



TAQA

TODAY. TOMORROW. TAQA.

Our contribution to sustainable development
Report 2012





3,300+
Employees
worldwide

11

Countries
of operation



16,395 MW¹
Total power
generation capacity

**600
Mmboe²**

Proven and
probable reserves



**27,785
MILLION**

Total revenues in AED

10%

Reduction in
recordable injuries



Welcome to TAQA

This is the first Sustainable Development report from TAQA, the global energy company based in Abu Dhabi. It provides an overview and highlights from our operations from around the world including our health and safety focus, consideration for the environment, active community relations and forming strong partnerships. This report is aimed at all our interested stakeholders but particularly for our existing and future employees, and our various business partners.

We hope you enjoy reading this report and we welcome any feedback.

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About TAQA

The Abu Dhabi National Energy Company was established in June 2005 and is a diversified international group based in Abu Dhabi, United Arab Emirates.

We are more commonly known as TAQA, meaning *Energy* in Arabic. We are involved in power generation, water desalination and exploration, development, production and storage of oil and gas. We also develop alternative and technology fuelled energy initiatives.

When TAQA talks about sustainable development, we mean operating in a way that creates value and success not just for today, but for the long-term future.

TAQA timeline

2007

TAQA ISSUES CODE OF BUSINESS ETHICS

This manual reinforces the conduct expected of all employees covering professional behaviour, competition laws and insider trading.

2008

GLOBAL HEALTH, SAFETY AND SECURITY STRATEGY LAUNCHED

The welfare of our employees and contractors is TAQA's number one priority. The strategy led to the implementation of policies and standards, management systems, audit processes and developing business unit leads applied to all phases of our business ventures.

2010

GROUP CRISIS AND EMERGENCY MANAGEMENT SYSTEM

Implementing this system entailed identifying specific roles and responsibilities and training. All TAQA business units have integrated the system into their own crisis and emergency management procedures ensuring effective coordination across the Group.

2012

ENERGY SOLUTIONS BUSINESS

TAQA launches its third business stream focusing on alternative energy technologies. Creating energy from waste in Abu Dhabi will be the first investment.

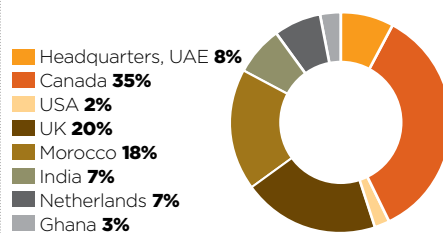
ABU DHABI SUSTAINABILITY GROUP MEMBERSHIP

TAQA joined the Abu Dhabi Sustainability Group further demonstrating our commitment to sustainable development and the Government's Vision Plan by strengthening Abu Dhabi's growth through diversification of the energy supply.



As of December 2012, TAQA had more than 3,300 employees worldwide.

Employee numbers breakdown



The graph excludes employees from non-operated subsidiaries, and therefore excludes approximately 1,400 employees from the operation and maintenance companies based in the UAE

TAQA is a diversified international energy group and is listed on the Abu Dhabi Securities Exchange.

TAQA's business is made up of three operating divisions spread across the entire energy value chain. They are power generation & water desalination; oil & gas exploration & production; and emerging & alternative energy technologies.



POWER & WATER

TAQA is one of the largest independent power producers in the world. We are the majority owner of the facilities that provide more than 95% of the water and electricity requirements in Abu Dhabi. TAQA's power plants are located in the UAE, Morocco, Oman, Saudi Arabia, Ghana, India and USA.



OIL & GAS

TAQA's oil and gas business includes exploration and production, underground gas storage and pipeline transportation, with operations in Canada, United Kingdom, the Netherlands, USA and Iraq.



ENERGY SOLUTIONS

Established in January 2012, TAQA Energy Solutions is dedicated to alternative and technology-fuelled initiatives. This is designed for long-term energy efficient production and generation.

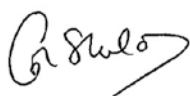
* Pending final approval

**Non-operated subsidiaries

Message from the CEO

It gives me great pleasure to introduce TAQA's first Sustainable Development report. Sustainability is one of our core values and is at the forefront of how we do business. Energy is the lifeblood of any developing economy and by delivering it safely and securely to millions of people worldwide TAQA improves quality of life.

“THE QUESTION BEING ASKED OF COMPANIES NOW IS NOT JUST WHETHER THEY MAKE MONEY, BUT HOW THEY ACHIEVE THAT AIM”



CARL SHELDON
Chief Executive Officer

My first priority is to ensure that every member of the TAQA family is safe at work. After all, our family is not just our 3,300 employees, but also the contractors, suppliers and communities with whom we work. In 2012, we set aggressive targets for safety and we have surpassed them. But like all aspects of our business there is room for further improvement. It is important we learn from our near-misses and make sure we do not repeat them.

HIGH STANDARDS

Last year, we developed a number of global standards in compliance, and health and safety management, which are now embedded into TAQA's daily activities. These standards should ensure long-term success in meeting and exceeding environmental, health and safety objectives. You can now go to any TAQA site in the world and you will find the same safety regulations in place.

SOUND RISK MANAGEMENT

Having operations in both the Oil & Gas and Power & Water sectors present a unique combination of risks. That is why on issues such as energy consumption and carbon management we are developing our own approach. We have made progress in a number of areas such as the awareness and implementation of the TAQA Code of Business Ethics but embedding global policies and practices is work in progress.

STRONG IDENTITY

As we expand and consolidate, there will be tremendous opportunities. Our identity as a company linked to the Abu Dhabi Government gives us a distinct advantage and has helped us develop a strong reputation as a partner of choice for projects in our core regions. This close government relationship has opened the doors of opportunity. For example, we have expanded our Oil & Gas footprint into Iraq, with the acquisition of a majority stake in the Atrush exploration block in the Kurdistan region.

NEW DIMENSION

Looking ahead, our new Energy Solutions business stream will move off the drawing board in 2013, adding a vital new dimension to TAQA's business. This will complement our existing operations with alternative and technology-based initiatives.

