



The Moglicë hydropower plant in Albania is expected to be completed early 2020, with an installed capacity of 184 MW.

In total, the 256 MW Devoll hydropower project increases the hydropower production capacity of Albania by 17 percent.



2018

Corporate
responsibility

Corporate responsibility

MANAGEMENT OF CORPORATE RESPONSIBILITY

Responsible business conduct

Statkraft is committed to act in a sustainable, ethical and socially responsible manner. In order to operationalise this fundamental commitment, Statkraft takes guidance from globally recognised initiatives and standards, including the OECD's Guidelines for Multinational Enterprises and the IFC Performance Standards on Environmental and Social Sustainability.

Statkraft is a member of the UN Global Compact and adheres to its ten principles on human rights, labour rights, environment and anti-corruption. Members of the UN Global Compact are obliged to report annually on progress in relation to UN Global Compact, and this corporate responsibility chapter functions as Statkraft's progress report. In 2018, Statkraft became a member of Global Compact Nordic Network in order to share experiences and best practice.

Statkraft contributes to the implementation of several of the 17 UN Sustainable Development Goals (SDGs), and has identified Goal 7: Affordable and Clean Energy and Goal 13: Climate Action as the SDGs to which Statkraft aims to contribute the most.

Statkraft's assessment and management of climate change impacts are based on comprehensive analysis, including assessments by the Intergovernmental Panel on Climate Change (IPCC) and the United Nations Framework Convention on Climate Change (UNFCCC).

Statkraft does business globally. As a Norwegian entity, Statkraft complies with Norwegian laws and regulations as well as with applicable laws and regulations of countries where it operates. Statkraft's policy is also to act in accordance with relevant international conventions and guidelines set by international organisations. Where differences exist between applicable laws, regulations and Statkraft's governing documents, the norm which sets the highest standard of behaviour is followed.

Governance

Statkraft's fundamental principles for sustainable, ethical and socially responsible behaviour are described in Statkraft's Code of Conduct, which has been adopted by the Board of Directors. The Code applies to all companies in the Statkraft Group and to all individuals who work for Statkraft, regardless of location. Statkraft's business partners are expected to adhere to standards that are consistent with Statkraft's ethical requirements. Statkraft's

requirements for its suppliers are described in Statkraft's Supplier Code of Conduct.

Management of corporate responsibility

Statkraft's management system sets ambitions and directions and more detailed requirements for a range of areas, including corporate responsibility. The system facilitates a structured and coordinated management across the organisation, and is regularly reviewed to tailor it to new expectations and challenges.

Corporate responsibility is an individual, managerial and line responsibility in Statkraft, and systems are in place to provide employees with the necessary guidance and advice to uphold desired behaviour. At the group level, Statkraft has staff units to follow up on the company's work and performance with regard to corporate responsibility at an overall level.

Statkraft has a decision gate model for major development projects, mergers and acquisitions that aims at ensuring a unified approach to corporate responsibility from an early development phase to operation. A common project management system for the Group, regardless of technology or geography, is under development and implementation is planned in 2019. This includes a dedicated focus on corporate responsibility topics at all stages of the project cycle.

Corporate responsibility performance

Statkraft has conducted a materiality analysis with the aim of identifying the corporate responsibility topics that are most significant for Statkraft as a company. The analysis was conducted according to the principles described in the Global Reporting Initiative Standards (GRI Standards), and the following topics were identified as most significant for Statkraft:

- Safety and safeguarding of people
- Human rights
- Water management
- Biodiversity
- Climate change mitigation, adaptation and preparedness
- Business ethics and anti-corruption

The company has identified Key Performance Indicators (KPIs) for each business- and staff area and at the group level. These indicators also cover aspects of corporate responsibility, which are regularly reviewed by Corporate Management and the Board of Directors. Statkraft has in 2018 developed new targets for a range of topics, including corporate responsibility areas. Corporate responsibility topics are also included in Corporate Audit's annual plan.

Statkraft has implemented a system for registration and follow-up of non-compliance and potential improvements. The system facilitates structured handling of measures, analysis of incidents and improvements, and learning across the organisation.

Reporting on corporate responsibility

Statkraft's corporate responsibility reporting is based on the GRI Standards, which include disclosures for a range of topics, as well as reporting principles related to the reporting process.

Statkraft believes that the reported disclosures (indicators) capture the most of the material topics for the company, while also taking into account expectations from our stakeholders. Statkraft's information about corporate responsibility has been developed in accordance with the Core option in the GRI Standards.

Corporate responsibility data is collected from all companies and projects where Statkraft is the majority owner, and included in the statement in its entirety. The statement covers activities and sites in all phases from project planning to operation.

Statkraft has engaged Deloitte AS to conduct a review and provide a limited level of assurance on Statkraft's corporate responsibility information.

