The Sustainable Development Goals are the blueprint to achieve a better and more sustainable future. Statkraft contributes to fulfill the SDGs by providing renewable energy to businesses, communities and homes around the world.

Sustainability | 2020

Sustainability

SUSTAINABILITY MANAGEMENT

Our approach to sustainability

Statkraft aims to be one of the world's leading renewable energy companies by 2025. To achieve this, we have developed a clear business strategy. One of the enablers of the strategy is the way in which Statkraft operates as a company. This is reflected in our commitment to sustainability and responsible business practices. Through our activities we aim to create shared value for society, the environment, and the company.

Statkraft is committed to combatting climate change. We do this through our core business. Statkraft provides renewable energy, with the majority coming from hydro, and we are ramping up our activities in wind and solar. We are also exploring new energy solutions that enable cities and communities to become more sustainable and resilient. Equally important is the way Statkraft does business, understanding our impacts – positive and negative - on people, the environment and the societies where we operate. This is reflected in a strong health and safety culture, focus on gender equality, high ethical standards and zero tolerance for corruption. Statkraft also continuously works to understand and address environmental and human rights risks and impacts.

Statkraft's core business and strategy represent a significant positive contribution to climate mitigation, and the company aims to maximise this contribution through its 2025 growth targets. Greenhouse gas emissions from Statkraft's business activities comprise both direct and indirect emissions that we aim to reduce. As an overall climate ambition, Statkraft is committed to a power sector pathway compatible with a 1.5-degree global warming target, and carbon neutrality by 2040. A set of climate targets has been established to achieve this. Among other things, Statkraft aims to electrify its vehicle fleet, increase the District Heating renewable share to at least 98% by 2030, and engage with its suppliers to reduce supply chain emissions. Statkraft also has comprehensive activities under way to understand climate change risks and how to mitigate potential impacts, e.g. through flood mitigation and prevention activities.

Statkraft has a long history of focusing on sustainability. At the same time there are legislative developments and evolving stakeholder expectations related to sustainability. Against this backdrop we have reviewed and further developed our sustainability strategy throughout 2020. A balanced approach has been applied, addressing both positive and negative impacts of the business. The review has strengthened Statkraft's approach through detailed assessments of the status of our activities as well as external trends and requirements. An update of our approach to the UN Sustainable Development Goals (SDGs) and new climate targets are results of this process. Further work is ongoing, covering emissions in the supply chain, human rights, and biodiversity.

Governance

Statkraft continuously develops its approach to sustainability, which is an integral part of its business activities and is reflected in its management system, The Statkraft Way. This system governs how Statkraft conducts its business, and provides direction for the company's work on sustainability.

Statkraft's fundamental principles for responsible behaviour are described in our Code of Conduct approved by the Board of Directors. The Code of Conduct applies to all companies in the Statkraft Group and all individuals who work for them. Our business partners are expected to adhere to standards consistent with Statkraft's Supplier Code of Conduct. These principles are further detailed in policies and governing documents covering our key activities, including acquisition and construction projects. There is also a system for registration and follow-up of non-compliance with external and internal requirements. The system facilitates handling of cases, analysis of incidents, identification of improvements, and subsequent learning across the group.

In our work, we are also guided by relevant international frameworks and guidelines, including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The IFC Performance Standards on Environmental and Social Sustainability are taken into consideration for new business activities.

The company has also identified Key Performance Indicators (KPIs) that cover sustainability topics, such as health and safety, business ethics and the environment. Group KPIs are regularly reviewed by Corporate Management and the Board of Directors as part of the quarterly corporate scorecard. Sustainability topics are also included in Corporate Audit's annual plan and work.

Covid-19 and sustainability

The Covid-19 pandemic impacted all Statkraft markets and increased certain risks related to our operations. We have initiated several activities in order to understand and mitigate these risks. The primary focus has been to ensure the health and safety of our employees across our operations. Another aspect of particular importance has been the follow up of our suppliers.

There has also been a focus on understanding if and how the pandemic might affect our community engagement, such as local community programs. Actions taken include strengthening already existing partnerships, to address needs arising from the pandemic.

Sustainability reporting

Statkraft's sustainability reporting is based on the Global Reporting Initiative Standards (GRI-core option). In 2020 we finalised an update of our materiality analysis. It was facilitated by external experts and including cross-functional input, and anchored at Corporate Management level. It identifies the sustainability topics that are most material, such as:

- Occupational health and safety
- Human rights
- Water management
- Biodiversity
- Contribution to climate change mitigation
- Business ethics and compliance
- Responsible supply chain

The topic 'responsible supply chain' has taken on greater importance compared with our previous materiality analysis. It will, therefore, be covered in a dedicated section in this report.

Sustainability figures are collected from activities where Statkraft is the majority owner, and 100% of the figures are included in the Sustainability Statement. References to relevant GRI Standards are included in the GRI table at the end of this report.

Statkraft has engaged Deloitte AS to provide a limited level of assurance of this report.

Stakeholder dialogue

Statkraft aims to have an open dialogue on sustainability issues both with stakeholders that significantly impact Statkraft's activities, and with those that are significantly impacted by our activities. Such stakeholders include government officials, local and regional authorities, local communities, employees, customers, suppliers, research institutions, non-governmental organisations, voluntary organisations and the media.

Stakeholder dialogue forms part of daily operations, ranging from regular stakeholder interaction at our project sites, through participation in sustainability forums like the UN Global Compact local networks. Examples of stakeholder dialogue related to material issues are included in the relevant sections of this report. Due to Covid-19 the nature and frequency of some interaction has been changed, e.g. to more digital interaction.

Reported concerns

The Head of Corporate Audit is responsible for handling all reported concerns in Statkraft and a dedicated function within the unit is responsible for handling such reports on a day-to-day basis.

There are several channels where employees can report their concerns, including the whistleblower channel, the line management, email, phone etc. The whistleblower channel, which is also available to external users via Statkraft's public website, has a built-in function to safeguard anonymity for those who want to report their concerns anonymously.

All reported concerns are assessed by Corporate Audit within 72 hours after they are received. Based on the initial assessment each case is classified as a high, medium, or low risk case. Some cases are closed after the initial assessment while others are followed up by management or Corporate Audit. If an investigation is deemed necessary, Corporate Audit is responsible for its execution. Investigations shall be conducted in an objective and efficient manner, and in accordance with Statkraft's established procedures. The Head of Corporate Audit reports regularly to the Audit Committee on the processing of ongoing and closed cases.

In 2020, a total of 46 cases were reported to Corporate Audit through the dedicated whistleblower channel (18 cases) or in other ways. Eight of the reported cases were registered by externals. Of the total number of reported cases, eight were classified as high-risk cases and five investigations were launched. The investigations concluded in 2020 did not identify material violations.

STATKRAFT'S CONTRIBUTION

The majority of global greenhouse gas emissions are energy-related. This means that it is critical to increase the production of energy from climate-friendly renewable sources in order to reach global emissions targets. Furthermore, electrification based on renewable energy is a key element to combat climate change.

At Statkraft, we believe renewables are the solution for a clean energy world. The company is committed to growing solely within renewable energy technologies. Statkraft's activities contribute in different ways to global, national and local economies through dividends to our shareholder, taxes paid to governments, direct employment, our global and local procurement activities, Research & Development (R&D) and social investments.

Our core business contributes to the societies where we are present through e.g. responsible management of critical infrastructure and flood mitigation. Our approach to responsible business conduct therefore contributes to the promotion of sound business practices among our suppliers and business partners. We also seek to share knowledge about renewable energy, energy systems, climate change and environmental issues.

Statkraft is closely monitoring the ways in which the Covid-19 pandemic may impact our sustainability efforts and will continue to prioritise the good health and well-being of all employees in 2021 and beyond.

Statkraft's business

The majority of Statkraft's power generation is from renewable sources: hydro, wind and solar. Statkraft also generates heat and power from waste, biomass and natural gas.

Hydropower has many advantages, including high efficiency, low operating costs, longevity, high flexibility and low carbon intensity. The large Norwegian water reservoirs enable storage and electricity production even in drier periods. This allows us to adjust production to meet demand variation and provides flexibility to our energy production. This is increasingly important as there is a need to balance the increasing amounts of intermittent electricity generation from wind and solar power.

The development and operation of hydropower plants facilitate multiple uses of watercourses and infrastructure such as irrigation, drinking water supply, transportation and recreation. In addition, the use of reservoirs for flood and drought mitigation becomes even more important for cities and communities as the climate changes.

Wind and solar power investments are important parts of Statkraft's business strategy. Both are becoming viable without subsidies in an increasing number of markets. Statkraft continues to develop and operate onshore wind farms in the Nordics as well as in the UK, Ireland, Chile and Brazil. A continuing sharp reduction in the cost of solar panels makes solar power the fastest-growing energy source in the world, and Statkraft is increasing activities across our portfolio. In countries where Statkraft is present, the company also contributes to more optimal utilisation of energy resources through market access services, remote control of renewable assets and virtual power plants.

Statkraft's CO_2 emissions are amongst the lowest in the global energy sector. In 2020, 92.2% of Statkraft's power generation was based on renewable energy sources and 85.2%, or 55.7 TWh, came from hydropower. The average carbon intensity of Statkraft's power generation was 28 kg CO_2/MWh in 2020, which is about 12% of the EU power generation carbon intensity.

Statkraft's non-renewable energy generation includes gas-fired power plants, and fossil-based peak and reserve capacity in district heating plants. The utilisation of coal-fired plants was reduced in the European power markets in 2020, while gas-fired generation has increased. Statkraft's increased carbon intensity reflects this. Overall the shift from coal to gas has led to a significant drop in the total emissions from the power sector, as gas-fired generation has lower CO_2 intensity than generation based on coal. The gas fired plants in our portfolio are covered by the EU Emission Trading Systems (ETS).

In order to maximise our contribution to the climate in terms of reducing global emissions, Statkraft has committed to reducing direct (scope 1) and indirect emissions (scope 3) that result from our business activities, as defined in the GHG Protocol Corporate Standard, with a view to achieving climate neutrality by 2040. By taking a holistic approach to reducing the total footprint of our products and services, we remain steadfast in our commitment to a power sector pathway compatible with a 1.5-degree global warming target.

We are continuously developing our approach to sustainability, and we believe that this applies not only to efforts to manage our environmental, social and human rights impact, but is also reflected in our focus on responsible business practices. High ethical standards, a strong emphasis on the health, safety, and security of our employees, and our responsibility in terms of diversity and gender equality form an inherent part of Statkraft's strategy and core activities.