Yet as we explore these opportunities, we must keep an eye on the wider picture. The financial crisis that began in 2008 led to the collapse of banks and businesses that were weighed down with bad loans and rising debt. But today the aftershocks are being felt beyond the financial industry.

SUSTAINABLE VALUES

The question being asked of companies now is not just whether they make money, but how they achieve that aim. That is why we are widening our perspective from a purely results-oriented system to one based on values, which will benefit our stakeholders and the different communities we work with around the world.

But ultimately, the success of TAQA lies in our people. They are the company's future and we must build on this. Through a new customised leadership programme we are equipping our leaders with the skills to cultivate the talent that exists within our company. We believe that developing our employees to the highest levels will help us attract and retain the talent of tomorrow, and the TAQA team of today.

Sustainable Development approach

We have created a framework in an effort to keep our activities focused on the areas where we believe we can make the most difference.

This framework is made up of four pillars under which all our activities are grouped:



WORKPLACE

Safe, rewarding and encouraging responsible leadership



ENVIRONMENT

Understanding our impact and developing creative, sustainable solutions



COMMUNITY

Being an active member by working together



PARTNERSHIPS

Pursuing excellence through openness and honesty

The pillars are derived from TAQA's strategy and what we stand for as a business, and complement our company values. We aim to measure our progress over time against these pillars, helping to drive our own performance. This is also perceived as a living framework. So whilst the pillars will remain constant, the specific areas we focus on within these may evolve as new issues, challenges and priorities change over time.



1. Improving water availability in India

Abu Dhabi Economic Vision

The Abu Dhabi Government is pursuing a long-term development strategy outlined in the 2030 plan.

Abu Dhabi 2030 Economic Vision

This is a roadmap for transforming the Emirate into a sustainable and diversified, value-added knowledge economy. The Emirate's drive for a more sustainable and diversified economy by 2030 is intended to reduce the high volatility due to its dependency on oil. The plan also emphasises the need for open, free and competitive markets to lift productivity and nurture new national champions.

TAQA supports the Abu Dhabi Economic Vision 2030 in the areas of:

ECONOMIC DEVELOPMENT

We help to ensure the security and resilience of Abu Dhabi's economic growth by maintaining and investing in new power and water desalination infrastructure. TAQA supplies one of the engines of Abu Dhabi's growth by keeping up with the growing power and water needs of the Emirate. Additionally, we enhance the diversification of Abu Dhabi's sources of energy supply by developing alternatives.

SOCIAL AND HUMAN RESOURCES DEVELOPMENT

As a global, publicly listed energy company, competing against the best in the world, we are able to offer opportunities for our employees to prosper. From our headquarters in Abu Dhabi, TAQA extends a unique opportunity to UAE Nationals to build a career in the global energy industry, acquiring skills and intellectual capital that will contribute to Abu Dhabi's goal of developing a high-value, knowledge economy.

INFRASTRUCTURE DEVELOPMENT AND ENVIRONMENTAL SUSTAINABILITY

Unlocking the potential of energy efficiency is recognised as one of the key steps to sustainability. TAQA is constantly improving its operational efficiency and minimising wasted resources by upgrading its assets, and optimising processes and technology.

1. TAQA's Abu Dhabi headquarters, UAE
2. TAQA's power plant, Morocco



Management and Governance structure

TAQA's CEO is ultimately responsible for these areas of sustainable development as the sign off of relevant policies relating to Health, Safety, Security and Environment (HSSE), Code of Business Ethics and human resource policies.

To support decision-making in 2012, an internal, Group-level Sustainable Development Committee (SDC) was established in TAQA. Its members include executive management representatives from our legal department; human resources, communications; Health, Safety, Security and Environment (HSSE); business streams; and the recently developed Head of Strategy function.

The SDC acts as a steering committee and aims to meet once a quarter. Its roles and responsibilities include review and recommendations on appropriate policies and initiatives; oversight and guidance on strategy and progress; and input on reporting.

A dedicated sustainable development function exists at the corporate level responsible for developing Group-level communications and coordinating community investment, relations and engagement policy. The team engages with global stakeholders including regional and international non-governmental organisations (NGOs) and agencies on sustainable development-related matters; Socially Responsible Investment (SRI) funds and initiatives; and industry and governmental bodies.

The corporate sustainable development function is ably supported by teams in the local business units. These help to reinforce communications, policy implementation and initiatives as well as identifying and managing their own local community investment projects and engagement activities.

MEMBERSHIP

In September 2012, TAQA became a member of the Abu Dhabi Sustainability Group (ADSG). The ADSG was established by the Environment Agency – Abu Dhabi, with the support of the Executive Council of the Emirate of Abu Dhabi, to integrate sustainability into the Emirate's economic and social development programmes. ADSG is a membership-based organisation whose mission is to promote sustainability management in Abu Dhabi by providing policy support, learning and knowledge-sharing opportunities for government, private companies and not-for-profit organisations in a spirit of cooperation and open-dialogue. More information can be found at www.adsg.ae



Interview with the Head of Energy Solutions

Rising living standards go hand-in-hand with a growing use of energy. But while oil and gas deposits will be around for years to come, reserves will eventually deplete, energy costs will rise and pollution limits will get even stricter.



DR SAIF AL SAYARI
Executive Officer and
Head of Energy Solutions

The business of keeping the lights on will become more complex as demand continues to grow in the future. Even now, there are an estimated 1.3 billion people without access to electricity around the world. So we need to find the right solutions to cope with the challenges of the future.

Here, Dr Saif Al Sayari, Executive Officer and Head of Energy Solutions and chairman of the TAQA Sustainable Development Committee, talks about the company's role in meeting those challenges.

Q: TAQA has gone on a rapid expansion programme and is no longer just a domestic energy company. What was behind that decision?

A: We felt this was the way forward even though the UAE still has huge oil reserves. We now have interests in North America, Europe, Asia as well as the Gulf. But this shift requires large amounts of capital and patience to see through complex construction projects. We also have to understand the national interests of the countries we operate in.

Q: How does this investment abroad benefit TAQA at home as well as the company's overseas markets?

A: We are not a passive investor and as a UAE government-related company we can help our partners around the world drive economic growth and improve living standards. These enterprises also create opportunities at home. We need to manage these global operations and this will produce jobs for Emirati nationals from geologists to financial specialists.