Stakeholder dialogue

Statkraft develops its business in a way that adds value to its shareholder as well as the countries and local communities in which it operates. The ambition is to establish an open dialogue on sustainability issues with all stakeholders that are impacted by the company's activities. Important partners in these dialogues include government officials, local and regional authorities, local communities, rights holders, employees, customers, suppliers, research institutions, non-governmental organisations, voluntary organisations and the media.

Supply chain management

The basis for Statkraft's supply chain management is Statkraft's Supplier Code of Conduct. Suppliers are expected to meet these requirements throughout their relationship with Statkraft. Statkraft's suppliers are informed about the Code and other relevant requirements during the procurement process and are legally bound to these by contract.

During 2018 an assessment of Statkraft's efforts related to ensuring responsible supply chain management was carried out, and based on the findings improvement areas were identified. Statkraft is initiating a project in 2019 in order to address these areas.

Reporting of concerns

Statkraft works to ensure transparency surrounding dilemmas and ethical issues, and systems are in place to provide all employees with guidance and advice with regard to interpretation of Statkraft's Code of Conduct and desired behaviour.

Statkraft has an established system for reporting of concerns. Employees are encouraged to report concerns, and Statkraft's Code of Conduct emphasises that employees have both the right and responsibility to report breaches of legal or ethical obligations through the line organisation or Statkraft's whistleblowing channel which is managed by Corporate Audit. (Statkraft's subsidiary Skagerak Energi implemented a separate external whistleblowing channel in 2018).

Reporting can be made anonymously, and the whistleblowing channel is also available for externals via Statkraft's website. In 2018, a total number of 55 concerns were reported, where 11 were reported through the whistleblowing channel. In total Statkraft received 12 anonymously reported concerns. The concerns were mainly related to the areas of human resources, conflict of interest, corruption and other business ethics concerns.

The reported concerns are assessed and followed up according to the group requirements. Some of the reported concerns are closed after an initial evaluation by the line management or by Corporate Audit, some are followed up further with necessary measures in the relevant line organisation or by Corporate Audit, and in some cases an internal investigation is needed to clarify the facts. This is decided based on a risk assessment. Corporate Audit is responsible for performing such investigations in Statkraft. In 2018, Corporate Audit initiated three investigations. The investigations concluded in 2018 did not identify material violations of law.

STATKRAFT'S CONTRIBUTION

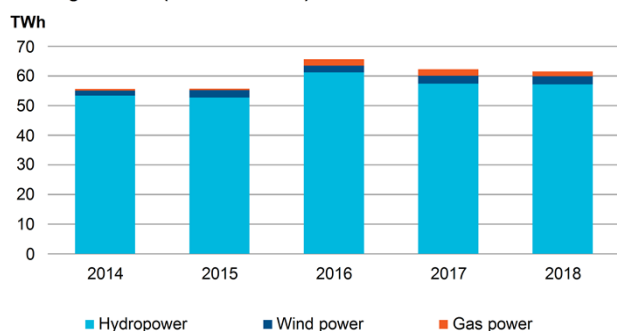
Statkraft supports a global transition towards a low-carbon economy by offering renewable and sustainable energy solutions, and the company's growth will be solely within renewable energy technologies. Renewable energy is key to combating climate change, and Statkraft is part of the solution for a cleaner future.

Statkraft's activities contribute in different ways to global, national and local economies through dividends to our shareholder, taxes paid to governments, our global and local procurement activities, direct employment in many countries, R&D and social investments. The company also contribute to the promotion of good business practices through our responsible business conduct and knowledge about climate change.

Statkraft's business

In 2018, 97.6% of Statkraft's power generation was based on renewable energy sources, and 92.7%, or 57.2 TWh, came from hydropower. The carbon intensity of Statkraft's power generation was 9 kg CO₂/MWh in 2018. As an energy technology, hydropower has many advantages, including high efficiency, low operating costs, longevity, high flexibility and low carbon intensity. The large Norwegian water reservoirs enable electricity production even in periods of reduced inflow. This flexibility is particularly important in order to balance the increasing amounts of intermittent electricity production from wind power and solar power.

Power generation (Statkraft's share)



Power generation in Statkraft by technology in 2014-2018.

The development and operation of hydropower plants facilitate multiple uses of watercourses and water regulation structures for example irrigation, drinking water supply, transportation and recreation. In addition, reservoirs utilised for flood control are an important safety function of assets in operation. Such use of installations will be even more important in the future as the consequences of the climate changes become more apparent.

Wind power is a renewable energy technology with few environmental impacts and next to no emissions. Statkraft

continues to develop and operate onshore wind farms in the Nordics as well as in the UK and Ireland.

A sharp reduction in the cost of solar panels has made solar power the fastest-growing energy source in the world. At the same time, solar power is becoming commercially viable in an increasing number of markets, renewing Statkraft's interest in solar power investments.