Statkraft is following the European Union's process for defining the Taxonomy for Sustainable Finance. This aspires to be an important framework for classifying sustainable activities. A classification system for sustainable activities through the Taxonomy is important in order to prioritise low-carbon investments in a transparent and fair manner.

Statkraft and the UN Sustainable Development Goals

Statkraft recognises the important role that business can play in realising the UN's Sustainable Development Goals (SDGs) and has committed to supporting the goals in all our business activities and through our membership in the United Nations Global Compact.

We recognise that the SDGs are highly interconnected, and that a direct impact on one goal can create indirect impacts on other goals. This interconnectedness creates synergies between SDGs for extending positive impacts, but also gives rise to trade-offs that must be managed to minimise negative impacts. We strive to extend the positives and minimise the negatives in all business decisions, policies and activities.

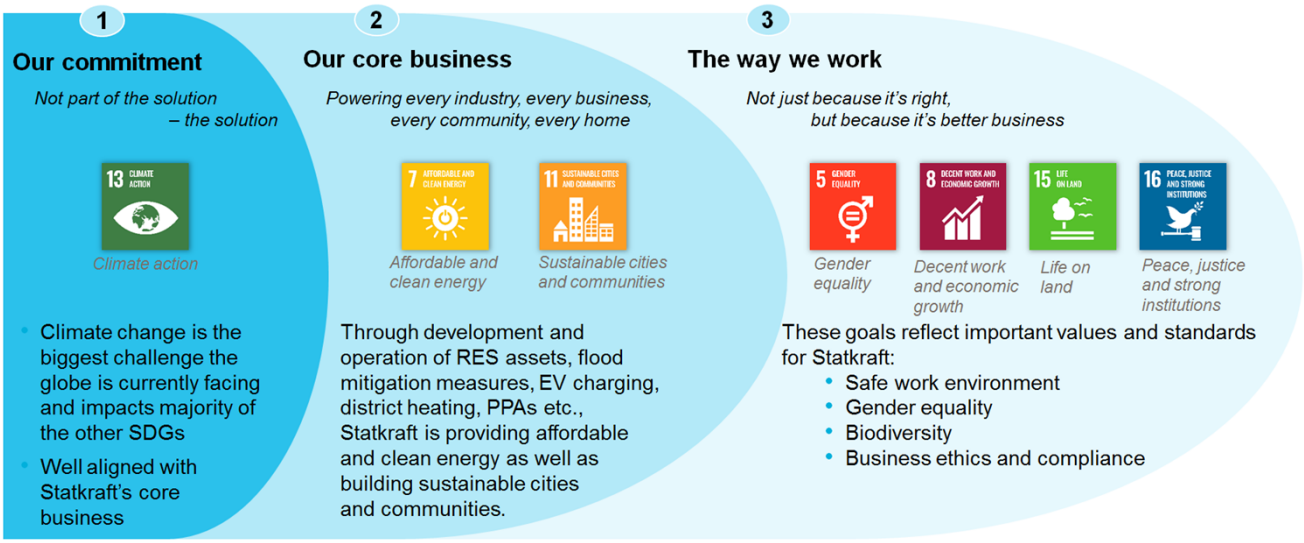
As part of the sustainability strategy process in 2020, we have assessed our impact on all 17 SDGs. The process was based on international best practice, including workshops with key stakeholders, as well as discussions with Corporate Management. Based on Statkraft's group risk matrix, the new materiality analysis, the corporate strategy, and the company's value chain, a decision was made to have a particular focus on seven goals, categorised into three groups. These goals represent areas where Statkraft is either well positioned to make a larger difference or they reflect important values related to how Statkraft conducts its business.

1. *Climate action* (SDG 13) is directly linked to Statkraft's commitment and overarching ambition. This is the paramount global challenge and the one Statkraft wants to contribute to solving through its business activities.

2. The goals *Affordable and Clean Energy* (SDG 7) and *Sustainable Cities and Communities* (SDG 11) are directly linked to Statkraft's core business. Statkraft has a significant positive contribution to these two goals, through activities like developing and operating renewable energy assets, flood mitigation measures and installing electric vehicle chargers.

3. The goals *Gender Equality* (SDG 5), *Decent Work and Economic Growth* (SDG 8), *Life on Land* (SDG 15) and *Peace, Justice and Strong Institutions* (SDG 16) reflect important values and standards related to the way Statkraft does business.

An overview of our contribution and trade-offs related to these goals is presented on the next page.



Source: Sustainability strategy team. Framework developed based on analyses and discussions with key stakeholders.

Group 1: Our commitment

Climate Action (SDG 13)

Statkraft is Europe's largest renewable energy producer and a global company in energy market operations. Statkraft develops and operates energy assets within hydropower, wind, solar, gas and biomass, supplies district heating and buys and sells energy. Through our core business and strategic targets, we provide a large positive contribution with regards to mitigating climate change, which will positively benefit the remaining 16 SDGs. In 2020, we redefined our ambitions as they relate to climate change. Statkraft has committed to a power sector pathway compatible with a 1.5-degree global warming target and worked to classify our emissions into three scopes, as defined in the GHG Protocol Corporate Standard.

Synergies: Statkraft contributes positively to a number of SDGs by providing access to modern energy systems (SDG target 7.1), increasing the share of renewable energy in the global energy mix (7.2) and providing green job opportunities (8.5). Our efforts to identify and reduce our direct and indirect emissions of greenhouse gases, contribute to the provision of cleaner air for cities and communities (3.9, 11.6). This year, we have increasingly focused on addressing emissions from our entire supply chain, with the aim of reducing supply chain emissions by engaging with our suppliers (12.6).

Trade-offs: Statkraft expects to see an increase in its carbon intensity (though, still low compared to other European power companies) in the short- to medium-term (3.9, 11.6), reflecting the increase in gas-fired power generation in European markets; around 90% of our direct emissions come from these plants in Germany. This shift is part of the larger move away from coal-fired plants, meaning that in the long-term our direct emissions will decrease, allowing us to continue on a path compatible with carbon neutrality. Although this may seem like a step back, the move to gas-powered plants is an essential part of Europe's energy transition, and this will allow Europe to explore cleaner avenues in the years to come (9.4). As part of this process, we also have district heating facilities at 13 locations in Norway and Sweden. The district heating systems contribute to the energy transition by utilising renewable energy and excess heat from local sources (i.e. waste and biomass) (12.2), and the share of renewables was 95% in 2020. We will work with phasing out fossil CO_2 emissions meaning at least 98% renewables in 2030. Statkraft will continue to modernise the district heating distribution grid and investments into new capacity will be based on renewable sources. The aim is to be carbon neutral in 2040.

Group 2: Our core business

Affordable and Clean Energy (SDG 7)

Statkraft makes a significant contribution to raising the share of renewable energy in the global energy mix (7.2) and increasing access to affordable, reliable, and clean energy sources (7.1) in 18 countries. With climate action increasingly intertwined with the economy and policies like the European Green Deal, countries have set out to establish new, ambitious targets for reducing greenhouse gas emissions. This will require a substantial shift in energy systems around the world and subsequently increase demand for renewable energy. Given that in 2020, 92.2% of our power generation was based on renewable energy sources, Statkraft is well-placed to meet the growing demand, and by embedding sustainability in our activities we aim to be a leading renewable energy company by 2025.

Synergies: Part of Statkraft's efforts to develop renewable energy solutions by responsibly utilising hydro, wind, and solar power, includes contributing to sustainably manage the world's natural resources by decoupling the use of fossil fuels from economic growth (12.2). As a player with 25% of hydropower reservoir capacity in Europe and unique flexibility, we are committed to protect and manage this renewable source in an energy system increasingly reliant on electricity supply. Additionally, through our Power Purchasing Agreements (PPAs) we are helping corporations reduce their environmental impact while simultaneously saving on energy costs, effectively providing support for economic development and the adoption of sustainable practices (9.1, 12.6).

Trade-offs: While the provision of clean energy has the potential to contribute to climate action in a myriad of positive ways, it can also disrupt the landscape and have negative consequences for the plants and animals that inhabit surrounding ecosystems. Wind turbines can pose a danger to migrating birds (15.5), and hydropower can negatively impact freshwater ecosystems and disturb aquatic species (15.1). Given the particular importance of wild salmon in Norway, we have worked closely with the Norwegian Environment Authority to preserve genetic diversity, restock rivers, and improve fish habitat and spawning areas. In operations, we pay attention to flow variations resulting from our water discharge (6.6) balanced with delivering on energy market needs.

Sustainable Cities and Communities (SDG 11)

Statkraft's business activities seek to help make cities and communities more inclusive, safe, resilient and sustainable. By developing and sustainably operating our hydropower projects, we are helping to mitigate climate change, considering biodiversity, river ecology and hydrology, sediment transport, local livelihoods, and greenhouse gas emissions. Our district heating plants help in the transition to a more circular economy by transforming waste into energy, making use of resources that would otherwise be wasted. We are also continuously developing new business activities that deliver sustainable infrastructure and services to cities and communities, such as expanding our electrical vehicles (EV) charging business, developing biofuels and green hydrogen for transport and industry, and enabling data centres powered by renewable energy (11.5, 11.6).

Synergies: By continuing to develop sustainable infrastructure and services that reduce greenhouse gas emissions and dependence on fossil fuels, our business activities with respect to cities and communities have a positive impact on removing hazardous chemicals from the environment (3.9). Our hydropower plants provide flood and drought mitigation, protecting local livelihoods in the face of a changing climate (6.4). In 2020, we continued developing and upgrading our hydropower assets (9.1, 9.4).

Trade-offs: While our new business activities deliver sustainable infrastructure and services, there can be negative trade-offs. Electric vehicles are generally better alternatives to fossil fuel-based ones. In Norway, more than 95% of the electricity comes from renewable sources, but most electricity to power these vehicles comes in many countries from non-renewable sources. In 2020, Statkraft joined the EV100 initiative, committing to electrify the company's passenger and light commercial vehicles by 2030. The use of biofuels can have a positive impact on climate emissions. However, the net impact depends on the feedstock used which can lead to habitat loss through land-use change (2.4, 15.5). Our biomass facilities in Germany focus on burning scrap wood to help alleviate this concern.