Q: Energy Solutions is a new business stream within TAQA. Why was it set up?

A: We needed to complement the operations we already had. Now, we see two distinct investment opportunities: green energy and non-conventional oil and gas. Our initial focus for green energy will be on wind, solar, and waste-to-energy, where we have an existing presence. In simple terms, we are focusing on three areas: alternative energy projects, new energy technologies, and the creation of a centre of excellence to help our staff improve their work skills and share their knowledge.

Q: What would you say are TAQA's strengths and weaknesses?

A: I would hope one of our main strengths is our social responsibility to deliver safe and secure energy. Health and safety is at the core of this company. Yes, like all human beings, we will make mistakes. But it's important we learn from those mistakes and do not repeat them. That is what we have been doing, but we can do more. We are a young company that has grown from being a power generation and water desalination business in the UAE into a global energy group. As such, standardising and implementing global policies and procedures such as the Code of Business Ethics throughout the organisation has been a challenge. But we are moving forward on this. We must also be committed to transparency and updating our stakeholders of our progress.

Q: Finally, how does TAQA support the Abu Dhabi Economic Vision 2030?

A: The government put in place a roadmap for transforming the Emirate into a sustainable, diversified and high value-added economy. TAQA can play a part in that by continuing to invest in power and water desalination infrastructure. We will also develop other power alternatives such as waste-to-energy. Finally, we can help UAE nationals develop their careers in the global energy industry.

Long-term engagement

TAQA has many individuals and stakeholder groups who are interested in how our company contributes to sustainable development. We are a significant contributor to economic development in the countries we operate in through job creation and supplier contracts but recognise that these benefits are not free of costs.

Our stakeholder groups



Some of the ways we have engaged with our stakeholders

GOVERNMENT AND REGULATORS

Delivering safe and secure energy in partnership with governments is key to the success of existing operations and as we enter new markets such as the Kurdistan region of Iraq. By working closely and responsibly with our partners and communicating openly and regularly with them we can better find long-term solutions. See more on page 24.

MEDIA

Being transparent and responsive with the media provides an additional communication outlet to our stakeholders. We have an in-house press office covering all our major markets, responsible for security exchange submissions, generating press releases and conducting media trips.

LOCAL COMMUNITIES

Good relations with local communities are important for building trust, supporting economic development and maintaining our social license to operate. We have a number of social investment and engagement processes across the globe. See more on pages 20-23.

EMPLOYEES

Our own employees and contractors are central to our business success; and we must provide a safe and enriching work experience to continue this success. We engage our employees through a number of means including the Group's magazine, newsletters and the Intranet as well as collating their opinions through a recent cultural diagnostic survey. See more on page 14.

Case study

EMPLOYEE AWARENESS

There is no stakeholder group more important than our employees. Before initiating TAQA's first Sustainable Development report we issued a global internal awareness initiative in October 2012: *Collective Energy: Our contribution to Sustainable Development*. Through a published brochure and poster campaign, we highlighted some of the key challenges for our business and case studies of initiatives and projects across all our operations. *Collective Energy* also provided an opportunity for our employees and contractors to share their own stories and ideas, and feedback on the company's approach and management. Some of the feedback was used to inform the development of our sustainable development framework as well as this report.

Workplace – Health & safety

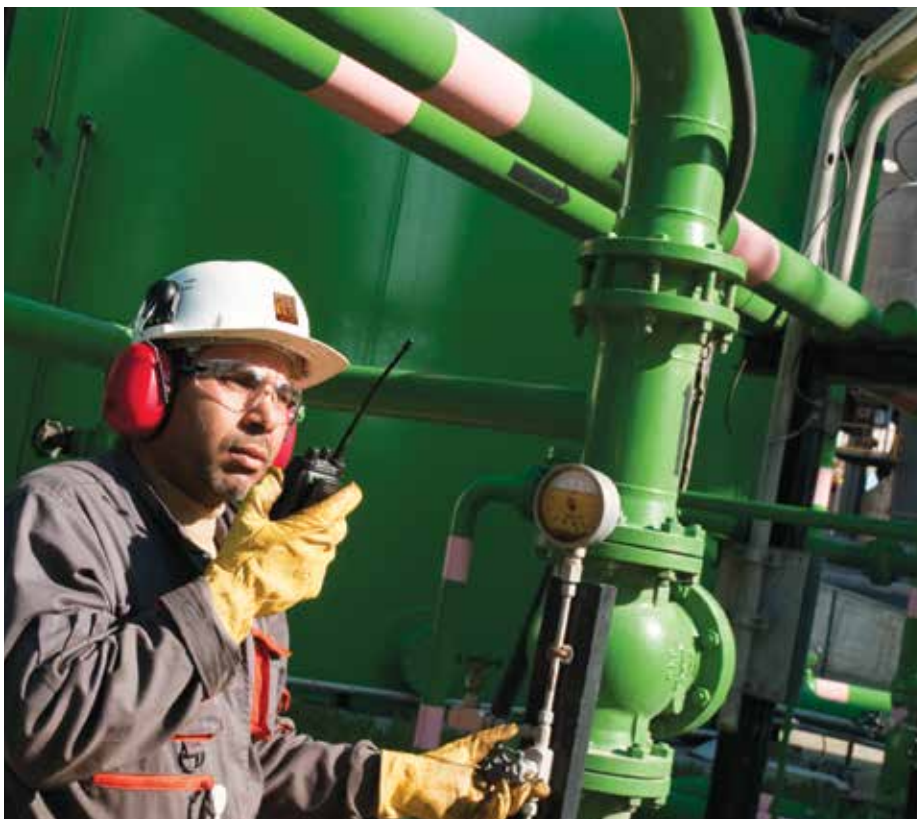
The nature of the energy industry is intrinsically hazardous. The exposure to hydrocarbons, drilling projects, facility operations, construction projects and transport present just some of the risks that we at TAQA must continuously address to protect all our people.