Statkraft's first solar park in Germany was constructed in 2018, next to the hydropower plant in Dörverden. The 750 kW park is a test site for the combination of solar power and batteries.

In countries where Statkraft is present, the company also contributes to more optimal utilisation of energy resources through its services related to market access, remote control of renewable assets and virtual power plants.

Statkraft's non-renewable energy generation includes gas-fired power generation and fossil-based peak and reserve capacity in district heating production. Gas power is considered by many as a transitional technology. This technology generates CO₂ emissions, but the emissions are substantially lower than for coal-fired power plants. Like hydropower, gas power contributes to flexibility in the European energy markets.

Sustainable Development Goals

Statkraft's business contributes to the implementation of the UN Sustainable Development Goals (SDGs). Among the 17 goals, Statkraft has identified Goal 7 "Affordable and clean energy" and Goal 13 "Climate action" as being the goals to which the company contributes most significantly. Statkraft also contributes to the realisation of other SDGs, such as Goal 2 "Zero hunger", Goal 5 "Gender equality" and Goal 8 "Decent work and economic growth".

Statkraft's main contribution and core achievements in 2018 related to the UN SDGs are presented in the following table.

CORE SDGs FOR STATKRAFT	STATKRAFT'S MAIN CONTRIBUTION	ACHIEVEMENTS IN 2018
 7 AFFORDABLE AND CLEAN ENERGY Ensure access to affordable, reliable, sustainable and modern energy for all	Renewable energy is key to combating climate change. Statkraft is part of the solution for a cleaner future. All new investments in Statkraft will be in renewable energy. Core elements in Statkraft's new strategy include optimisation of the company's hydropower portfolio and other flexible generation and ramping up as a solar and wind asset developer. Through its project development, Statkraft also provides electricity to local grids and expands local electricity grids around project areas to communities that do not have access to electricity.	In 2018, Statkraft's power production amounted 61.7 TWh and in addition 1.1 TWh district heating. 97.6% of the power generation was renewable, and another 865 MW renewable energy is under development. In addition to the broader production delivered, Statkraft has also completed specific projects to extend access to affordable and clean energy to rural communities in disadvantaged regions. One example is Statkraft's efforts to assist the Khimti Rural Electricity Cooperative in Nepal in connecting to the national grid and expanding operations to supply electricity to additional rural communities. As of 2018, 8500 households have been given access to the electricity grid as a result of this initiative.
 13 CLIMATE ACTION Take urgent action to combat climate change and its impacts		
OTHER SDGs FOR STATKRAFT	STATKRAFT'S MAIN CONTRIBUTION	ACHIEVEMENTS IN 2018
 2 ZERO HUNGER End hunger, achieve food security and improved nutrition and promote sustainable agriculture	An important target of project development for Statkraft is to ensure that any loss of land, production or access to resources is compensated in a sustainable manner, thereby contributing to future development of sustainable agriculture.	Statkraft has a number of ongoing programmes to restore livelihoods impacted by the company's projects, including examples in Albania and Turkey. Statkraft also has specific initiatives in place to collaborate with local communities to improve food security, such as the initiative to promote improved food security in communities impacted by the company's projects in Peru.
 5 GENDER EQUALITY Achieve gender equality and empower all women and girls	Statkraft has a clear commitment to gender equality in all its activities. Zero tolerance for discrimination, bullying and harassment are core tenets of Statkraft's people policies.	Statkraft continued efforts to improve the gender balance in 2018, and work is ongoing to define initiatives tailored to the industry sector and different geographies. As part of project development, Statkraft also invests specifically in gender empowerment activities in local communities affected by the company's projects. Such initiatives were for instance undertaken in Peru, Chile, Nepal and India aiming at promoting women's economic activities, education and institutional capacity building.
 8 DECENT WORK AND ECONOMIC GROWTH Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Statkraft's approach to mitigating social impacts is framed in the context of sustainable local and regional economic development. Benefit-sharing is an important and integrated part of this work.	In 2018 social development programmes were implemented in project communities in Peru, Brazil and India, either in accordance with permits and regulations or as social development programmes. Social development programmes are primarily focusing on agriculture, improved market access and skills training.