Group 3: The way we work

Gender equality (SDG 5)

Statkraft places special emphasis on gender diversity, with equal opportunities for leadership. Our goal is to have female representation in at least 40% of top management positions (5.5); with our current status in 2020 at 29%, we recognise that improvement is still needed. In addition to strong global policies on labour practices (8.8), we have several country-specific initiatives aimed at improving our work culture through greater equality, diversity, and inclusiveness (5.C). Further measures, like unconscious bias training for senior management and improved recruitment processes, aimed at attracting a more diverse workforce were also implemented in 2020 (5.1, 5.4). Moving forward, we will continue to develop these diversity and inclusion (D&I) measures, and the attraction and development of a diverse and highly competent workforce will continue to be a key priority in 2021 (10.3).

Decent Work and Economic Growth (SDG 8)

Commercial-scale renewable power plants can expose Statkraft personnel and contractors to significant risk, both in the construction phase and during operations. A strong commitment to health, safety and security is thus imperative in order to provide safe working conditions (8.8). Caring for people is at the core of our work culture, and we are continuously working towards our commitment to a workplace without injury or harm through our "Powered by Care" programme (16.6). Initiatives are centred on high-risk activities and preventive measures, as well as relevant training and employee engagement. Unfortunately, Statkraft experienced three fatal accidents in 2020, highlighting the need to further bolster efforts moving forward. We are also committed to providing an equitable and fair working environment, and to that end have conducted a living wage study in 2020 (8.5, 10.4). Our trainee and internship programmes also exemplify our dedication to educating and preparing the next generation of renewable energy workers (4.4, 8.6). Ensuring the health and well-being of all employees during the Covid-19 pandemic will be a key priority going forward.

Life on Land (SDG 15)

All energy generation has an environmental impact due to land use changes and landscape modification when infrastructure is built and operated. We work to reduce and mitigate these impacts through environmentally friendly designs and appropriate location choices, as well as by protecting soil, air and water from pollution and waste. Our key risks related to biodiversity and life on land arise mainly from hydro and wind power production which affect freshwater ecosystems, flying and grazing animals as well as migrating animals and aquatic species. Infrastructure related to both technologies can fragment habitats and spread alien invasive species (15.8). To manage our impact in a responsible manner we pay special attention to red-listed, highly valued or vulnerable species (15.5). For our Norwegian hydropower plants discharging into rivers (6.6, 15.1), we reviewed, in 2020, the implemented mitigation measures and the plants' *modus operandi*. We continuously seek to reduce our potential negative impact through initiatives which include improving fish habitats and spawning areas, establishing no-work zones during construction and operation of wind farms, and instituting revegetation projects (15.9).

Peace, Justice and Strong Institutions (SDG 16)

Statkraft believes that high ethical standards are beneficial for both society and business. We are committed to high ethical standards in our business culture and in all business activities. Our Code of Conduct sets out key expectations for all employees. Our suppliers are expected to meet the requirements of our Supplier Code of Conduct. Our comprehensive compliance programme covers the areas of corruption, fraud, money-laundering, sanctions and export control, as well as personal data protection and competition law (16.5, 16.6, 16.b).

Our aim is to prevent corruption and unethical practices in all our activities. Our achievements in 2020 include conducting an in-depth, group-wide Business Ethics and Compliance risk assessment across all locations and rolling out a new round of mandatory e-learning (4.4). We will continue to work to ensure awareness and preparedness to manage risks in new growth initiatives, as well as increased fraud risks in the context of Covid-19, and to train our employees to develop the competences to act within our values.

SOCIAL DISCLOSURES

Health and Safety

AMBITION	TARGET		STATUS
To prevent incidents and be committed to a workplace without injury or harm	Zero serious injuries	7	●
To protect the health and well-being of staff	Sick leave < 3.5%	2.4%	●

Comments on performance

- There were three fatal accidents in India related to projects and operations in Statkraft in 2020.
- Statkraft did not reach its target of zero serious injuries. Five contractors and two Statkraft employees suffered serious injuries in work-related accidents, and the serious injury rate was 0.4.
- The Powered by Care programme and efforts to continually improve our health and safety performance and culture will remain high priorities going forward.

Key initiatives

- Provide leadership and drive cultural change at all levels
- Encourage and measure management and employee engagement
- Strengthen the focus on high-risk activities and preventative measures
- Provide training to build the required competencies
- Ensure learning and sharing from high-risk potential incidents

Our approach

Caring for people is at the core of Statkraft's culture and we work continuously towards our goal of zero injuries. The HSSE policy and management system applies to everyone working in or for Statkraft. We have a programme to implement improvements within health and safety across the organisation, called "Powered by Care". Statkraft's Corporate Management clearly demonstrates their commitment to a workplace without injury and harm through our "Powered by Care" commitment statement.

Key risks

Health and safety risks arise from Statkraft's activities in construction projects, operations and maintenance of power plants and other facilities, from our presence in various geographical locations, and from travel and other business activities. The predominant high-risk areas are related to personal injuries from workplace accidents. Activities related to driving, working at heights, lifting operations, energised systems, heavy mobile equipment, ground works and working in confined spaces are considered to represent the highest risk.

Status 2020

Fatal accidents

There were three fatal accidents in Statkraft in 2020.

On 6 January, a contractor's employee at the Tidong hydropower project (India) died following a fall while doing construction work on site.

On 28 April, a contractor employee at our Allain Duhangan Joint-Venture company (India) fell 150 meters down a slope during repair work on a transmission line and later died due to the severity of the injuries sustained. On 10 August, a contractor employee at the Tidong hydropower project (India) died in a tipper truck accident. As a result of the fatal accidents, Statkraft decided to suspend all work at the Tidong project and perform an investigation, and a thorough reassessment of the safety risks and measures to enable a safer execution going forward. An action plan has been established, and safe restart of the project ensured. The fatal accidents have been investigated and the applicable measures are being followed up.

Accidents

In addition to the three fatal accidents, two contractor's employees and two Statkraft employees suffered serious injuries. A total of 21 accidents and observations were classified with high risk potential. Serious injuries and high-risk potential incidents are defined as incidents causing or potentially causing serious health consequences. The accidents were investigated, and mitigating actions were implemented at the project level and across the Group to ensure learning and to prevent recurrence.

The Lost Time Injury rate (LTI rate) was 2.2 among Statkraft's employees while the LTI rate among Statkraft's contractors was 2.9. Correspondingly the Total Recordable Injury Rate (TRI rate) among Statkraft's employees was 3.7 and 5.0 among Statkraft's contractors. In total, 84 injuries were recorded for Statkraft's employees and contractors, of which 49 were LTIs.

Sick leave

Sick leave in Statkraft is at a stable low level, at 2.4% in 2020, which is below the target of 3.5%.

Health and Safety Improvement Programme

In 2020, the 'Powered by Care' programme focused on:

Leadership and commitment
In 2020, management throughout Statkraft was actively engaged and participated in local activities in the Powered by Care programme. Workshops have been held to address health and safety leadership and culture at various levels of the organisation.

Serious injury mitigation
Serious incidents, those with serious consequences or high potential, are analysed to identify measures to prevent recurrence and lessons learned are shared across the organisation. Utilisation of the 'life saving rules' aimed at preventing serious and fatal injuries remains a focus area, in addition to further improving the quality of investigations and learning from them.

Training
Modular e-learning and training is available to effectively reach out and provide fit-for-purpose training to various target groups. This includes a 'Powered by Care' module providing basic training for all and modules to support the Life Saving Rules.

Engagement KPIs
Indicators are in place to encourage and measure employee and management engagement through e.g. risk observations, improvement proposals, positive observations and safe job dialogues. These KPIs have seen a positive development since their introduction in 2016.

CEO's HSSE Award
An HSSE award scheme is in place to encourage activities that contribute to improved HSSE awareness, results and engagement across the organisation. The award for 2020 was given to International Power for their targeted efforts managing the covid-19 situation, and putting special focus in the staff's mental health, which resulted in a positive and safe work environment over the last year.

Continuous improvement
An annual management review of Statkraft's performance and activities related to HSSE has been performed and the recommendations have been integrated in HSSE plans. A toolkit to support further development of the health and safety culture has been developed to complement the HSSE management framework introduced in 2019. Collaboration takes place within and across business areas to share and learn from incidents, health and safety programmes and best practices.

Health
A dedicated task force has been established to elevate the focus on health and well-being, and address challenges arising from the Covid-19 pandemic. Some of the initiatives have been working from home for everyone who can, pulse surveys to check in, measures to improve health in home offices and webinars focusing on mental and physical health.

Public safety
Statkraft's activities have significant interaction with third parties and we are focused on ensuring their safety. Dam and water course safety is one key focus area. Statkraft performs maintenance on dams and associated structures within a strict and controlled system. Measures are carried out according to legal and regulatory requirements, as well as Statkraft's detailed procedures and plans to protect life, the environment and property.

In 2020, we faced a number of situations in the Nordics where management of hydropower plants was challenging due to more extreme weather conditions. In these situations our first priority is to mitigate floods that may have significant and serious consequences for local communities and the environment. It is anticipated that the number of such situations will increase in the future.

Priorities 2021

We will maintain and improve ongoing initiatives and programmes and introduce complementary activities to meet our ambitions. We aim to further strengthen our continuous improvement process across the organisation, utilising:

- HSSE management framework to set expectations
- HSSE plans to define annual activities
- Audits and learning reviews to verify compliance and enable the sharing of lessons learned
- Management reviews to assess where we are and what to adjust
- Competence development and training

We will support the development of the HSSE culture with:

- An employee survey to understand attitudes in the organisation
- Team culture workshops as an assessment tool to understand our culture and possible next steps
- Leadership workshop to anchor, engage and commit

We will prioritise the following HSSE program elements:

Leadership
Develop and offer leadership development formats that can be used across the organisation to help leaders and teams to develop their role and drive the change to achieve the desired HSSE culture across Statkraft.

Health and safety in the supply chain
Further integrate health and safety in all stages of the supply chain and develop a best practice toolbox for contractor culture development and engagement on site.

Training
Complement the existing offering with modules related to managing HSSE and offer the entire suite of health and safety training on the new user-friendly e-learning platform.

System support
Procure and implement an improved digital HSSE solution with the objective of further motivating our employees and contractors to engage in a proactive HSSE culture in Statkraft.

Security

AMBITION	TARGET	STATUS
To actively prevent harm to people and assets by implementing a systematic approach	Implementation of identified supporting initiatives	●

Comments on performance

- The response to Covid-19 has been the main effort in 2020. This response has been coordinated globally and in accordance with local health authorities' guidelines.
- A new organisational structure for cyber security has been implemented.