Our approach and strategy

Health, safety and security at work has always been TAQA's number one priority. Today that commitment is unwavering and, despite being able to demonstrate performance improvements, we recognise that complacency must not be allowed to enter our mindset. Our goal is simple: providing a safe and secure work environment so no harm comes to our people.

A five-year global health, safety and security strategy process began in 2009, following a period of significant expansion and acquisition for TAQA. Now in its fourth year we plan to build on these initiatives. Continuously improved performance, in turn, will minimise the impact of our activities on the local communities in which we operate as well as the wider environment.



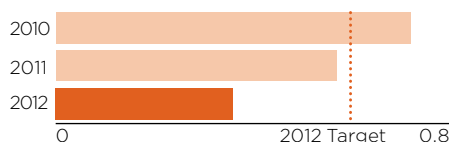
RECORDABLE INJURY RATES (RIR)*

	2010	2011	2012
Global	0.72	0.57	0.36
O&G	0.78	0.76	0.53
P&W	0.57	0.12	0.14

* per 200,000 hours worked.

† Targets are set annually based on an average of the past three years' performance as well as consideration of growth and expansion projects, and therefore man-hour increases.

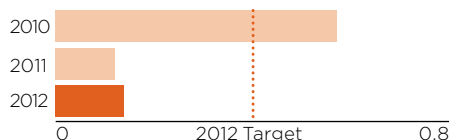
GLOBAL



Oil & Gas



Power & Water



DAYS AWAY FROM WORK RATE (DAFWR)*

	2010	2011	2012
Global	0.32	0.19	0.11
O&G	0.25	0.23	0.15
P&W	0.52	0.12	0.06
All employees	0.44	0.27	0.19
All contractors	0.29	0.18	0.10

* per 200,000 hours worked.

Systems and processes

Our fundamental approach is established through our Health, Safety, Security and Environment (HSSE) Management System and we measure performance and results through comprehensive audits and self-assessments. The Global HSSE team ensures the application of consistent management oversight, cohesive policies, minimum standards and performance reporting. This is applied to all phases of TAQA's business ventures from acquisition and integration to project design and construction and through to the operational phases.

Our network of business unit HSSE leads provide guidance and support to TAQA's businesses and govern the implementation of process safety standards. This year, the TAQA Oil & Gas leads have been instrumental in making improvements

to the industrial hygiene and construction safety management processes of the Gas Storage Bergermeer Project in the Netherlands and our power plant in Morocco.

AUDIT

TAQA has a comprehensive programme comprising assessment and audit procedures against our own corporate HSSE requirements, and international management standards such as OHSAS 18001, as well as process safety and asset integrity minimum requirements.

Focus areas

PERFORMANCE

During the last three years TAQA has been able to demonstrate positive trends in our safety performance. This involves both major business streams' employees as well as our contractors. This steady reduction in injury rates is despite a year-on-year increase in the number of hours worked of around 40%. Indicators for Recordable Injury Rate (RIR) and Days Away from Work Rate (DAFWR) are reported internally on a monthly basis and supplemented by additional indicators including medical aid, first aid and near miss/HSSE opportunities. In 2012, RIR and DAFWR reduced by 37% and 43% respectively, meeting our targets. Furthermore, until year-end 2012 there have been no work-related fatalities in TAQA's employee and contractual workforce since the company's inception.

MILESTONES

During 2012, a number of our facilities reached important safety milestones. In April 2012, our operations at the Takoradi 2 power plant in Ghana achieved 365 days without a lost time injury. This achievement followed closely in the footsteps of the TAQA operations in Neyveli, India, which reached two million work hours without a single lost time injury in April and then two years without a recordable injury later in September. In our Oil & Gas business the main contractor – which make up 60% of the hours worked on our UK assets – achieved one year recordable injury free in August 2012. Additionally, by year end 2012 there have been no lost time injuries in our Netherlands operations since TAQA took ownership in 2007.

Workplace – Health & safety

CONTINUED



1. Health initiatives in Abu Dhabi

INITIATIVES

Various health programmes exist across our business. In 2012, in the UK, an intelligent health programme was launched seeking to improve well-being by raising awareness and focusing on participation in sporting and health events. Similar programmes and campaigns were held in the Netherlands and Canada. In Morocco a new on-site medical centre was completed and in India a number of health initiatives were conducted for employees including respiratory and hearing testing.

The health and safety of our employees is not just confined to our operational facilities as the wellbeing of our administrative and office-based staff is also of paramount importance. In some of our businesses we offer annual medical checks and run regular awareness campaigns that in 2012 encompassed work-related stress, diabetes, skin cancer and anti-smoking. We encourage our staff to undertake first aid training and defensive driving courses – this is especially important in the UAE where the per capita death toll from road traffic accidents is considered one of the highest in the world.

PERCEPTION

A global safety perception study was conducted in 2011 and analysed through into 2012. A questionnaire administered in four languages surveyed a population of nearly 2,500 individuals reflecting a response rate of 72% of TAQA employees. The results were benchmarked against a diversified energy company safety culture norm for analysis and follow-up. The operational assets results compared favourably with the benchmark particularly with regards to the work location being a safer place to work than 12 months prior; reporting incidents; and appropriate supervisor actions. Areas where results were not as favourable included ensuring all workers continually receive necessary training and continue to implement the survey's recommendations. A follow-up safety perception study will be introduced in 2013.

**“WE WORK WITH CONTRACTORS
SO WE CAN CONTINUALLY
IMPROVE CONDITIONS”**

WE HAVE DEVELOPED A POSTER CAMPAIGN FOR LOCAL SCHOOLS AND THE COMMUNITY AS WELL AS HIRING TRAFFIC SAFETY PROFESSIONALS TO EDUCATE CHILDREN

GOALS

The only acceptable level of health and safety performance is one consistent with TAQA's aim to achieve our goals of no harm to people and providing a safe and secure workplace. This requires the continued implementation of the HSSE strategy; dedicated leadership; enhancing performance management processes, tools and systems; and developing appropriate training standards and programmes.

Specifically, as TAQA's business continues to grow our HSSE function must provide the appropriate support for new and existing assets. Ongoing security challenges will remain for our operations in developing countries.