SOCIAL DISCLOSURES

Health and safety

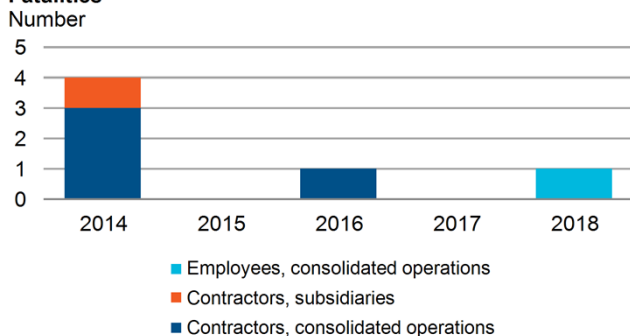
AMBITION	TARGET		STATUS
Prevent incidents and be committed to a workplace without injury or harm	Zero serious injuries	7	●
Protect health and well-being of staff	Sick leave < 3.5%	3.3%	●
Supporting initiatives - Managers at all levels providing leadership and driving cultural change - Encourage and measure management and employee engagement - Strengthen the focus on high risk activities and preventative measures - Provide training to build the required competence - Ensure learning from incidents and best practices			
Comments on performance - The red status reflects the fact that in spite of the high focus and efforts one employee died as a consequence of a work related accident. In addition, six employees and contractors suffered serious injuries. - The Powered by Care programme and the efforts to continually improve health and safety performance and culture have continued as a priority in 2018. Key elements include implementation of the life saving rules for high risk activities, increasing engagement of employees and managers, learning and sharing across the organisation, and roll-out of the Powered by Care e-learning course. Also, a process for safer operation and maintenance activities has been implemented, reducing risks related to energised systems.			

Health and safety risk

Caring for people is at the core of Statkraft's culture and we work continuously towards the goal of zero injuries.

Health and safety risks arise from Statkraft's activities in construction projects, operations and maintenance, and our presence in various geographical locations, as well as in 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 have highest risk.

Fatalities



Fatalities in Statkraft's operations (≥20% ownership) in 2014-2018.

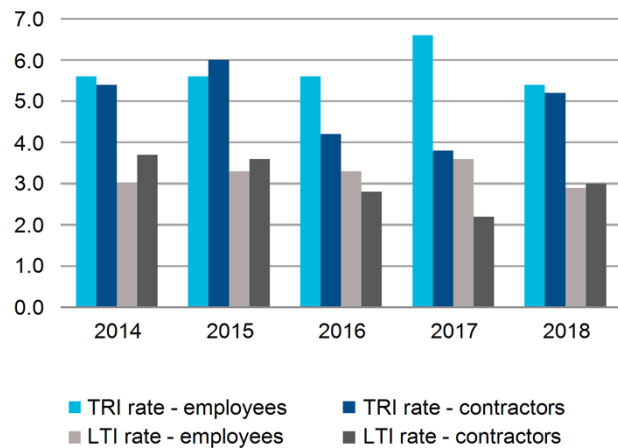
Accidents

Tragically, an employee died from injuries sustained following a work related fall accident at the Moglicë Project in Albania on 28 April 2018. The accident has been investigated and mitigating actions have been implemented at the project level as well as across Statkraft in order to ensure learning and preventing recurrence.

In addition, six employees and contractors suffered serious injuries in 2018. A total of 31 accidents and near-accidents were classified as having high risk potential. Most of these accidents and near-accidents were associated with driving, energised systems, ground works, lifting operations, heavy mobile equipment and working at heights.

The Lost Time Injury rate (LTI rate) was 2.9 among Statkraft's employees while LTI rate among Statkraft's contractors was 3.0. Correspondingly the Total Recordable Injury Rate (TRI rate) among Statkraft's employees was 5.4 and 5.2 among Statkraft's contractors. In total, 107 injuries were recorded for Statkraft's employees and contractors, whereof 59 were lost-time injuries.

LTI rate and TRI rate for employees and contractors
Number per million hours



LTI rate and TRI rate in Statkraft's operations ($\geq 20\%$ ownership) in 2014-2018.

Sick leave

Sick leave in Statkraft is at a stable low level and was 3.3% in 2018, which is within the goal of a sick leave rate not higher than 3.5%.

Health and safety improvement programme

In 2015, a step change programme was launched for further improvements within health and safety. This improvement programme, entitled "Powered by Care", continued in 2018 with a focus on the elements listed below.

Leadership and commitment

Statkraft's Corporate Management clearly demonstrates their commitment to a workplace without injury and harm as communicated through their Powered by Care commitment statement. During 2018, management throughout Statkraft has actively engaged and participated in the roll out of the new Life Saving Rules.

Serious injury mitigation

A Serious Incident KPI has been introduced, measuring serious injury rates, as well as focusing on accidents with high potential. Serious incidents are subject to investigation in order to identify causes, and lessons learned from such incidents, including identifying possible preventative measures. The results are shared across the organisation. Life saving rules with the aim of avoiding serious and fatal injuries have been rolled out and implemented. These rules are based on experience of high risk activities in Statkraft's operations and global knowledge from similar industries.

Engagement KPIs

Leading indicators are in place to encourage and measure employee and management engagement in health and safety. These measure activities such as risk observations, improvement proposals, positive observations and Safe Job Dialogues. A positive development of these KPIs has continued since their introduction in 2016.