Key initiatives

- The focus on the Covid-19 response is expected to continue into 2021.
- A global travel assistance solution for travel risk mitigation will be fully implemented in the organisation in 2021.

Our approach

Security refers to the ability to keep people, operations, information and systems secure from intentional harm or damage. Statkraft has a comprehensive approach and follows international good practice for security management. Security matters are addressed through a risk-based approach aligned with standards such as ISO 31000, ISO27001, NS-5814 and NS-5832. Statkraft has well established relationships with both local and global security companies and participates in national and international networks to ensure an up to date understanding of security and risk management. Examples of these networks are ASIS International, The Norwegian Business and Industry Security Council, ISACA, KraftCERT and Norwegian Cyber Security Centre.

Statkraft actively and systematically addresses cyber security risks, utilising own resources and contractors to handle attempted cyber attacks. We interact regularly with government entities to ensure up to date knowledge of incidents across sectors. Statkraft is conscious of the challenges posed by cyber security risks and mitigation of such risks is considered strategically important by corporate management.

Information security is a high priority and Statkraft follows international good practice for information security management. The aim is to build and continually improve a strong information security culture that ensures the confidentiality, integrity and availability of Statkraft's information.

Key risks

Statkraft assesses security risks by analysing threats, vulnerabilities and consequences in accordance with recognised standards. The threat analyses are based on national threat reports, open-source information and risk analyses from external vendors. Conducting security risk assessments is a line responsibility, supported by the Corporate Security & Emergency Response department and the Cyber Security Department. Statkraft utilises a wide range of human, organisational and technical measures to proactively reduce security risks. Sudden changes in a security situation will trigger immediate measures. Statkraft generally uses unarmed security guards to enforce local security, but in some countries where national regulations or the security situation dictates this, armed security is used.

Statkraft's security work is impacted by changes in national regulations that aim at safeguarding national infrastructure. These changes influence the full spectrum of security disciplines: physical, personnel, information and IT-security. Statkraft is working with the various national energy and security authorities on this matter.

Emergency preparedness

Statkraft's ability to handle serious and unwanted emergency events is a constant priority. Statkraft's emergency response is based on the use of dedicated and temporary teams and in accordance with best practice. This approach aims to enable Statkraft to simultaneously handle emergencies at the local, regional/national and strategic level.

Statkraft also works with other companies, non-governmental organisations, local law enforcement and fire departments to ensure the best possible preparedness for handling emergencies.

Status 2020

Handling Covid-19

The response to Covid-19 has been the main effort in 2020. The response is coordinated globally to ensure harmonised duty of care while complying with local health authorities' advice and directives. Statkraft's pandemic response strategy has evolved around the following priorities:

- Preventing spread and protecting employees in line with national plans
- Maintaining and managing processes critical for society – production, heating and water management

Specific actions include:

- Appropriate communication to employees
- Establishing and maintaining policy and guidance for travel and events
- Establishing and maintaining policy for home office
- Expat handling
- Business continuity verification
- Pandemic scenarios and strategic implications
- Common planning assumptions
- Surveys to understand employees' situations
- Task force on health and wellbeing
- Support for home office equipment
- Return-to-office plans
- Lessons learned from handling Covid-19

Security incidents

Statkraft has revised and strengthened its cyber security capabilities and a new organisational structure has been implemented.

In 2020, in total 359 security incidents were reported. 332 of these were IT incidents, including 22 high potential incidents that were detected and efficiently handled at an early stage.

Priorities 2021

Statkraft is expected to continue its response to the Covid-19 pandemic into 2021.

Statkraft has procured a travel assistance solution to mitigate global travel risks. The solution will be fully implemented into the organisation within 2021.

Human rights

AMBITION	TARGET	STATUS
To act according to the United Nations Guiding Principles on Business and Human Rights	Zero confirmed breaches of internationally recognised human rights	●

Comments on performance

- In the Fosen wind project, it has not yet been possible to reach agreements with the affected groups regarding measures and compensation for the operational phase.
- In the Los Lagos hydropower project under construction and the Rucatayo hydropower plant, both along the Pilmaiquen river in southern Chile, we have proactively engaged with local stakeholders.

Key Initiatives

- Updated corporate-level human rights risks and impact assessments, engagement with corporate management on salient issues and dilemma discussions, integrated human rights considerations in decision-making processes, particularly related to new significant investments and mergers and acquisitions (M&As).
- Implementation of human rights aspects identified as part pf the sustainability strategy work
- Increased internal awareness and communications activities, including expanded content on external company website, and internal webinars on labour rights in the supply chain.

Our approach

Human rights management is a material aspect for Statkraft given the potential impacts on people from its business activities and the increasing expectations and requirements from external stakeholders regarding these matters. As a renewable energy producer Statkraft builds and refurbishes facilities and operates existing ones. Statkraft is a company with varied and extensive business relations; including the procurement of goods and services. It is therefore important to understand how these activities may impact human rights and whether we cause, contribute to, or are directly linked to such impacts.

Statkraft's approach to human rights is based on the United Nations' Guiding Principles on Business and Human Rights. Statkraft's policy commitment on human rights is reflected in Statkraft's Code of Conduct, Supplier Code of Conduct and the Group Sustainability and HSSE Policy. This commitment is publicly available and communicated internally and externally to personnel, business partners and other relevant parties.

In order to meet our responsibility to respect human rights, we have established a human rights due diligence process to identify, prevent and mitigate our potential negative impacts on human rights. Where we are causing such impacts, we are implementing actions to remediate them and discuss them with our stakeholders.

We have an integrated approach to the management of human rights issues in Statkraft. This integrated approach leads to managing human rights issues through the existing functional areas and management systems. Our general management system, The Statkraft Way, contains the main policies and procedures for all the relevant functional areas.

Procedures are in place to identify and assess potential impacts on human rights arising from our key activities, such as in the development of new greenfield projects, in our transactions and supply chain. Through specific risk and impact assessments of our key activities we are able to prevent, when possible, or mitigate, if necessary, human rights impacts. Human rights screening is required for our significant investment agreements. This includes those governed by our internal decision-making framework for new investments.

We regularly review the implementation and results of the agreed or planned measures through internal reporting and quality control and assurance routines, in an effort to address human rights risks and impacts in our main processes.

Key risks

Our updated human rights impact assessment has identified four key priority areas with the highest risks. This is where we should focus our human rights efforts:

- Community relations and social licence
- Health, safety and security
- Labour conditions in the workplace
- Decent work in our supply chain

Human rights continue to be a salient issue in large-scale development projects such as Tidong (India), Los Lagos (Chile) and large or complex M&A processes.

Status 2020

Projects, programs and initiatives

During the second quarter of 2020 and amid the Covid-19 pandemic a mapping exercise was conducted in all our country offices to assess the risks and challenges arising from the public health emergency and its possible consequences for our employees and their families, neighbour communities and suppliers. As part of this effort we studied the responses from our peers in our key markets and proceeded to plan and implement Covid-19 emergency response plans and initiatives. We have also followed internationally recognised guidelines, such as the one established by the UN Global Compact. More information on supplier follow up during the pandemic is presented in the Supply chain management section. As part of our human rights due diligence process, we conducted a “living wage” deep dive study in some of our key markets (including Brazil, Chile, India, Ireland, the Netherlands, Norway, Spain and the UK).This study has highlighted the relevance of this issue in our supply chain and we are working to identify the next steps to address this challenge.

As part of the ongoing sustainability strategy work, Corporate Management reviewed the human rights due diligence process in 2020, and the salient issues identified, and also engaged in dilemma discussions on relevant human rights challenges.

In addition to corporate level activities, there are activities at the local level. For example, a social management review process was conducted in 2020 on the Los Lagos hydropower (project under construction in Chile) to review procedures and strengthen the handling of social and human rights challenges.

Statkraft also provided input to the public consultation for a new law on business and human rights in Norway and joined a multi-stakeholder coalition on human rights due diligence. Statkraft is also a member of the Nordic Business Network on Human Rights.

Community relations and social licence

Statkraft is engaged in a broad range of community development initiatives in the different countries of operation, a few of which are presented below.

UK

In the UK we are developing the Ackron Wind Farm project (app. 50 MW) with 12 turbines, and the concession application was submitted in January 2021. This project, if approved, will supply electricity to more than 28,000 homes and will deliver annual contributions to a community development fund.

The Ackron Wind Farm team met (virtually) with the Community Council in October 2020 and conducted a “virtual exhibition” through a dedicated web page providing relevant information about the project and inviting all local stakeholders to engage in dialogue with the project development team.

Norway

In relation to the Fosen wind farm projects in Norway, agreements on mitigating measures and compensation for extra costs during the construction phase have previously been entered into with the two reindeer herding groups. It has not been possible to reach agreements with the groups regarding measures and compensation for the operational phase. The High court determined the compensation for the herding groups related to the operational phase of the wind farms in June 2020. The ruling was appealed to and has been allowed for hearing by the Supreme Court. A date has not yet been set for hearing of the case.

Peru

As part of our commitment to establish and maintain good relations with our neighbouring communities, Statkraft set out to promote more sustainable water use by improving the efficiency of irrigation systems used in the rural communities of Cahua, Tongos, Quintay and Huacar near Statkraft’s Pichupampa reservoir. In 2018 we launched a project to install modern irrigation infrastructure in the four districts close to our operations. These systems are still being implemented with the aim of finalisation by 2021. Early indications are that better irrigation is already yielding positive results.

Chile

The Los Lagos hydropower project with an installed capacity of approximately 50 MW is under construction in southern Chile. Several consultations and activities have taken place to engage with the surrounding communities as part of the social management and community relations programs.

Ongoing consultations and engagement with representatives of indigenous communities in the Pilmaiquen river area have taken place during the reporting year. A grievance mechanism in our project and operations in the area registers and manages claims and concerns from neighbours and the affected population.

In the context of Covid-19, Statkraft engaged and provided support to local organisations and local health services in the influence areas of our projects. Such support was provided both in the neighbouring municipalities to our Los Lagos project and Rucatayo power plant (Puyehue and Rio Bueno), as well as in our Torsa wind project (Litueche) which is in an early phase of development.

Health, safety and security
Health, safety and security issues are a priority for Statkraft. There is a clear link between these factors and our commitment to respect human rights. More detailed information about this topic can be found in the health and safety chapter.

Labour conditions in the workplace
Fundamental human rights are closely linked to the management of human resources and ensuring adequate working conditions for our more than 4000 employees. More detailed information about this topic can be found in the labour practices chapter.