Case study

ROAD SAFETY IN THE COMMUNITY

Safety initiatives can extend beyond our own employees and into the community. The construction activities associated with the Gas Storage Bergermeer project in the Netherlands has led to an increase in heavy traffic movement. Whilst we are taking precautions to avoid and minimise the inconvenience we have a responsibility to raise awareness of these heightened dangers. In line with the public authority messages we have developed a poster campaign for local schools and the community as well as hiring traffic safety professionals to educate children.

In India, we have worked with the local contractors that supply fuel to our power plant to reduce the risks of accidents involving nearby villagers who share the main road. After our own risk analysis we encouraged simple but effective measures such as introducing speed ramps and continuously monitored security cameras. Work with the contractors is ongoing so that we can continuously improve the conditions.

1. Improving road safety awareness in the Netherlands



Workplace – Diversity & development

Similar to other heavy industries, the energy sector has started to feel the effects of a skills gap caused by the recruiting slump of the 1980s across the Western world. This is now working its way through to the middle and senior ranks of the industry. We are committed to helping to close this gap providing the sector with the talented professionals it needs to progress.



Systems and processes

TAQA's people are drawn from dozens of nationalities and backgrounds, and we aim to make the company a creative and dynamic place to work. These aspirations are reinforced through appropriate employee policies recognising national constraints.

Throughout our various businesses we have assessment programmes, individual development plans, mobility programmes and a variety of other strategies we use which aim to give our employees a rewarding, engaging and career-enhancing experience.

Focus areas

DEVELOPMENT

In 2012, we introduced a number of strategic initiatives aimed at attracting and retaining talented employees. This included the standardisation of TAQA's grading structure providing a common language on which to analyse salaries and benefits across all our operations. We also standardised our incentive and retention schemes whilst putting more emphasis on performance management.

This year saw the progression of TAQA Talent – the company's umbrella for a number of global programmes encompassing talent identification and succession, leadership development, talent acceleration/high potentials and branding of TAQA's talent initiatives. Each programme is specifically tailored to TAQA using a variety of learning and development techniques to include classroom workshops, online resources, virtual sessions, and mentoring. In 2013, TAQA Talent will reach out to all of our employees, and over 70% of our leaders will continue or start their 12-month Talent Leadership Programme journey with the rest commencing in early 2014.

ENGAGEMENT

Our own employees are the key stakeholder group and positive engagement will underpin TAQA's long-term success. During 2012 we undertook an exhaustive employee survey and cultural diagnostic across the entire Group. The goal was to identify TAQA's culture and understand perceptions of leadership and governance. A questionnaire was complemented by over 20 focus groups comprising 250

randomly-selected employees and one-to-one interviews with nearly 100 leaders across our operations.

The survey addressed employee satisfaction with some very positive results: 81% of TAQA's workforce want to continue working for the company; with 80% recommending TAQA to a friend as a place to work. However, there were a number of areas identified as requiring attention many of which attributed to the consequences of the company's youth and rapid growth. These include the need for further clarity of TAQA's corporate values; earning trust; and 'speaking up' and engaging peers.

Across the Group a minority of our staff belong to certain trade union organisations. Furthermore, third party contractors may also have staff belonging to these and other trade unions. Historically, employee relations within TAQA have generally been positive and strike action has been a rare occurrence. However, in August 2012, a small number of employees of third party contractors went on strike resulting in a short shutdown of our power generation facility in India. This particular matter was resolved peacefully with the assistance of the State Government. As per local labour laws there are no labour unions and collective bargaining agreements in the UAE.

“WE AIM TO MAKE THE COMPANY A DIVERSE, CREATIVE AND DYNAMIC PLACE TO WORK”



EMIRATISATION

TAQA is dedicated to assisting UAE Nationals to build a career in the global energy industry. We will help them acquire skills and intellectual capital that will contribute to Abu Dhabi's goal of developing a high-value, knowledge economy. This is an important facet of the Economic Vision 2030 plan. TAQA is creating opportunities for UAE nationals with the goal of increasing the number of Emiratis in leadership positions in the company's global business.

Some of these initiatives include the Emiratisation Trainee programme, a summer school offering internships to students, and the TAQA Leadership Programme which aims to create opportunities for experienced UAE nationals. In 2012, we launched an Associate Chartered Accounting (ACA) training programme – the first non-accounting firm to do so in the region. Our senior management team will be available to mentor trainees and we hope to attract new talent to the company through the programme.

GOALS

The Human Resources strategy is built on a philosophy of talent management process in combination with appropriate rewards. We need to continue to embed our new grading and incentives structure which will not only help us retain our people but drive them in the direction of our values. In 2013 there will be more emphasis on leadership behaviours and development as well as succession planning and talent acquisition.

Our strategy will be monitored using appropriate key performance indicators (KPIs) many of which will be introduced next year. In 2013, for example, we will begin measuring learning and development costs, and time spent as well as learning effectiveness. When appropriate we will incorporate these KPIs into our external reporting. In Abu Dhabi our head office will continue to embed our outreach and Emiratisation programmes to build upon our current rate – 25% Emiratis in 2012.

Case studies

LEADERSHIP FRAMEWORK

In 2012, as part of TAQA Talent, the company's first Leadership Framework was designed to reflect the behaviours expected of all TAQA leaders. The Framework is aligned with the company values and was the basis for the development of TAQA's Leadership Development Programme, a 12-month learning journey developed for all TAQA leaders. Global pilot sessions were conducted and the programme is in full implementation mode in 2013.

SPONSORSHIP

As part of our commitment to increase the number of Emiratis in leadership positions TAQA sponsored the Zayed University's Women as Global Leaders Conference in Abu Dhabi in March 2012. The annual three-day event seeks to promote greater opportunities for female Emiratis and drew UAE and international students from more than 40 countries.

Environment

The energy industry can have a profound affect on the environment. At TAQA, we see it as our responsibility to provide the energy that communities need to develop and grow. But we must balance this with managing our own environmental footprint.



Our approach and strategy

Fossil fuels are the lifeblood of TAQA's business and will be indispensable for years to come. But we are committed to finding ways to make these energy sources cleaner. We can do this by investing in new technologies and more efficient processes. At TAQA, we are aiming to improve our operations by reducing energy use and carefully managing our resources. This, we believe, is the key to sustainable

development. But while we are seeking to reduce the environmental impact of fossil fuels, we are also aiming to diversify our energy mix. We are doing this by investing in renewable energy technology and exploring other alternative solutions.