CEO's HSSE Award

An HSSE Award scheme is in place to encourage activities that contribute to improved results within this area. This has resulted in great engagement across the organisation.

The award for 2018 was given to Markets & IT Peru for their innovative improvements related to safety when measuring river flows. This was earlier considered a high risk activity, but with use of the new Acoustic Doppler Current Profiler technology personnel no longer need to work over water bodies, thus significantly reducing risk. The time required for this work has also been reduced. This new technology has the potential for being shared and for a wider application related to bathymetry and dam inspections. Furthermore, the effort is part of a generally high health and safety focus in Statkraft Peru, with wide engagement through training and campaigns such as "say-no", safety stops and family days.

Other top nominations competing for the award were also recognised. These included:

- The Hammargård district heating plant in Kungsbacka, which has initiated and completed an initiative to make the plant fossil fuel-free.
- The Khimti-I hydropower plant in Nepal, which has put in an extensive effort to ensure Glacial Lake Outburst Flood (GLOF) preparedness.
- The Maintenance Group Vinje in Region South Norway, which has developed a new solution for safer inspection of shafts.

Sharing and learning

Collaboration takes place within and across business areas in order to share and learn from incidents, health and safety programmes and best practices. Regular network meetings, as well as an annual conference is arranged to help facilitate this process. An intranet portal has been introduced to help improved collaboration and more effective use of resources across the organisation. This provides easy access to documents, materials and tools, as well as functionality for finding expertise, having discussions and sharing content independent of organisational or geographical boundaries.

Health and safety training

Appropriate competence is a prerequisite for a strong health and safety culture and Statkraft employees are provided with training according to their individual needs and working situation. Modular e-learning is made 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, modules to support the Life Saving Rules roll-out, and project specific training, such as for the Fosen wind project. Some of the e-learning is mandatory for employees and/or contractors, depending on their roles, risks and working situations.

Third party safety

Statkraft's activities have significant interfaces with third parties. Dam safety is in the core of the company's work on caring for people.

Statkraft's dam safety measures are carried out according to legal and regulatory requirements. Statkraft performs maintenance on dams and appurtenant structures within a strict and controlled system. The company has developed detailed procedures and plans and thereby ensure that these structures are not posing a threat to life, property or environment. These plans include periodic inspections and surveillance, main inspections and reassessment.

Statkraft assesses, classifies and manages each dam, appurtenant structure and waterway according to the downstream consequences. The strictest requirements for construction and supervision are given to the dams with the highest consequences.

Emergency preparedness

Events ranging from adverse weather and earthquakes to cyber-attacks and political unrest have the potential to negatively affect operations. Statkraft's capability to handle serious and unwanted

emergency events is a constant priority, and significant improvements have been made over the last two years. A group requirement on Emergency Response Management was introduced in 2017 with the purpose of ensuring a common approach to emergency response across the company. This emergency response requirement is founded on the best practice principles of responsibility, parity, proximity and cooperation. Statkraft emergency response is based on the use of dedicated, temporary teams organised in three tiers with different tasks and responsibilities. This approach aims to enable Statkraft to simultaneously handle emergencies at local, regional/national and strategic levels.

In 2018 extensive training was conducted across the company to ensure a uniformed response. Crisis managers have gone through a specialist training regime, and Statkraft has in addition strengthened its training on personnel emergency response.

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

Security

AMBITION	TARGET	STATUS
Actively prevent harm to people and assets through a systematic approach	Implementation of identified supporting initiatives	
Supporting initiatives		
Improve processes and capabilities for security management		
Comments on performance		
- The main reasons behind the green status are a more strategic approach to security as a business enabler, proactive handling of security incidents and improved information security awareness. Key achievements in 2018 include improved operational abilities to protect, detect and handle IT security incidents, positive trends in information security awareness, and improved emergency response capabilities. - Key measures planned for 2019 include aligning with new national security regulations, carrying out travel requirement project, and enhancing the security risk assessment process.		

Security management

Statkraft has a comprehensive approach to security topics and follows international good practice for security management. Security refers to the ability to keep people, operations, information and systems secure from intentional harm or damage. In countries with Statkraft presence or interests, security matters are addressed through a risk based approach. Local, national and international resources are utilised to create situational awareness regarding security, and Statkraft has a well-established relationship with both local and global security companies. Statkraft participates in national and international networks, like the Norwegian Business and Industry Security Council (NSR), to ensure an up-to-date understanding of the security risks.

Statkraft assesses security risk by analysing threats, vulnerabilities and consequences in accordance with Norwegian Standard NS-5832. Conducting security risk assessments is a line responsibility, supported by the Corporate Security & Emergency Response department and the Corporate Information Security organisation. In 2018, Statkraft started a project to enhance security risk assessments in the company.