Decent working conditions in the supply chain
Our commitment to respect human rights encompasses our activities to follow up our suppliers.

We expect all our suppliers to abide by our sustainability and ethical standards as stated in our Supplier Code of Conduct. More detailed information about this topic can be found in the responsible supply chain chapter.

In our Fosen project, we established a close dialogue with the workers unions during the construction process. Statkraft followed up and ensured improvements in the working conditions of our contractors and subcontractors. We also provided remedies in the cases as necessary, including ensuring living wages. Through ongoing efforts to ensure 'decent work' practices in our supply chain, we engaged in a proactive manner with our sub-contractors to promote workers' rights in our supply chain.

Statkraft has established a systematic approach and method to prevent control and identify potential issues that affect our suppliers' working conditions throughout the construction phase of all six projects at Fosen.

Priorities 2021

Our human rights efforts in 2021 will focus on the implementation of the human rights aspects identified as part of the sustainability strategy work. Emphasis will be placed on our commitments towards our license to operate and in our supply chain. Particular focus will continue in the form of following up and engaging with projects and activities considered having potentially high human rights risks.

Labour practices

AMBITION	TARGET	STATUS
To improve diversity of background, competence and gender across the company	Long-term target of 40% women in group top management positions[1]	29%

Comments on performance

- Gender balance has been a focus area as we work towards the overall ambition for diversity and inclusion (D&I), and there has been a rising number of women in leadership positions. Currently, there are 29% women in group top management positions[1], up from 28% in 2019. 26% of all leaders in Statkraft are women, up from 23% in 2019.

Key initiatives
Several measures were undertaken in 2020 to improve diversity and inclusion:

- Targets for female representation in management positions continued
- Unconscious bias training conducted for senior management teams
- Metrics to track progress, including a D&I dimension in the annual organisational survey
- Target to have at least 40% female participation in leadership development programmes

[1] Group top management positions include CEO, EVPs and SVPs.

Our approach

In Statkraft, all employees have an important role to play in achieving our ambition to lead the transition to renewable energy. Statkraft is committed to a working environment characterised by equality, diversity and mutual respect.

Statkraft supports and respects internationally recognised labour rights, including freedom of association and effective recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory labour, the effective abolition of child labour, and the elimination of discrimination with respect to employment and occupation. Statkraft also works towards the

realisation of these rights as part of our supply chain management.

Key risks

Responsibility is one of Statkraft's core values. A key focus in 2020 has been to ensure the health and safety of our people during the Covid-19 pandemic.

Both in 2020 and moving forward it is critical for Statkraft to attract, develop and retain the workforce needed to deliver on our strategy and to lead the transition to renewable energy.

Status 2020

Attracting and developing people

Attracting and developing people has been a key focus in 2020 to ensure a workforce that is both engaged and highly qualified. Learning and development opportunities have been improved by offering LinkedIn Learning to all employees, and by the launch of a new learning platform to make learning more accessible, including from home offices. Leadership is key when it comes to both maintaining and developing a strong organisational culture, and a new leadership development programme gathering top leaders from across Statkraft has been initiated in 2020, amongst other initiatives. The Human Resources (HR) function has also been strengthened to enable more focus on and efforts within attraction, mobility, people development and organisational development.

Workforce diversity and inclusion

Statkraft continued its focus on strengthening diversity and inclusion (D&I) in 2020, including specific measures to improve the gender balance. The percentage of female leaders in all management positions increased to 26% in 2020, up from 23% in 2019. Unconscious bias training has been conducted for senior management teams, and offered to all employees as part of the new learning platform. In 2020, 29% of all participants in our internal leadership development programs were women.

Employee satisfaction and wellbeing

The annual Statkraft employee engagement survey was conducted in October/November 2020 with a response rate of 94%. The employee engagement score was 91%, up from 84% in 2019.

Two pulse surveys were introduced in 2020 to enable Statkraft to continuously listen to and act faster on feedback from employees. The overall results show high engagement and productivity across Statkraft, although work-life balance and general well-being have been reduced for some employees as a result of the Covid-19 pandemic. Both global and local activities have been implemented to support employees during this time. Examples include Covid-19 information pages, support for home office equipment, virtual exercise groups, mental and physical health awareness campaigns and webinars, and virtual learning opportunities.

Employee relations

Statkraft has a structured and close collaboration with local employee representatives and trade unions. In addition to cooperation at the national level, Statkraft has established the Statkraft European Works Council (SEWC), with employee representatives from Norway, Sweden, Germany and the UK.

Statkraft supports and respects internationally recognised labour rights in all countries where we are present. Relevant International Labour Organisation (ILO) conventions and European Union (EU) directives have been included in the SEWC agreement with EPSU (European Federation of Public Service Unions), the federation for European unions within the energy sector. In countries not covered by SEWC, Statkraft respects the employees' freedom of association and collaborates with union representatives in accordance with collective bargaining agreements, legal requirements, international standards and prevailing industry best-practice for each location.

Priorities 2021

Ensuring the health and safety of all employees during the Covid-19 pandemic will continue to be a key priority in 2021.

In the years to come, and with a surge in 2021, it will be critical for Statkraft to continue to attract, develop and retain a diverse and highly competent workforce. D&I targets will be followed up and broadened, and measures continued and developed. People development will continue to be a key priority in 2021.

Supply chain management

AMBITION	TARGET	STATUS
Improvement of supply chain sustainability processes	Implementation of identified measures	●

Comments on performance

- During 2020, Statkraft strengthened its efforts related to its supply chain, including a new unit for supply chain follow-up, increased understanding of risks and opportunities, outlined a model for monitoring and follow-up during contract execution, and increased awareness in the organisation related to critical issues.
- The Covid-19 pandemic brought the need for new measures to enable suppliers to deliver in a safe and responsible way, and several measures were put in place, e.g. renegotiations of terms and conditions, remuneration and delivery time.

Key initiatives

- Dedicated follow-up of suppliers in light of Covid-19
- Further implementation of the UN Guiding Principles for Business and Human Rights, and the expectations under the OECD Due Diligence Guide on Responsible Business Conduct into processes and activities such as contract award and supplier follow-up

Our approach

Statkraft has a strong commitment to responsible business practices and this commitment extends to our supply chain. Our Supplier Code of Conduct is a part of all contracts. It is based on internationally recognised standards, including requirements to respect human rights, health and safety, labour rights, working conditions, environment, privacy and freedom of expression, and prohibited business practices.

Statkraft believes that partnership and cooperation with suppliers is key to achieving a responsible global supply chain. That means that we want to procure from suppliers that are conscious of their obligations to respect people and the environment.

We believe we can add value through our supplier strategy and sustainability assessments, as well as through collaboration and dialogue with suppliers. Our ambition is to contribute to improve the sustainability performance of our suppliers and their sub-suppliers.

Statkraft has approximately 11,000 suppliers world-wide. Procurement is handled by approximately 100 procurement officers in ten different countries. Our supply chains are diverse, and we have several different purchasing streams, including goods and services for construction and rehabilitation of power plants, commodities and maintenance for power plants in operation, and indirect goods and services for our general business operations and new businesses.

Key risks

Statkraft's main risks in the supply chain are health and safety risks for workers, general working and labour conditions related to hours and wages, risks related to biodiversity and ecosystem, and risks related to business ethics (e.g. risk of bribery and corruption in regulatory approval and licensing processes).

Status 2020

Increased focus on supply chain risk management in 2020

Risk profiles vary significantly between the various procurement streams and for the different countries. Hence, a key focus area in 2020 has been to continuously improve our sourcing and purchasing methods. The objective has been to increase consistency and implementation of a sustainable supply chain approach across all our functions and business areas. This includes tailored risk assessment of human and labour rights, environment and climate, business ethics, and health and safety for key procurement categories. With an enhanced understanding of risk and opportunities we will be better positioned to award contracts for strategic projects to contractors that treat people and the environment with respect, and to source equipment in a responsible way.

In 2020, we examined labour rights in the supply chain at several ongoing project sites in Norway.

All new members of procurement teams receive sustainability training and an introduction to our tools.

Dialogue and cooperation with suppliers during the Covid-19 pandemic

The Covid-19 pandemic is a force majeure situation that has had a significant impact on procurement activities. Statkraft has worked together with suppliers since the start of the pandemic to manage the risks and ensure the safety of personnel in the supply chain, in response to the situation. It was recognised early on that one of the best ways to support suppliers is to keep projects running while ensuring safe working conditions. Three greenfield projects are delayed but only four of Statkraft's 140 world-wide operations and maintenance projects have been suspended due to Covid-19. Most projects in Statkraft's portfolio have continued as planned during the pandemic, except sites in countries which introduce national lockdowns was introduced. A taskforce to coordinate the consequences of the pandemic in the supply chain was established in mid-March 2020. It aimed at ensuring a continuous and open dialogue with our suppliers in an effort to find

solutions together. Guiding principles were established which included the possibility of e.g. adjusting deadlines for the suppliers, early payment for work performed (even if contractual milestones were not achieved), renegotiation of payment terms and payment in a different currency than agreed, fair cost recovery for measures implemented to mitigate the consequences of the pandemic, and assistance and support related to delivery and logistics.

Labour rights compliance

Risks related to labour rights compliance have been identified as a key focus area for overall responsible supply chain follow-up. Continuous improvement work is taking place across our portfolio. Examples include addressing dilemmas at the Fosen (Norway) and Tidong (India) projects related to payment terms and working hours. At the Fosen wind project, several foreign workers in the supply chain experienced violation of their employee rights related to salary, as they were paid considerably below minimum wage. The findings were identified in the period from 2018-2019 and remedies, including a compensation, were provided in 2020. Verification of employment contracts for the remaining project activities confirmed that wages are now set according to the minimum standard. Transparency has been important in the process (for example, Statkraft held a webinar in 2020 about the issue), and has facilitated learning and exchange of experience.

Priorities 2021

Key activities planned for 2021 related to supply chain management include:

- Continue to build awareness and capacity among procurement personnel and roll-out new sustainability training programme
- Establish share-and-learn sessions together with our strategic suppliers to improve transparency and share best practice in identifying sustainability risks throughout the supply chain
- Continue the improvement of supplier risk assessments and supporting tools
- Expand integration of sustainability requirements in tenders and before a contract is awarded

ENVIRONMENTAL DISCLOSURES

Biodiversity

AMBITION	TARGET	STATUS
Deliver climate-friendly, renewable power while implementing responsible environmental measures	Zero serious environmental incidents on biodiversity	●

Comments on performance

- Statkraft had no serious environmental incidents in 2020. One less serious incident related to biodiversity was investigated and followed up with the competent authorities in Norway. It concerned a virus infection in one of our fish hatcheries.
- Assessing environmental risks is part of Statkraft's risk management procedures and practices. Some mitigating activities have been delayed in certain areas due to Covid-19.
- Key achievements for 2020 include mapping and improvement of habitats for specific species of particular concern. During the revision of terms processes in Norway, several studies have been completed to evaluate environmental enhancement measures.
- Employee awareness initiatives have been carried out.