“WE ARE COMMITTED TO FINDING WAYS TO MAKE ENERGY SOURCES CLEANER”

Systems and processes

Now that TAQA is a global business, we have developed a global environmental strategy. In the past, our individual business operations were responsible for environmental management in their own countries. For instance, in 2012, our UK operation undertook a programme of seabed environmental surveys. This was to support applications for environmental permits at our North Sea installations. This process will still exist but it will come under our new Group Environmental

Strategy, which was launched in December 2012. Taking into consideration stakeholders, compliance and stewardship, the Strategy involves developing TAQA's global programmes, procedures and management standards.

By year-end 2012, four of our six main operated facilities were certified to the international standard for Environmental Management Systems, ISO 14001. Our operations in Neyveli, India, were the most recent acquirer of the standard with Takoradi in Ghana planned to be certified by the end of 2013.

Focus areas

ALTERNATIVE

TAQA is committed to alternative energy. In January 2012, we launched an Energy Solutions division to complement our existing operations. This new group operation will look at alternative and technology-based energy projects, which will be a vital part of our overall business strategy. Alternative energy represents an untapped growth opportunity for our company. We have identified two distinct investment opportunities: green energy and non-conventional oil and gas. The initial focus for green energy will be on wind, solar and waste-to-energy technology in regions where we already have an existing presence.

UPGRADING

We will continue to improve our operations throughout the group and make them more efficient by reducing our environmental footprint. In 2012, we invested USD 1,925 million on upgrading assets and technology across our companies. This compares to USD 1,885 million spent the previous year.

In July 2012, we secured government approval for the expansion of our gas-fired power plant in Takoradi, Ghana. The facility, which represents 15% of the country's installed power production capacity, will be converted to operate as a combined cycle facility. The principle of combined cycle power generation is that

exhaust from one heat engine can be used to fuel another, so increasing the system's overall efficiency. The plant will now increase from 220 MW to approximately 330 MW without requiring additional fuel – adding 50% more capacity without increasing carbon dioxide (CO₂) emissions. The conversion of the plant to natural gas from oil was also a key component in producing cleaner energy.

Demand Side Management (DSM) programmes have the potential to reduce energy consumption particularly during peak periods. In the UAE, electricity consumption is very high and largely driven by the need for cooling in buildings. The Executive Affairs Authority (EAA) of Abu Dhabi has recently sponsored studies identifying significant technical potential for reducing consumption particularly improving the efficiency of air-conditioning systems. TAQA is part of an EAA taskforce evaluating DSM strategies with the objective to reduce electricity consumption from cooling by 30% as well as bringing other environmental benefits such as the reduction of particulate matter and nitrous oxide emissions. After piloting phases over the next few years additional wider strategies could be addressed including tariff reform, lighting standards and water efficiency and conservation. TAQA will continuously aim to play a part in this collaboration.

1. TAQA's Peak Gas Installation, the Netherlands
2. TAQA's power plant, Morocco
3. Solar panel project, UAE



DECOMMISSIONING

As oil and gas fields in the UK's North Sea mature, the industry is expected to spend about USD56 billion on decommissioning by 2040. TAQA is working with its partners and regulators to make sure our decommissioning programme is environmentally safe and economically viable. Our target date for decommissioning installations is around 2022. But in the past four years we have invested USD4 billion in North Sea projects and aim to extend this deadline. Even so, we already have a team of experts looking into new decommissioning methods. We are also observing what other energy companies are doing while adapting to new UK government legislation. Under the Oskar Convention, decommissioned rigs and platforms have

to be removed, even though there is the potential to turn these sub-sea structures into artificial reefs. As the new regulations become clearer, we will update you on our decommissioning plans.

SPILLS

Across our global operations reportable spills have reduced by almost one-third to 51 compared to 74 spills the previous year. Additionally, low severity spills make up the highest proportion of the releases. In 2012, in the Oil & Gas business stream there were no reportable spills in our Netherlands operations; UK operations achieved a 40% reduction in 2012; and the Canadian operations a 20% reduction on the previous year. Some of this improved performance has been attributed to focused collaboration with

contractors and better identification of prevention measures. Maintaining positive trends in releases and reportable spills will be challenging. This requires on-going due diligence and the continued reinforcement of robust behaviours.

GOALS

In 2013, TAQA will roll-out its Group Environmental strategy, including key initiatives such as establishing an environmental network. We will also develop corporate-level environmental management standards and processes. This will include monitoring and reporting of additional key performance indicators (KPIs) to enhance TAQA's management of our environmental footprint.



“WE HAVE STARTED TO DEVELOP ONE OF THE LARGEST WASTE-TO-ENERGY FACILITIES IN THE WORLD”

Case studies

CREATING NATURE RESERVES

We understand that everything we do affects the environment. Since 2009, we have maintained more than 18 acres of meadowland adjacent to the Gas Storage Bergermeer project in the Netherlands. This is an important nesting area for several protected bird species. Part of the site was deliberately submerged to create a sustainable feeding area for wading birds in 2012. TAQA plans to buy a further 30 acres of land to be managed as a permanent nature reserve in an agreement with the Province of North Holland.

WASTE-TO-ENERGY

In partnership with the Centre for Waste Management (CWM), TAQA has started to develop a 100 MW power plant in Abu Dhabi. This will be one of the largest waste-to-energy facilities in the world and generate power for 20,000 households by 2016-17. Capable of processing a million tonnes of solid waste a year, the plant will be the first of its kind in the UAE. The project will also contribute to CWM's target to divert 80% of Abu Dhabi's landfill waste and is a key part of our own plan to diversify.

1. A TAQA offshore platform, UK
2. Gas Storage Bergermeer project, the Netherlands
3. Landfill site, UAE



Communities

Our commitment to support the economic and social development of the diverse communities in which we operate can be found at the core of every TAQA business. Close collaboration in terms of engagement and community investment is vital to the success of our operations.



