium, and at the same time retain its theatrical character. Doing exciting things with the public, that's what it's about. That's why we are also so happy about the collaboration with the energy parties in the North: GasTerra, NAM and Gasunie.'

***What role do you see for yourself in this?***

'I want to distance myself more from the organisational affairs and ultimately occupy myself mainly with the content. Thus, I'm currently engaged in a film project that has the working title *The powers of two*. The idea is based on *The powers of ten*, a 1977 film that brings us to the borders and the origin of the universe. *The powers of two* refers to the digital world and has to deal with the information universe. The universe, after all, is a large information machine. Themes like who are we, where do we come from and what is the role of the universe are also dealt with in it.'

***Back again to that boy of 16 who watched the stars with his father?***

'Precisely.'

# Assurance Report

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GasTerra issues an annual report every year. This report relates to the calendar year 2014. Compared to the previous annual report (on calendar year 2013, publication date 13 February 2014), no significant changes have been made to scope, definition, formulation and applied measurement methods.

The annual report 2014 was drawn up on the basis of the fourth generation guidelines for sustainability reporting (GRI G4). We report at core level. We also report in accordance with the legal requirements for annual reporting from Section 391, Part 9, Book 2 of the Dutch Civil Code. Which GRI indicators the company has included in its report are listed in the GRI index. KPMG subsequently verified this.



ASSURED BY KPMG

## Independent Assurance Report

### To the readers of the Annual Report 2014 of GasTerra B.V.

#### Introduction

The Board of Management of GasTerra B.V. (hereafter: 'GasTerra') engaged us to provide assurance on the information marked with the icon  **ASSURED BY KPMG** in the sections Gas, Green and Groningen in the GasTerra Annual Report 2014 (hereafter: 'the 'Report'). The Board of Management of GasTerra is responsible for preparing the Report, including the identification of material issues to be reported on. Our responsibility is to issue an independent assurance report on the parts as indicated in the Report.

#### Context and scope

Our engagement was designed to provide limited assurance on whether the information marked with the icon  **ASSURED BY KPMG** in the sections Gas, Green and Groningen of the Report is presented, in all material respects, in accordance with the reporting criteria. We do not provide any assurance on the achievability of the targets, expectations and ambitions of GasTerra. Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those for a reasonable level of assurance. To obtain a thorough understanding of the financial results and financial position of GasTerra, the reader should read the Report in its entirety.

#### Reporting criteria

GasTerra applies the legal requirements in article 391 Part 9 of Book 2 of the Netherlands Civil Code for the Report. For sustainability information in the Report, GasTerra applies the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI).

#### Assurance standard

We conducted our engagement in accordance with the Dutch Standard 3000: "Assurance Engagements other than Audits or Reviews of Historical Financial Information". This Standard requires, amongst others, that the assurance team possesses the specific knowledge, skills and

professional competencies needed to understand the information, identify and collect the required assurance information, and that they comply with the requirements of the IFAC Code of Ethics for Professional Accountants, including independence.

### **Work undertaken**

Our work included the following activities:

- Conducting a risk analysis, including a media search in order to deepen our understanding of relevant issues in the reporting period.
- Evaluating the design and implementation of the systems and processes for collecting and processing of the information in the Report.
- Interviewing relevant staff responsible for the strategy, policies, communication, implementation and reporting.
- Interviewing relevant staff responsible for providing the information in the Report.
- Evaluating internal and external documentation, based on sampling, to determine whether the information in the Report is supported by sufficient evidence.

During the assurance process we discussed the necessary changes in the Report with GasTerra and reviewed the final version of the Report to ensure that it reflects our findings.

### **Conclusion**

Based on our procedures performed, as described above, nothing has come to our attention to indicate that the information marked with the icon  in the sections Gas, Green and Groningen in the Report is not presented, in all material respects, in accordance with the reporting criteria.

Amstelveen, 12 February 2015

KPMG Sustainability  
part of KPMG Advisory N.V.

W.J. Bartels, Partner

# Glossary

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## **ACER**

Agency for the Cooperation of Energy Regulators: European regulator of the gas market.

## **ACM**

Authority for Consumers & Markets: Dutch regulator that maintains market rules and ensures a proper and fair operation of the market.

## **Allocation**

Assignment of energy volumes to various users of the gas transmission network.

## **Balancing**

Maintaining the gas flows in the gas transmission network in a state of equilibrium.

## **Biogas**

Gas produced by the fermentation of waste and manure or by biomass gasification.

## **CAM**

Capacity Allocation Mechanism: European network code which states that entry and exit transmission capacity must be offered at auction as a single bundled product.

## **Churn-rate**

The number of times that a physically delivered cubic metre of gas has been traded.

## **CMP**

Congestion Management Procedures: European procedural provisions for congestion management.

## **CNG**

Compressed Natural Gas: natural gas which, after compression, has been rendered suitable for use as engine fuel.

## **Commercial Paper programma**

A marketable short-term certificate of indebtedness.