Key initiatives

- For Statkraft's Norwegian hydropower plants discharging into rivers, an operations review and mitigation measures implementation have been completed.
- Assessment of biodiversity impact and management has been initiated for international assets. The outcome of the assessment will determine potential additional mitigation and monitoring.

Our approach

Statkraft manages biodiversity within the framework of its responsibilities, in close collaboration with the relevant authorities. Statkraft provides expertise and resources to perform necessary monitoring studies and research projects. We also implement suitable mitigation measures and follow them up systematically.

Biodiversity challenges and cumulative impacts often extend beyond the reach of a single player and ecosystems are typically affected by many factors and activities. In cases where conflicting biodiversity conservation interests may arise, we establish priorities based on scientific studies and according to guidance provided by the authorities. Decisions on priorities between impact on nature, climate and the social value of power production are made by relevant public authorities in an independent and transparent way.

Key risks

Internationally recognised reports show that global biodiversity is rapidly declining, and species are disappearing at a fast pace. The main reasons include changes in land use (deforestation, mono-cropping and urbanisation), over-exploitation of natural resources, climate change, pollution and invasive alien species. From a Statkraft perspective, these risks are especially relevant as we continue to grow and build more business-related infrastructure which may impact biodiversity. Understanding these risks early on in development and construction processes is important to avoid and minimise negative impacts.

Currently, Statkraft's key risks related to biodiversity arise mainly from hydropower and wind power production. Each power generating technology has a specific risk profile. Hydropower's key risks are related to changes introduced into freshwater ecosystems and migrating aquatic species. Wind power's key risks are related to flying, grazing and migrating animals. Infrastructure related to both technologies, such as access roads, can contribute to fragmentation of habitats and to the spread of invasive alien species.

Status 2020

Throughout the year we have continued to work on reducing and mitigating impacts through environmentally friendly designs, appropriate location choices, and implementing improvement measures, as well as on protecting ground, air and water from pollution and waste. Below are some examples.

Hydro

Holistic management of migrating species

Wild salmon is a species for which Norway has a special responsibility (more than 25% of the European population), and national salmon rivers have been established for its protection. Statkraft is impacting 13 out of 52 national salmon rivers. Our impact on salmon varies depending on whether the power station discharges water into a river stretch where salmon live and whether our installations reduce the flow of a river. Other factors that also affect the salmon population include parasite infestations (gyrodactylus salaris) and escaped hatched salmon.

To preserve the genetic variety of wild salmon, Statkraft operates a gene bank in collaboration with the Norwegian Environment Agency, which conserves genetic material from five different wild salmon families. To sustain salmon and other important migratory fish species, Statkraft has worked in Norway during 2020 to restock over one million salmon, sea trout and inland trout from its five hatcheries. In addition, approx. 850 000 fish eggs were placed in Norway. In Sweden, a total of 86 400 eel juveniles were collected in Laholm (Lagan river) in 2020.

In addition, trap and transport of grown eel was carried out in the Lagan and Nissan rivers in Sweden.

For our Norwegian hydropower plants discharging into rivers, a review on our *modus operandi* was conducted, and mitigation measures were implemented, both in 2020. The most common mitigation measures in addition to monitoring studies are ecological flow regimes and special operating rules allowing only gradual changes in flow regimes.

In Vestfold and Telemark (Norway), a complete restoration of the Tokkeåi river downstream from the Lio power plant has been accomplished. Measures include rebuilding rock weirs to natural falls, placement of 5-600 tonnes of spawning gravel, ripping spawning gravel areas, opening side streams and securing free passages for trout at low water levels.

In the Fulda river (Germany), the design of an innovative fish passage at the Wahnhausen hydropower plant has been approved by the authorities. A fish-friendly Kaplan runner design to protect migrating fish from injury and mortality is being developed as part of an R&D project.

Landscape Restoration
A substantial number of our hydropower installations in Norway are due to conduct major refurbishment work. In Høyanger, for example, several dams are being refurbished and a four km long tunnel will be built through the mountain. We will also expand and reinforce 10 km of road. Good planning to minimise our impact on nature is key. Some of our measures include reusing part of the tunnel excavation material to refurbish the road and the dams, as well as the use of best practices in ecological restoration. Similar soil and revegetation measures are being performed for the rehabilitation work on the Songa and Trolldalen dam in Vestfold and Telemark.

Construction projects
Statkraft is building a new hydropower plant in Los Lagos (Chile). Before starting construction, a wildlife rescue (small mammals, amphibians and reptiles) was carried out, relocating 685 individuals into places with a similar habitat. The relocation sites are monitored to assess the individuals' adaptation. Protected species have been identified and documented and there is an ongoing process of training site workers to avoid harm or injury.

Fish monitoring is carried out seasonally in the Pilmaiquén River and the 2020 monitoring will be the baseline to determine if additional measures will be required in the future. Quarterly water quality follow-up for the Pilmaiquén River and tributaries is also conducted, to evaluate the conditions for aquatic life. The results are shared with the local communities. Three hectares of native forest have also been planted as compensation for the felling in the project work area.

Statkraft is currently constructing the 150 MW Tidong hydropower project in Himachal Pradesh (India). The project area impacts a critical habitat with red-listed species locally known as chilgoza, a type of tree-like fern. The establishment of access roads, transmission line corridors, power house and camp areas have necessitated some clearance of trees. The approach is to actively avoid and minimise impacts on critical habitats, and where this is unavoidable to restore the numbers through reforestation in collaboration with local forest authorities. The chilgoza is an important source of income for the local population which harvests high-value pine nuts annually. Through consultations and agreements with the households and communities affected by the project, Statkraft is providing compensation for the loss of income.

Wind
In the Fosen (Norway) wind power programme, all six wind farms are now completed. Approximately 250 km of new roads and 270 crane pads have been built. Restoration of road embankments, quarries and landfills through natural revegetation and caretaking of local topsoil has ensured that the natural vegetation is recovered and that the risk of introducing invasive species has been reduced to a minimum.

During construction, active breeding sites for some specific bird species were protected from construction activities. As part of the concession, Fosen Vind is also required to conduct post-construction monitoring of breeding locations, one and five years after each wind farm starts operations. The first round of post-construction monitoring of Roan wind farm in 2020 showed no sign of negative impacts. Monitoring possible effects on bird breeding success will follow for the other wind farms in the Fosen programme in the coming years.

At Smøla wind farm (Norway), Statkraft annually registers several dead white-tailed eagles due to collisions with wind turbines. A new three-year R&D project has been established to assess possible long-term impacts on the white-tailed eagle population. It will document the number of active territories and breeding pairs and their reproduction success and include DNA analysis of the chicks and their parents. So far, it appears that the Smøla population is healthy and growing despite the increased mortality caused by wind turbine collisions.

Priorities 2021

As the number of land-intensive renewable energy projects increases, we work continuously to address biodiversity challenges in projects and as part of our daily operations and seek to minimise potential negative impacts.

As part of the sustainability strategy, a dedicated workstream on biodiversity is planned.

Climate change

AMBITION	TARGET	STATUS
Statkraft commits to a power sector pathway compatible with a 1.5°C global warming target. Through its business activities, Statkraft will strive to bring society along in this ambitious journey.	By 2025, Statkraft will remain Europe's largest renewable power generator and among the top three most climate-friendly large European-based power generators	●
	Statkraft aims for the following emission targets globally: <50 g CO_2e/kWh by 2025, <35 g CO_2e/kWh by 2030 and climate neutrality by 2040	●
	Statkraft will maximise its positive climate impact by 2025, by delivering 100% renewable growth, +8 GW of wind and solar and expanding its hydropower capacity	●
	Statkraft will reduce its negative climate impact through electrifying the car fleet, renewable initiatives in its district heating business and offsetting non-ETS emissions. Further, Statkraft aims to reduce its supply chain emissions by engaging with its suppliers.	●

Comments on performance

- In 2020, the installed power generation capacity based on renewables was increased by 433 MW, to a total of 16 488 MW, in line with the growth strategy.
- Statkraft's total GHG emissions in 2020 were 1.57 million tonnes of CO_2, and most of the GHG emissions came from gas-fired generation in Germany. As Statkraft's portfolio is dominated by renewable and low-carbon assets, the average GHG emissions from the company's electricity generation are still low, in 2020 28 g CO_2/kWh.

Key initiatives

- Supporting EU policies that contribute to decarbonisation and improved market conditions in Europe
- Assessment of GHG emissions in the supply chain with focus on consumption of materials and products in ongoing and future construction projects

Our approach

Climate change is one of the greatest challenges the world is currently facing. Statkraft contributes to alleviating climate change, through its core business. We provide renewable energy, with the majority coming from hydropower, and we also develop new hydro, wind and solar power.

The Paris Agreement sets ambitious targets for reducing greenhouse gas emissions to a level which limits global warming to 2 degrees, and to pursue efforts to limit the increase to 1.5 degrees. This will require significant changes in the energy sector. Statkraft's current portfolio and strategy are consistent with an energy sector development path that will make it possible to reach the Paris Agreement targets. As all Statkraft's investments are focused towards renewable energy, we will be a leading contributor to decarbonising the energy system. Statkraft's ambition is to remain Europe's largest renewable power generator and to be among the top three most climate-friendly large European based power generators. Statkraft supports policy measures that contribute to reduced greenhouse gas emissions by adopting market mechanisms. Statkraft has an ambition to reduce emissions from its supply chain and will encourage its suppliers to also contribute to these.

Key risks

Physical risks

Physical risks resulting from climate change will materialise as both events and long-term shifts in weather patterns.

Statkraft is directly exposed to climate change, as changes in precipitation patterns will change the average output from hydropower plants, as well as the variations. In the Nordics, where most of Statkraft's hydropower plants are located, climate change is expected to lead to more precipitation, and extreme weather events may occur more frequently. In other regions, precipitation will decrease. However, large reservoirs do act as a safeguard enabling us to cope with the increasing imbalanced precipitation pattern, as they allow storing of excessive rainfall and retain more fresh water for dry periods.