Our approach and strategy

Many communities are either dependent on our businesses or directly affected by our operations. In response, all our major facilities have community investment and support strategies adapted to local requirements and priorities. Our offshore facilities in the UK have different community relations plans to the power operations in Morocco, for example.

Presently, our community investment approach targets a range of projects but generally supports the main areas of: education and youth development; environmental protection and abatement; and social development such as infrastructure and medical facilities.

Many of these projects are long-term partnerships and in some cases these stakeholder relationships are inherited from legacy companies. Presently, we are developing a consistent Group-wide community investment strategy which will lead to improved reporting in future years.



Focus areas

DEVELOPMENT

Energy is the lifeblood of a modern and growing economy and good standards of living would not be possible without reliable sources of energy. It is a key responsibility of our company to provide safe and secure energy helping to power schools, hospitals, homes and businesses.

TAQA operates in some of the poorest countries in the world but our operations can directly support sustainable, long-term social and economic growth. In 1999, an estimated 18% of Morocco's population had access to electricity. That figure now stands at 100%. Given that our facilities provide approximately 55% of the country's electricity generation TAQA has been a key driver for this improvement. There is a similar story in Ghana in which our operated power plant currently represents 15% of the country's installed power production capacity. Our planned expansion project will play some part in helping Ghana meet its sustainable growth ambitions.

ENGAGEMENT

Maintaining good relations with communities is essential to how we do business and our social license to operate. In line with our own corporate values we aim to ensure people and cultures are treated with sensitivity and respect.

Some of these relationships are unique to individual operations and have their own distinct policies and management approaches. Our Aboriginal relations programmes in Canada, managed by a community relations team, are an example of how we aim to work successfully with First Nations' communities. These programmes are underpinned by formal, internally-developed policies and guidelines. The principles of these encompass the consideration of community enhancement, education and training support as well as employment opportunities, where appropriate.

It is important for TAQA to earn the public acceptance for the Gas Storage Bergermeer project by building a long-term relationship with the region. We made a commitment to the local community and wider stakeholders to inform them of news and developments in a timely fashion. We regularly publish advertising materials, fact sheets and newsletters; as well as establishing an information centre; providing information evenings for residents and offering guided tours of the site. We aim to listen to feedback and respond to comments quickly and appropriately and the communication channels includes a customer complaint hotline. For more information see www.gasopslagbergermeer.nl

INVESTMENTS

Many of our community investment activities, particularly in our power business, are a direct result of regular engagement with local villagers and representatives. Plant managers and senior management meet with local chiefs and village presidents on a frequent basis to monitor relations and ascertain areas of potential support and collaboration.

Education and Youth Development

To address the needs of local underprivileged schools our Moroccan facilities launched a supplies distribution programme that entered its second year in 2012. In cooperation with the Delegation of School Education as well as local authorities thousands of books and stationery was distributed to 35 schools in the region. This initiative complements the school rehabilitation programme – also into its second year – which has constructed sanitary facilities, roofing works and repainting. At a cost of over USD 165,000, the project focused on four schools in this past year.

1. Supporting the Sekondi school for the Deaf, Ghana
2. Assisting local schools in Morocco
3. Sponsorship of science and engineering projects, UK



Focus areas

CONTINUED

We have a number of education focused partnerships across the globe that encourage childhood ambition. In 2012, we sponsored Greenpower – a unique competition that sees over 600 children from schools across Scotland design, build and race electric cars. Aiming to get young people engaged in science and engineering, the initiative also enabled 15 of our own engineers to volunteer and lend their skills and advice to the students.

Health and infrastructure provision

At TAQA, we work hard to look after the wellbeing of our people and those of our neighbours.

In India we continued our support of the neighbouring villages to the Neyveli power plant by providing improved drinking water and drainage facilities, benefiting an estimated 2,000 families. A similar culvert construction project in the villages local to our Ghana plant help to reduce the risk of malaria by diverting standing rain and waste water to the sea.

Our care for the community extends beyond infrastructure programmes. Our on-site company doctors and teams provide additional, free services to local communities, including health awareness campaigns, first-aid and annual medical camps. In India where we have on-site fire and ambulance services, we have been serving the local communities too. The nearest hospital to our facility is 18 kilometres away and since the ambulance service was introduced in 2002, local residents have used it nearly 240 times; from road traffic casualties to expectant mothers.

Much of our direct financial support is aligned with our business operations. For instance, in Canada we have been a long-term partner with the STARS Air Ambulance – a non-profit organisation that provides safe, rapid and specialised emergency medical air transport for critically ill or injured people across Western Canada. In this region where we have a number of our own facilities STARS has flown over 22,000 missions since it was established in 1985.

Corporate support

Our offices across the TAQA Group have varied and often inventive ways of providing additional support to communities. In the UK, where all our operations are offshore, community investment is focused on fundraising for regional causes. In 2012, we were the lead sponsor of the Juvenile Diabetes Research Foundation fundraising internally, inspiring participation as well as encouraging other companies in the area to offer additional sponsorship. The event raised nearly GBP 200,000. A number of our offices have additional fundraising and support avenues including employee volunteering and blood donation drives.

GOALS

To ensure the continuous effective investment in our communities 2013 will see the strengthening of existing policies and guidance especially where we enter new markets. We are also implementing software in parts of our business that can better capture data and information on our community investment and volunteering projects across the globe. This will lead to improved reporting in future years.

“WE SUPPORTED RELIEF EFFORTS FOLLOWING A DEVASTATING CYCLONE IN INDIA”

Case studies

ENVIRONMENTAL PROTECTION

With a focus on water, wilderness, air and climate, our partnership with the Alberta Ecotrust Foundation invests in environmentally-beneficial projects in the Province. We are committed to support the people and organisations working to protect these vital resources and the partnership entered its third year in 2012. In India, to coincide with the United Nations Environment Programme (UNEP) World Environment Day a mass planting of trees was undertaken throughout our facilities.

REHABILITATION

Following a devastating cyclone in late 2011 in India which hit 200,000 homes in four districts of the region and tragically left many people dead our operations made financial donations to local relief and rehabilitation efforts. This followed an initial donation made by our own employees. The funds were used to rehabilitate local farming fields and repair damage to infrastructure caused by the cyclone. Our support went beyond just financial support since our own fire services were used in the clean-up.