Statkraft uses a wide range of measures to reduce security risks, which are in general divided into physical, personnel, information and IT security. Sudden changes in a security situation will trigger immediate measures, such as reinforced security and travel restrictions.

Statkraft utilises for the most part unarmed security guards to enforce local security, but in some countries where national regulations or the security situation dictates this, armed security is used. This is the case for some operations in Nepal, India and Peru.

Statkraft's security structure is likely to be impacted by changes in national regulations in several countries and Statkraft is currently working with the different national energy authorities on this matter.

Information security

In Statkraft, information is a valuable asset owned by the various business areas. Information security is of the highest 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.

During 2018, Statkraft experienced a positive trend in information security awareness. There is a significant increase in the number of security risk assessments (ISRA) and assessments of IT systems and third parties. In addition, there has been a significant increase in reported suspicious emails.

To ensure common awareness and to mitigate behavioural risks, all units in Statkraft are offered awareness workshops and dilemma training related to information security.

In 2018, Statkraft executed an information security campaign addressing risk behaviour focusing on email and phone scams, secure sharing of information and the use of secure storage devices.

IT security

Statkraft faces threats from amateur opportunists and professional criminals, as well as industrial espionage and foreign states' intelligence activities. Their attack methods are changing from the traditional networking attacks to targeted attacks on single employees, causing a change in how to manage IT security. Statkraft has continued to improve its operational abilities to protect, detect and handle IT security incidents in 2018.

Security incidents

In 2018, 154 security incidents were reported, and 26 of these were assessed to be serious. Of these incidents, 116 were handled by the cyber security team, including 22 serious incidents that were detected and blocked at an early stage. The majority of the serious incidents related to IT security were related to targeted phishing emails.

One of the serious incidents was related to an illegal occupation of Statkraft's office in Osorno in Chile in October. The occupants were evicted by the local police. One police officer suffered minor injuries and the office was rampaged.

Human rights

AMBITION	TARGET	STATUS
Act according to the United Nations Guiding Principles on Business and Human Rights	Implementation of identified supporting initiatives	
Supporting initiatives		
- Follow developments related to increasing international and national expectations related to human rights management and improve the practices accordingly, starting with large-scale and international projects. - Ensure adequate implementation of training programs on human rights. - Strengthen and promote grievance mechanisms, including at the project level. - Enhanced follow-up of human rights in the supply chain.		
Comments on performance		
- Key achievements in 2018 included awareness training on salient human rights for management teams across the organisation. - During 2018 an assessment of Statkraft's efforts related to ensuring responsible supply chain management was undertaken, and several improvement areas were identified with regards to follow up on human rights issues. - Key measures planned for 2019 include supporting a strengthened focus on human rights in decisions making processes, particularly related to new capital investments and M&As, and improving the management of human rights issues in the supply chain.		

Human rights principles

Statkraft's work on human rights is based on the internationally recognised United Nations' Guiding Principles on Business and Human Rights. Statkraft's policy commitment on human rights is reflected in Statkraft's Code of Conduct. This commitment is publicly available and communicated internally and externally to personnel, business partners and other relevant parties. Since its

adoption in 2009, Statkraft has worked to reflect this commitment in its governing documents and processes so as to embed it throughout the company. Continuous work on strengthening the integration of human rights into governing documents and processes relating to social management, procurement and security arrangements are examples.

In 2018, Statkraft has continued to embed its policy commitment on human rights in the organisation and has prioritised its efforts on its salient human rights issues. These comprise local community acceptance, including by indigenous peoples, labour rights, health and safety, and security arrangements. As a result, new governing documents and tools were developed this year on indigenous people's rights, on labour rights in the supply chain, land acquisition or land use, as well as on security arrangements. Human rights continue to be a salient issue in large-scale development projects such as Fosen (Norway), Devoll (Albania), Los Lagos (Chile) and Tidong (India).

The assessment undertaken in 2018 of the current efforts related to corporate responsibility management in the supply chain points to a need to further improve the management of human rights issues in the supply chain. Work is planned as part of a new project in 2019 to undertake updated assessments of human rights risks in the supply chain, and to strengthen the approaches used to manage these risks.

Human rights training

Statkraft's training programme continued to be rolled out at senior management and country head levels, as well as for all critical functions and geographies. The training components include a presentation of external and internal expectation, as well as an introduction to Statkraft's salient human rights issues and lessons learned.

While the training includes the same basic components, all training sessions are tailored to the audience and the particular potential impact of activities related to respective groups. In November 2018, Statkraft arranged a two-day workshop on Business and Human Rights in Chile with the participation of key staff from our offices in Peru, Brazil and Chile. External guests to the activity included representatives of the Chilean office of UN High Commissioner for Human Rights.