For existing power plants, this will represent a change in the power production and thus also a change in the value of the assets.Increased probability of extreme weather is taken into account in assessments of the robustness of dams and waterways, in accordance with regulations and international standards for best practice. In Norway and Sweden, NOK 750 million is invested annually in Statkraft's dams and waterways to

increase the robustness of dams and meet regulators' updated safety standards. The risk of major accidents related to climate change is thus considered to be low. The probability of damage to local infrastructure, such as roads and power lines, is expected to increase. However, this does not represent a major long-term risk for Statkraft's operations.

When making investment decisions related to hydropower, the optimal size of the dam and the capacity of the power plant will depend on both the expected precipitation level and the variations from year to year. To ensure that Statkraft's production facilities are as well adapted to future market opportunities as possible, projections of precipitation conditions and inflows based on climate models are used when assessing such investments. The risk of stranded assets due to climate change is thus considered to be low.

Transition risks

The transition to a low-carbon economy will entail extensive policy, legal, technology, and market changes, with the potential to have a significant impact on Statkraft's revenues. Even if Statkraft's portfolio and strategy are well adapted to a low-carbon future, the company still has significant exposure to various climate-driven transition risks.

Climate change will impact power markets, and thus also Statkraft's revenues. Changes in output from hydropower plants and other renewable power plants may impact power prices, and changes in temperatures may impact the demand for electricity for heating and cooling. However, changes in the physical climate are expected to be slow compared to the investment cycles in the electricity industry, and investors will thus be able to adapt to these market changes. The long-term direct impact of a warmer climate is thus considered to be low.

All countries where Statkraft operates have signed the Paris Agreement, which will require substantial changes in their energy systems such as reducing the use of fossil fuels, increasing the use of renewable/low-carbon energy sources as well as increasing the overall energy efficiency of the economy. In general, this is expected to increase the long-term value of Statkraft's assets and competence. However, the transition will also carry risks both on the upside and downside.

The European Union (EU) has established ambitious targets for reducing greenhouse gas emissions. These targets are a key part of the European Green Deal and will be supported by a broad set of regulatory measures. For the energy sector, the emission reduction targets will be reached through a combination of a cap-and-trade system for emission allowances, direct regulations and subsidies. It is too early to assess the full consequences of the European Green Deal, but it is likely to increase both the production capacity of renewable/low-carbon energy and the demand for electricity.

The EU cap-and-trade system, known as the EU Emissions Trading System (EU ETS), puts a price tag on emissions and will thus impact power prices by influencing the cost of generating power from fossil fuels. The ambition level of the EU ETS will impact the cost of allowances and thus also have an impact on power prices. The price of emission allowances in the EU ETS is also sensitive to general macroeconomic trends. For Statkraft, this introduces uncertainty related to future revenues, which could be both higher and lower than the company's expectations. Subsidies, including governmental auctions for new renewable capacity, will impact the supply side and thus also the long-term power price level. In general, a high level of subsidies will be negative for Statkraft, as it can lead to oversupply and put negative pressure on power prices. However, subsidies may also create investment possibilities.

Statkraft bases its investment decisions on internal projections of future power prices. These projections are based, among other variables, on expectations for overall future climate and environmental targets, as well as a view of the balance between different regulatory measures. The uncertainties related to both overall targets, the path chosen towards these targets and the actual measures, will result in significant uncertainties for Statkraft's future revenues. This will also impact new investment decisions, but this will partly be offset through geographical diversification.

The European energy sector is also impacted by regulations with a broader scope. A key part of the European Green Deal process is the Sustainable Finance process, which introduces a taxonomy based on environmental criteria. This is expected to impact the power markets, making it more attractive to invest in renewable/low-carbon capacity compared with capacity based on fossil fuels. However, the actual impact on the markets and thus on Statkraft's business position is still uncertain.

In order to understand and manage uncertainties driven by climate policies, Statkraft regularly performs systematic analyses of the European power markets. These studies make it possible to understand how current assets and future investments will be impacted by environmental politics and provide both power price forecasts and a framework to quantify business risks.

Status 2020

Statkraft's greenhouse gas emissions

In 2020, Statkraft's own GHG emissions were estimated at 1.57 million tonnes of CO_2.

Statkraft's own GHG emissions are dominated by emissions from the company's gas-fired power plants. In addition, there are also emissions from company-wide combustion of fossil fuels and from the combustion of plastics in district heating plants. As Statkraft's portfolio is dominated by renewable assets, the average GHG emissions from the company's electricity generation are still low. In 2020 it was 28 g CO_2/kWh, which is about 12% of the EU power generation carbon intensity (IEA, 2020).

Statkraft's gas-fired capacity is regulated under the EU ETS. As the total GHG emissions under this system are gradually decreased, gas-fired capacity will be more competitive relative to coal-fired plants. The increase seen in Statkraft's GHG emissions in recent years thus reflects the fact that emissions from the total European power sector have been reduced.

The primary source of indirect emissions is the company's use of materials and products (i.e. concrete and steel) and the use of fossil fuels in ongoing construction projects. In 2020, Statkraft initiated a central project to assess GHG emissions in construction projects. High-level estimates indicate total scope 3 emissions in 2020 to be minimum 2 million tonnes of CO_2.

Renewable energy

In 2025, Statkraft aims to remain Europe's largest renewable power generator, and among the top three most climate-friendly large European based power generators. In addition, Statkraft aims for the following emission targets[3] globally: <50 g CO_2e/kWh by 2025, <35 g CO_2e/kWh by 2030 and climate neutrality by 2040.

Statkraft will increase the renewable share of district heating to a level of at least 98% renewable in 2030, and will continue to modernise the district heating distribution grid. Investments in new capacity will be based on renewable sources.

Supporting decarbonisation of society

In February 2020, research company BloombergNEF in partnership with Statkraft and the technology company Eaton published the report "Sector Coupling in Europe: Powering Decarbonization" which demonstrated that electrification of the transport, buildings and industrial sectors in Europe could reduce greenhouse-gas emissions by 60% between 2020 and 2050. The report outlines a plausible pathway for electrification, considering current levels of policy ambition in countries like the UK and Germany. Electrification, or 'sector coupling', could make a huge contribution toward achieving governments' emission-reduction targets by exploiting the low-carbon transition already underway in the power generation sector.

In June 2020, Statkraft signed up for the Climate Group's electric vehicles initiative EV100, an agreement aiming to transition its commercial vehicle fleet to fully electric.

In September 2020, Statkraft launched its Low Emissions Scenario 2020. This is the fifth consecutive annually updated report and demonstrates Statkrafts's own analyses on how the energy world can develop towards 2050. The report states that the energy transition is progressing, and renewable energy is growing across the world. The report also assumes that even though the Covid-19 crisis slowed down this development, the focus and drive related to resolving the climate crisis will continue. At the same time, the costs of green technologies will continue to decline.

In October 2020, the CEOs of Fortum, Statkraft and Vattenfall, the three largest Nordic utilities, sent a letter to the EU Council of Ministers, calling for swift agreement on a more ambitious 2030 climate target of at least 55% emission reductions compared to 1990 levels and reinforced emission pricing. In the letter, Fortum, Statkraft and Vattenfall fully endorse the EU's overarching goal of making the EU economy climate neutral by 2050.

Priorities 2021

In 2021, Statkraft will prioritise:

- Establishing a set of pilot projects across the company to assess GHG emissions in the supply chain in refurbishment and construction projects
- Continuing to minimise negative climate impact through initiatives such as transitioning its commercial vehicle fleet to electric vehicles, limiting the use of business flights and offsetting non-ETS direct emissions
- Continuing to support policies that contribute to decarbonisation through the use of market mechanisms
- Aligning the company's climate reporting to the TCFD (Task Force on Climate-related Financial Disclosures) reporting framework, start reporting to the global climate disclosure system CDP and assessing alignment with the new EU Taxonomy
- Continue the feasibility study to develop CCS (Carbon Capture and Storage) for waste combustion at Trondheim

ECONOMIC DISCLOSURES

Water management

AMBITION	TARGET	STATUS
Statkraft to be recognised as a company with a responsible water management practice	Implementation of identified supporting initiatives	●

Comments on performance

- Statkraft's mandate is to maximise value creation and to optimise the value of the water we manage in the energy market, while respecting agreed environmental requirements. In the event of a potential flood episode our focus shifts from financial optimisation and compliance to civil protection.
- In the context of climate change, the important water storage capacity of our hydropower reservoirs contributes to reducing floods and droughts in regulated river basins.
- Key achievements in 2020 include responsible operations every day and particularly in extreme situations, where we contribute to reducing the impacts of major flood events in Norway. Knowledge and efficiency in integrated water resource management has evolved.

Key initiatives

- Ensure adequate handling and systematic follow-up of water levels, flow limits and specific operating rules put forth in concessions
- Demonstrate responsible water management under shifting climate conditions. This implies planning for potential extreme situations in both wet and dry years, and still be able to fulfil our concessional requirements.

Our approach

Responsible and optimal water resource management requires the capacity to analyse significant volumes of data, and to predict weather conditions as accurately as possible in order to create value for society in a sustainable manner. These complex tasks require close collaboration between different experts in hydrology, meteorology, market analysis and production planning. Our activities cover four areas: increasing resource use efficiency, maintaining flexibility, operational water management and water quality management.

The International Hydropower Association recognises that multipurpose hydropower reservoirs contribute to flow regulation, flood control and availability of water for irrigation. To maximise their role in mitigating climate change, hydropower projects need to be developed and operated sustainably, hence considering river ecology, hydrology, sediment transport, local livelihoods, and their role in reducing greenhouse gas emissions.

Key risks

Climate change increases the variability of precipitation and uncertainties related to weather prediction. In addition, we face challenges in predicting future trends accurately, as modelling based on historic data is no longer reliable.

More extreme weather conditions will impact how Statkraft operates its hydropower assets. In wet regions, like the Nordics, we will have to cope with more floods but also dryer periods than we have had historically. In warmer climatic zones water periodically becomes a scarce commodity, which may trigger user conflict issues.

Status 2020

There are more than 1,000 reservoirs in Norway, with a total capacity corresponding to about 70% of Norway's power consumption. According to the Norwegian Water Resources and Energy Directorate, Norway has half of Europe's reservoir capacity of which Statkraft operates roughly 50%. More than 75% of our hydropower production capacity is adjustable. This means that hydropower generation, unlike solar and wind power, can be adjusted by turning the 'tap' on or off as required to maintain balance between electricity production and supply. This important reservoir capacity also provides a sufficient 'buffer' to safeguard the regional security of supply given the increasingly variable precipitation patterns. Water inflows to Norwegian hydropower plants can vary by 60 TWh per year: from 160 TWh in wet years to 100 TWh in dry years.