1. Canadian conservation project



Partnerships

Building a sustainable business is something no company can do in isolation. To make sure we share our success, we depend on long-term, open and constructive relationships with our business and governmental partners.



APPROACH

Our partners include everyone from customers to contractors and suppliers. They also include groups of people who can affect our business such as the media and non-governmental organisations (NGOs), as well as the governments of the countries we operate or hope to operate in the future.

Working closely with our partners and communicating regularly with them is essential to better understand their expectations, collaborate on solutions and bring long-term benefits to all interested parties.

ETHICS

At TAQA, we recognise that our business relationships are built on trust. In all our dealing with partners, we aim to conduct ourselves with integrity. All of our employees must sign to certify that they have read and understood the Code of Business Ethics. This manual describes and reinforces conduct that is based on TAQA's core values. It has been implemented to ensure that we operate with the highest ethical standards. It covers areas such as anti-trust and competition laws, professional conduct, insider trading and political lobbying activities.

The Code of Business Ethics is adopted under the auspices of our Board of Directors and directed by our General Counsel under the oversight of the Audit Committee of the Board.

TAQA strictly prohibits the making or offering of bribes or any other similar payments or commitments. In addition to being a criminal offence bribery harms the principles of economic development and free and fair competition. Aside from legal compliance, we must ensure lawful and ethical business practices is an integral part of our culture. Therefore, we need to be aware of and comply with relevant provisions of national and international requirements including

the UK Bribery Act – which came into effect in July 2011 – and other statutory requirements such as those in the US Foreign Corrupt Practices Act. An online course was developed in TAQA in 2012 to ensure compliance, understanding and awareness of the UK Bribery Act for all relevant employees.

CORPORATE GOVERNANCE

As a public company, we continually strive for high standards of corporate governance. TAQA's Corporate Governance policy and Code of Business Ethics form the backbone of our governance practices serving to define and reinforce the core values of TAQA as an organisation.

Audit

TAQA's Internal Audit Group audits and assesses risk management means and measures, the sound application of governance rules, and verification of compliance by TAQA and our employees with applicable laws and regulations, as well as internal procedures and policies. The Internal Audit Group reports directly to the Audit Committee.

A worldwide telephone and internet hotline service is in place, which is open 24 hours a day seven days a week, and provides a confidential mechanism for reporting perceived improprieties.

Structure

TAQA's Board of Directors currently comprises seven directors with a broad range of backgrounds, expertise and commercial experience. The Board is formed taking into consideration an appropriate balance between executive, non-executive and independent directors. At all times, at least one-third of directors are to be independent and a majority are to be non-executives who have technical skills and experience for the benefit of the company.

Presently, the Board has two committees: the Audit Committee; and the Nomination and Remuneration Committee. Each committee comprises at least three non-executive directors, of whom at least two members shall be independent directors, and chaired by an independent director.

More information on TAQA's Corporate Governance practices can be found in the Annual Report which can be downloaded from www.taqaqglobal.com

Case study

PARTNERING WITH GOVERNMENTS

TAQA's Gas Storage Bergermeer project in the Netherlands is under construction with EBN, an organisation solely owned by the Dutch state. The operation will be Europe's largest open access gas storage facility and will play a key role in the Netherlands plans to become the natural gas hub for Northwest Europe.

Through our bilateral partnerships with the Kurdistan Regional Government, we are accessing untapped oil reserves and consequently growing the region's power generation capabilities. This will increase access to energy in Kurdistan and beyond where electricity is currently only available for four to five hours a day.



Find out more

ABOUT THIS REPORT

This Sustainable Development report covers all of TAQA's operating subsidiaries, and the information covers the calendar year 2012. Since this is the first TAQA Sustainable Development report historical information is provided for further context, where appropriate. All financial figures refer to United States Dollars, unless stated otherwise. This is TAQA's first Group-level Sustainable Development report.

For further information and other relevant TAQA documents including the Annual Report 2012, see www.taqaglobal.com

As we begin to develop our reporting systems, approaches and disclosure we have used a number of references for guidance on developing TAQA's inaugural Sustainable Development report. These include:

- The Global Reporting Initiative (GRI) G3 sustainability reporting guidelines, as a self-declared application 'Level C': www.globalreporting.org The GRI is a non-profit organisation promoting economic, environmental and social sustainability. To help readers to navigate this report and other TAQA publications we have included a table of GRI indicators which we currently report on. This can be found at www.taqaglobal.com
- IPIECA Oil and gas industry guidance on voluntary sustainability reporting: www.ipieca.org IPIECA is the global oil and gas industry association for environmental and social issues.
- The Abu Dhabi Sustainability Group (ADSG): www.adsg.ae The ADSG is a membership organisation whose mission is to promote sustainability management in Abu Dhabi.

MATERIALITY

In addition to incorporating stakeholder feedback this report has been developed with reference to TAQA's internal corporate risk register and utilising the Abu Dhabi Sustainability Group's (ADSG) Capacity Building programme and supporting materials.

FEEDBACK AND FURTHER INFORMATION

Feedback on this Sustainable Development report or TAQA's activities is always welcome. You can email us at sustainable.development@taqaglobal.com

More information on TAQA and Sustainable Development can be found at www.taqaglobal.com as well as TAQA stories at www.vimeo.com/channels/taqa

DISCLAIMER

The information contained in this Sustainable Development report has been obtained from sources believed to be reliable but TAQA does not represent or warrant that it is accurate and complete. The views reflected herein are those of TAQA and are subject to change without notice.

This Sustainable Development report may include forward-looking statements that reflect TAQA's intentions, beliefs or current expectations. These forward-looking statements, as well as those included in any other material discussed, are subject to risks, uncertainties and assumptions about TAQA and its subsidiaries and investments, including, among other things, the development of their business, trends in their industry, and future capital expenditures and acquisitions. In light of these risks, uncertainties and assumptions, the events in the forward looking statements may not occur. Neither TAQA nor any other person undertakes to publicly update or revise any such forward-looking statement.

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