Networks

Statkraft is a member of the Nordic Business Network for Human Rights, a professional network for global companies, which work with human rights' impacts on their organisations or supply chains. The Network has an overall focus on capacity building and makes use of both human rights experts and peer-to-peer learning. An important objective for the network is to develop applications of the various human rights frameworks to practical business contexts.

Consultations

In 2018, consultations and engagement with a wide range of local stakeholders, including indigenous peoples, continued to take place.

Agreements on mitigating measures and compensation for additional measures during the construction phase have been entered into with the two reindeer herding groups in the Fosen wind farm project in Norway. Discussions are proceeding to reach an agreement for the operation phase.

Statkraft has wind farms in operations in Sweden close to the Sami communities of Ohredahke and Jijnjevaerie, and the company maintains a regular dialogue with community representatives as part of its consultation and engagement initiatives.

Development initiatives

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

One example is from Peru, where one of the main challenges that communities need to overcome for the implementation of local development initiatives is the difficult access to governmental financing sources. To address this, Statkraft Peru launched a training initiative in 2018 to improve project management capacity in communities in the vicinity of the company's projects. The initiative is part of the newly established "Education and Awareness" focus area of the corporate responsibility programme in Peru.

Another example is from Albania, where Statkraft in 2018 supported an initiative offering free health checks for women in the area around our Banjë HPP operations. To date more than 250 women have benefited from this campaign and a total of more than 400 are invited to participate.

Sharing knowledge

Statkraft continues to provide expertise for the International Centre for Hydropower (ICH) which holds courses on project management, dam safety, social, environmental and finance themes for government representatives, investors, companies and other stakeholders from emerging markets. The goal of ICH is to increase competence, share knowledge and promote good international standards in the hydropower industry globally. In 2018, Statkraft provided lecturers for courses and workshops held in Trondheim and Oslo, and at regional events in Asia and South America.

Labour practices

AMBITION	TARGET	STATUS
Develop diversity in background, competence and gender across the company	Long-term target of 40% women in top management positions	23% 
Supporting initiatives - A recruitment policy that requires diversity among candidates for all leadership positions, with both men and women represented in final evaluations. - A target of 30% female participants in leadership development measures.		
Comments on performance - In 2018 efforts continued to improve the company's gender balance. At the end of 2018, 25% of the Group's employees were women, and the percentage of women in management positions was 21%. 30% of employees attending leadership development programmes in 2018 were women. - To reach the long-term target, Statkraft will increase its efforts to further develop the company's work related to diversity and inclusion. Some measures have already been initiated, including implementation of unconscious bias training for leaders and an improved organisational survey that will better monitor employee perception over time.		

Labour rights

Statkraft supports and respects internationally recognised labour rights including freedom of association and the 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.

Developing the organisation

Statkraft's new strategy builds on existing business models and core capabilities, but also explores new business models that will require new organisational capabilities. On 1 October Statkraft's organisational structure was adjusted to achieve these new strategic priorities. Statkraft's employee engagement survey was conducted in November 2018 with a response rate of 91%. The survey showed high and stable motivation and satisfaction. The result on total score for employee engagement was 78%.

Labour and management 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.

Wherever it operates, Statkraft supports and respects internationally recognised labour rights. Relevant ILO conventions and 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.

Training and development

Statkraft launched a new onboarding program in 2018. The aim was to develop a more flexible and targeted on-boarding process based on organisational affiliation and individual work tasks. In addition to this, it is mandatory for all new employees to complete training in HSE, anti-corruption and information security within the first weeks of employment. In Statkraft's people performance process, the company's strategy and targets are cascaded into individual target development plans for each employee or team.

Statkraft offers training in core business processes such as operations and maintenance, energy management and project management, as well as business ethics, safety, and leadership through the Statkraft Academy. A special effort has been made to support the continuous strengthening of Statkraft's emergency preparedness. Mandatory training on personnel emergency response and next-of-kin handling has been developed and implemented.

Diversity and inclusion

Statkraft encourages a culture that capitalises on the diversity of its people and the inclusion of ideas and perspectives that challenge norms, drive innovation and help meeting the needs of diverse customers and stakeholders. A clear commitment to equal treatment and zero tolerance for discrimination, bullying and harassment are core tenets of Statkraft's people policies.

At the end of 2018, Statkraft had approximately 3600 employees and 43% are working outside Norway. Statkraft has employees in 15 countries, representing 57 nationalities. At the end of 2018, 25% of the Group's employees were women, and the percentage of women in management positions was 21%. The percentage of women in Statkraft's Board of Directors is 44%. Average service time in Statkraft is 12 years, while turnover in 2018 was 4.2%.

Statkraft will continue the work to embed diversity into people development processes in order to reflect and encourage the value of individual and unique contribution. To build a better understanding of the levers that drive inclusion in Statkraft, monitoring and following up on employee perception over time are seen as essential.