## **Compliance**

Observance of the applicable legislation and regulations.

## **Congestion**

Build-up or blockage of the transmission network.

## **CSR**

The deliberate orientation of the enterprise's activities towards value creation over the longer term in the dimensions *people*, *planet* and *profit*, combined with the readiness to enter into the dialogue with society.

## **EMIR**

European Market Infrastructure Regulation: European regulation for making the trade in OTC-derivatives more transparent and safer (OTC – Over The Counter: in which parties outside the stock exchange do business with each other directly).

## **Energy transition**

Transition from fossil fuel-derived energy to energy from renewable resources.

## **Environmental Plan for Industry**

Environmental Plan for Industry or EPI (in Dutch: Milieuplan Industrie or MPI): a programme which GasTerra offers to industrial customers, in order to provide insight into energy consumption,

complemented with by technical support in the field of improved energy efficiency, process optimisation and sustainability.

## **Footprint**

Emission of CO<sub>2</sub> equivalents that relate to an individual's or organisation's activities.

## **Gaspool**

German virtual trading point for natural gas.

## **Governance**

Manner of management and supervision.

## **Green gas**

Reprocessed biogas with the same quality properties as conventional natural gas.

## **GRI**

Global Reporting Initiative: worldwide guidelines for reporting on sustainability.

## **Groningen production ceiling**

Limit set by the government for the extraction of natural gas from the Groningen Gas Field. NAM is responsible for the implementation.

## **Groningen purchase ceiling**

Limit set by the government for the purchase of natural gas from the Groningen Gas Field. GasTerra is responsible for the implementation.

## **GTS**

Gas Transport Services: a transmission system operator and subsidiary of Gasunie.

## **H-gas**

High-calorific gas: natural gas containing relatively low levels of nitrogen, causing it to have a higher calorific value than other kinds of natural gas.

## **HSE**

Health, Safety and Environment, umbrella term for matters falling under health, safety and the environment.

## **Hub**

A (virtual) trading point within a given region where suppliers and customers transfer/trade gas.

## **L-gas**

Low-calorific gas: natural gas containing relatively high levels of nitrogen, causing it to have a lower calorific value than other kinds of natural gas.

## **LNG**

Liquefied Natural Gas (called *vloeibaar aardgas* in Dutch).

## **Material topics**

These are significant economic, environmental and social issues which are of influence on conducting business with corporate social responsibility.

## **MiFID**

Markets in Financial Instruments Directive: European investment directive for the protection of investors and of the integrity of the financial markets, for the promotion of fair, transparent, efficient and integrated operation of financial markets and for the further harmonisation of European stock market trading and the investment market.

## **NCG**

NetConnect Germany: German virtual trading point for natural gas.

## **Network codes**

European codes relating to the transmission of natural gas, detailing the Third Energy Package

regulations.

## **NGO**

Non-governmental organisation: independent organisation which focuses on a social interest.

## **OTC trading**

Over-The-Counter-trading, in which parties outside the stock exchange do business with each other directly.

## **Price marker**

The reference for the formation of the price of the natural gas.

## **PRISMA**

European booking platform for transmission capacity.

## **REMIT**

Regulation in Energy Markets Integrity and Transparency: European regulation for the energy sector, which states that insider trading and market manipulation are prohibited.

## **SBU**

Standard Bundled Units: standard volumes in which trade is conducted.

## **Shale gas**

Natural gas extracted from a dense type of rock (shale).

## **Small Fields Policy**

Government policy aimed at promoting the production of natural gas from the smaller gas fields in the Netherlands.

## **SOAP**

Social, Organisation, Occupational Safety & Health, Personnel: special committee of the works council within GasTerra.

## **Stakeholders**

Parties whose interests may potentially be influenced by GasTerra's activities, or parties which themselves exercise influence on GasTerra's interests.

## **Structured product**

Product tailored to the needs of the customer, in which flexibility and/or profiling can be added to the delivery as desired.

## **TSO's**

Transition System Operators: operators of the national gas transmission network.

## **TTF**

Title Transfer Facility: virtual trading point for natural gas in the Netherlands.

## **Virtual Storage Service (VSS)**

A service offered by GasTerra, whereby market operators can contract virtual storage for up to 1.95 billion m<sup>3</sup> of natural gas.

## **Virtual Trading Point**

Exchange where a product is traded.