Maintaining flexibility

Most of Statkraft's hydropower assets are in Norway and Sweden. Public revision processes for our concessions are ongoing in both countries. For the plants with reservoir capacity, it will be key to preserve flexibility in order to ensure adaptation to climate change, as well as to remain responsive to an increasingly variable power supply side.

This year, Statkraft has joined an R&D project initiated by Energy Norway in collaboration with SINTEF and supported by the Norwegian Research Council. The project aims to assess how environmental measures will affect the flexibility of the national power system.

In 2020, the Swedish authorities presented a national plan for how to update the operating schemes for existing hydropower over the

next 20 years. The public revision process for environmental terms processes will be used as a tool here. Statkraft's first concession to be revised is in the Ljungan catchment. The application should be submitted by February 2023.

Operational water management
Climate change leads to more extreme weather with large amounts of precipitation over a short period. Sudden floods can cause major damage, yet hydropower reservoirs can play an important role in mitigating floods. Recently, Statkraft has had to manage its reservoirs more frequently due to changing and extreme weather conditions. For example, when the weather forecast indicates intensive precipitation ahead, our focus shifts from financial optimisation to civil protection. We try to reduce reservoirs water levels in advance, regardless of the power market situation, to enable our reservoirs to absorb the large expected volumes of rain. Reservoirs do not necessarily have the capacity to collect all the rainwater during unpredictable and intense rainfalls.

Under these circumstances, the excess water cannot be used for power generation and will inundate the rivers downstream. To manage water according to several, often diverging, purposes such as power production, flood mitigation and environmental protection is especially challenging in areas where we must keep reservoir levels high to ensure minimum flow regimes as is the case in Høyanger and Trollheim among others.

Resource use efficiency and climate change uncertainty
Getting more out of existing infrastructure is part of our continuous improvement ambition and is also beneficial for the environment, as fewer new interventions in nature will be needed. The output of our hydropower assets can often be improved by a few per cent either through modernisation or upgrade.

Statkraft has 88 years of weather data. However, we have never before registered the combinations of weather types seen in the past few years. Our models put the real observations outside the spectrum of possible results, which indicates that we can't use historical data to predict future trends. For this reason, we are developing new flexible modelling tools which can integrate several types of changes related to climate, the market and also accessible data and globalisation. In order to address these uncertainties, Statkraft has invested in several R&D projects to refine inflow forecasts over the short and long-term and to achieve better performance.

Water quality management
The following examples illustrate various water management issues related to water quality.

At our Çakit hydropower plant (Turkey) a special device has been implemented upstream of the power plant to filter floating debris.

A nitrogen supersaturation phenomenon has been observed in a few of Norway's high-head hydropower schemes. Build up happens due to high pressure, and this has a negative impact on water quality. An R&D project has been initiated in cooperation with NTNU and SINTEF to find more refined detection methods and to reduce gas supersaturation to levels tolerated by aquatic fauna.

Statkraft's hydropower plant in Rheidol (Wales) is equipped with a special decantation basin to reduce pollutants such as heavy metals from old abandoned silver and ore mines which are released during heavy rain episodes.

An R&D program (STRIVAN) was initiated in 2020 with the aim of monitoring sediments in large-scale hydropower reservoirs in order to identify methods and long-term management strategies to optimise sediment management.

Priorities 2021

A key priority for 2021 will be to preserve a maximum of flexibility, both for energy services as well as water management services. We will address climate change uncertainties through increased R&D activity, improving weather forecast capabilities as well as increasing analysis capacity through innovative use of new technologies (drones, satellites, robots) and improved modelling.

Business ethics

AMBITION	TARGET	STATUS
To prevent corruption and unethical practices in all activities	Zero serious compliance incidents	●
	On schedule implementation of compliance measures	●

Comments on performance

- A comprehensive compliance programme is being implemented, including new measures related to training, culture building and risk mitigation in critical business processes.
- Key achievements in 2020 include an in-depth group-wide Business Ethics and Compliance risk assessment conducted across all locations, rolling out a new round of mandatory e-learning, a fraud awareness campaign in light of increased risks arising in the context of Covid-19, rolling out a digital compliance tool for personal data protection.

Key initiatives

- Regular communication and culture building activities, and rolling out training on business ethics
- Regular review of internal controls in key business processes to ensure adequate handling of business ethics risks
- Compliance programme rolled out to new entities in the group
- Strengthening compliance resources centrally and in the line

Our approach

Statkraft is committed to high standards of business conduct. Our Code of Conduct sets out the key expectations for all employees, and our requirements are in line with international good practice. Business ethics is a line responsibility, supported by a central compliance function. We have a comprehensive compliance programme in place covering the areas of corruption, fraud, money-laundering, sanctions and export control, as well as personal data protection and competition law. The compliance programme was audited in 2019. It was assessed as adequate and proportionate to the risks of the Group, and up-to-date with the relevant developments in external legislation and standards.

The Board of Directors exercise oversight of the compliance work through regular discussions on the programme's development. This includes reviewing results from risk assessments and audits and the follow-up plans presented by the administration to address identified improvement areas.

Key risks

Assessments of business ethics and compliance risks are undertaken regularly at the business and staff area level and for the entire Group, which feed into the annual risk reporting to the Board. The risk management process is more extensive for high-risk locations and projects, and always involves a combination of local expertise and central compliance resources. Every three to five years a more in-depth group-wide assessment is conducted, and in 2020 such an assessment took place. The process and methodology for risk assessments is regularly reviewed, and further improvements were introduced in 2020.

The primary corruption risks are related to business development, construction projects and M&A activities, procurement and payment processes, the use of agents and intermediaries, government permit processes, and local stakeholder management. Risks related to personal data protection and competition law were also identified. The risks typically vary depending on the geographical location, technology and type of business activity. These nuances are reflected in the risk maps and action plans for the different business units. New business models, markets and partners, and rapid organisational changes with new offices and new staff have followed as a result of our business development and growth activities. Continuous efforts to maintain a strong business ethics culture are therefore required. The corporate compliance programme is updated annually and on an ongoing basis to ensure continuous mitigation of the risks identified and to reflect lessons from concrete cases and investigations and from audit and reviews.

Status 2020

Training and communication

Statkraft ensures that all employees are familiar with the principles set out in the Code of Conduct and in internal business ethics rules. Digital classroom training sessions were conducted in all major locations in 2020, and e-learning was rolled out to all employees. Tailored training sessions are given to employees according to their risk exposure. In addition, specialised training sessions were organised for the Board of Directors, Corporate Management, high level managers, and staff members in different functions. Business ethics topics have been included in leadership and group events throughout the year.

Our Business Ethics Toolkit is a key enabler for strengthening management engagement and culture building. We regularly update it with new dilemma discussions, success stories and videos and promote it through our training activities and communication. Targets have been set for the frequency of dilemma discussions and other similar initiatives. The performance against these targets is monitored, and efforts are made to promote managers' continued use of the toolkit.

Fraud awareness
Statkraft recognises the increased risk of fraud resulting from the Covid-19 pandemic and launched a fraud awareness initiative aimed at strengthening the resilience of the first line of defence and empowering managers to control risk. The campaign consisted of communication to all employees, new fraud awareness materials and targeted training and communication.

Due diligence of business partners
Statkraft has clear, detailed procedures for handling risks related to third parties. This includes a policy for background checks, contract clauses and monitoring conducted for high-risk contracts. All high-risk business partners (including all agents) are reviewed by the Compliance Unit. The integrity reviews include assessments of the ownership structure (incl. beneficial owners), connections to politically exposed persons and reputational risks associated with the counterparty. Work has been carried out to further combine integrity review requirements into the procurement process and training.

Over the course of the year, compliance concerns were identified in some acquisition processes, and concrete measures were decided for how to handle such concerns. Examples of how this was handled include terminating certain processes and proceeding with others but with an adjusted scope and approach.

Independent reviews were undertaken of the approach to compliance due diligence in merger and acquisitions, in both 2019 and 2020, to review our approach and integrate lessons from external practice. The reviews confirmed that Statkraft's approach is in line with market practice and relevant standards. A new mitigation strategy was developed in 2020 for new business processes and models, such as co-development activities in Europe in the wind and solar sector.

Internal controls
Several initiatives were taken in 2020 to further strengthen internal procedures and controls related to compliance. These include initiating a review of the business ethics and compliance reporting, monitoring and review framework. There were also further developments in the Fraud Prevention System, including adjustment to existing controls in financial processes. Corporate-wide projects focusing on fraud prevention were executed and strengthened controls will be implemented in 2021.

Personal data protection
Following completion of the personal data protection project in 2019, we have further strengthened the process by rolling out a support tool and aligning with IT security and IT governance, risk and control, making the process more efficient and moving towards a one-stop-shop-solution for risk assessments for the line.

Tax
Statkraft pursues a tax strategy that is principled, transparent and sustainable, and which is aligned with Statkraft's Code of Conduct. Statkraft's global tax strategy is approved by the Board of Directors and published on the company's website.

Statkraft is committed to ensuring full compliance with statutory obligations and full disclosure to tax authorities. We believe that a responsible approach to tax is essential for the long-term sustainability of the societies where we are active and our business across the globe.

Statkraft approaches tax in a way that is aligned with our business strategy and which aims at reducing business complexity and cost. We do not engage in artificial tax arrangements and actively consider all implications of tax planning. Moreover, all tax planning is subject to robust review and approval processes and shall:

- support genuine commercial activity
- rely on full disclosure of facts and circumstances to the relevant tax authority
- not use tax regimes considered to be "harmful" by the OECD or EU

We apply the arm's length principle to intragroup transactions, in line with best practice guidelines, unless legally required in order to apply other pricing mechanisms. We do not use tax havens to avoid tax and we pay tax according to where value is created within the normal course of our commercial activities.

Statkraft has established procedures for tax risk management that facilitate appropriate identification, measurement, management and reporting of tax risks.

Priorities 2021
Key priorities planned for 2021 include:

- development of new e-learning materials tailored to the identified risks and target groups' needs for training
- implementation of a new digital tool for integrity due diligence reviews of business partners
- continuing efforts to empower line resources to move forward with compliance work
- work to strengthen the reporting, monitoring and review framework, including fraud prevention initiatives