# **GRI index**

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## **General disclosures**

Category	Nr	GRI description	Section	External assurance
Strategy & analysis	G4 1	Provide a statement from the most senior decision maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	Preface	X
	G4 2	Provide a description of key impacts, risks, and opportunities.	Vision Gas Vision Green Vision Groningen	X X X
Organizational profile	G4 3	Report the name of the organization.	About GasTerra	X
	G4 4	Report the primary brands, products, and services.	About GasTerra	X
	G4 5	Report the location of the organization's headquarters.	About GasTerra	X
	G4 6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Sales and supply Procurement virtual trading points and abroad Supply chain upstream	X X X
	G4 7	Report the nature of ownership and legal form.	Governance	
	G4 8	Report the markets served.	Summary of financial results	X
	G4 9	Report the scale of the organization.	Summary of financial results Human resources and organisation Annual accounts	X X X
	G4 10	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers.	Staffing and numbers Training and career development	X X
	G4 11	Report the percentage of total employees covered by collective bargaining agreements.	Collective Labour Agreement and pension	X
	G4 12	Describe the organization's supply chain.	Supply chain management	X
	G4 13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	Reading guide	X
	G4 14	Report whether and how the precautionary approach or principles is addressed by the organization.	Governance	X
	G4 15	List externally developed economic, environmental and social charters, principles, or other initiative to which the organization subscribes or which it endorses.	Supply chain management	X
	G4 16	List memberships of associations and national or international advocacy organizations in which the organization: holds a position on the governance body; participates in projects or committees; provides substantive funding beyond routine membership; views memberships as strategic.	Preface Supply chain management Knowledge sharing Ancillary positions held by members of the GasTerra Board of Directors and main and ancillary positions held by members of the Board of Supervisory Directors of GasTerra	X X X X
Identified material aspects and boundaries	G4 17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	Annual accounts	X
	G4 18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	Reading guide Stakeholder dialogue	X X
	G4 19	List all the material aspects identified in the process for defining report content.	Material topics	X
	G4 20	For each material Aspect, report the Aspect Boundary within the organization, as follows: Report whether the Aspect is material within the organization; whether the Aspect is not material for all entities within the organization; report any specific limitation regarding the Aspect Boundary within the organization.	Supply chain management Compliance Knowledge sharing Material topics	X X X X
	G4 21	For each material Aspect, report the Aspect Boundaries outside the organization.	Material topics	X
	G4 22	Report the effect of any restatement of information provided in previous reports, and the reasons for such restatements.	Reading guide	X
	G4 23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	Material topics	X
Stakeholder engagement	G4 24	Provide a list of stakeholder groups engaged by the organization.	Stakeholder dialogue	X
	G4 25	Report the basis for identification and selection of stakeholders with whom to engage.	Stakeholder dialogue	X
	G4 26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Stakeholder dialogue	X
	G4 27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns.	Stakeholder dialogue	X
Report profile	G4 28	Reporting period for information provided.	Reading guide	X
	G4 29	Date of most recent previous report.	Reading guide	X
	G4 30	Reporting cycle.	Reading guide	X
	G4 31	Provide the contact point for questions regarding the report or its contents	Contact	X
	G4 32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option. c. Report the reference to the External Assurance Report.	Reading guide GRI index Independent Assurance Report KPMG Sustainability	X X X
	G4 33	Report the organization's policy and current practice with regard to seeking external assurance for the report.	Governance Reading guide	X X
Governance	G4 34	Report the governance structure of the organization, including committees of the highest governance body.	Message from the Board of Supervisory Directors Governance	X
Ethics & integrity	G4 56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	About GasTerra Compliance	X X

# Specific disclosures

Material aspects	DMA and indicators	Section	External assurance
Financial results	a. Report why the aspect is material. Report the impacts that make this aspect material. b. Report how the organization manages the material aspect or its impacts. c. Report the evaluation of the management approach.  G4-EC1 Direct economic value generated and distributed. G4-EC8 Significant indirect economic impacts, including the extent of impacts.	Summary of financial results  Annual accounts Vision Gas Vision Groningen Human resources and organisation Sponsoring	X  X X X X
Position of gas	a. Report why the aspect is material. Report the impacts that make this aspect material. b. Report how the organization manages the material aspect or its impacts. c. Report the evaluation of the management approach.	Vision Gas Vision Green Knowledge sharing	X X X
Education	a. Report why the aspect is material. Report the impacts that make this aspect material. b. Report how the organization manages the material aspect or its impacts. c. Report the evaluation of the management approach.	Vision Green Knowledge sharing	X X
Compliance	a. Report why the aspect is material. Report the impacts that make this aspect material. b. Report how the organization manages the material aspect or its impacts. c. Report the evaluation of the management approach.	Risk management	X
Responsible supply chain management upstream	a. Report why the aspect is material. Report the impacts that make this aspect material. b. Report how the organization manages the material aspect or its impacts. c. Report the evaluation of the management approach.  G4-SO10 Significant actual and potential negative impacts on society in the supply chain and actions taken.	Supply chain management  Supply chain management upstream	X  X



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# Contact

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Do you have any questions or comments about this annual report? If so, please contact GasTerra's Communications department by email or telephone.

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# **Disclaimer**

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This Annual Report is a translation of the original Dutch Annual Report. The Dutch Annual Report is adopted and approved by the General Meeting of shareholders at 12 February 2015. This translation is for information purposes only and no rights can be derived from its content. In the case of any discrepancies between the English and the Dutch text, the latter will prevail.