ENVIRONMENTAL DISCLOSURES

Biodiversity

AMBITION	TARGET	STATUS
Deliver climate-friendly, renewable power and taking responsible environmental measures	Zero serious environmental incidents	●
Supporting initiatives - Enhanced tracking and communication of performance on the systematic handling of biodiversity, e.g. red-list species, critical habitats and presence in protected areas. - Increased understanding of our impacts on biodiversity, and adequate handling in project development and operation.		
Comments on performance - Statkraft had no serious environmental incidents in 2018 and undertook a broad range of initiatives, either required by the authorities or voluntarily, aimed at preserving biodiversity. Assessing environmental risks on biodiversity is part of Statkraft's daily risk management procedures and practices. For this reason the status is marked as green. - Key achievements for 2018 comprise mapping and improvement of habitats for species of particular concern which are affected by Statkraft's activities. In project areas detailed lists of red-list fauna and flora species are maintained. Initiatives to increase awareness about biodiversity among employees are carried out. During the revision of terms processes in Norway, several studies have been completed to evaluate environmental enhancement measures. First measures in a series of measures have already been implemented. - Key measures planned for 2019 are the monitoring of biodiversity and species of particular interest in project areas, whether mitigation measures are adequate and monitoring levels are sufficient.		

Management of biodiversity – key issues

Statkraft is active in a variety of countries involving a broad spectrum of climates and institutional systems. The company's main energy sources are water and wind. Both hydropower and wind power are renewable and climate-friendly generating technologies, which help to combat climate change and to preserve species threatened by global warming. However, all forms of energy production leave a footprint. Statkraft is committed to manage the negative impacts generated by its activities in a responsible manner.

While wind turbines may represent a specific challenge for birds and terrestrial ecosystems, hydropower facilities have an impact especially on aquatic species and ecosystems. Statkraft is hence

monitoring particularly birds, such as eagles, and aquatic species such as salmon, sea trout, eel or fresh water mussels.

Improving conditions for aquatic species

Statkraft is the largest operator of wild fish hatcheries in Norway with a total of six facilities throughout the country. Together with the Norwegian Environmental Agency Statkraft manages a gene bank at Bjerka in Northern Norway to preserve the unique genetic material of five different wild salmon species from 188 distinct sources. Operations are carried out in collaboration with stakeholders. In the river basins of Surna, Suldalslågen, Ulla and Skien, Statkraft has agreements with local fishing associations to catch adult salmon ready to spawn so that their roe and milt can replenish our hatcheries.



Statkraft's genbank at Bjerka in Northern Norway shelters eight basins of 80 m³ each and comprises between 3000 - 5000 fish. Genitors often live in the genbank 10 years and are ready to spawn after 3 - 5 years. All fish are registered individually and milt and roe is normally harvested once a year.

Statkraft continuously seeks to enhance living conditions for fish in regulated waterbodies. Historically, stocking of fish was an essential measure to maintain healthy fish populations in Norway, until it was discovered that their survival rate is higher when fish mature in the river itself rather than in hatcheries. Therefore, Statkraft has begun to stock more roe and juvenile fish. At the same time, improving fish habitat and spawning areas has been prioritised. Efforts are also made to sustain the migration of anadromous fish by building fish passages, which increase their habitat area. In Norway, the long-term goal is to achieve self-sustaining fish populations, wherever possible. Monitoring studies conducted in cooperation with the regional authorities have shown that trout populations have become self-sustaining in five reservoirs of the Bjølvo catchment and the Bjoreio River. Therefore, the stocking of trout from hatcheries is no longer necessary in this area.

In Southern Norway, a particular species of large brown trout lives in the Tokkeåi River. Statkraft has developed an action plan in collaboration with authorities, academia, local municipalities and local interest organisations to improve spawning grounds and living conditions for this brown trout. Statkraft has during 2017 and 2018 implemented improvement measures such as landscaping river beds with rocks and gravel, opening up tributaries and modifying weirs to ensure adequate water coverage of these habitats.

As eels are a seriously threatened species in Europe, Statkraft has special programmes to manage them in areas where eels have to migrate through the company's project areas in Sweden and Germany. To develop appropriate measures facilitating fish migration, an integrated approach combining specialist competence in fish biology, hydrology and engineering is necessary.

Other environmental enhancement measures

In Sweden, an environmental mapping of the Lagan, Nätraån and Indalsälvan rivers has been concluded to assess their ecological status and potential environmental enhancement measures. Statkraft also participated in a multi-stakeholder research project investigating effective means to improve the riverine ecosystem in the regulated Ume River. Placing large stones along the river's shore not only protected it from erosion, but also improved the shoreline vegetation coverage and the habitat for grayling.

Hydropower R&D

Statkraft aims to be a driving force in hydropower R&D. Statkraft cooperates with national and European research institutes, and participates e.g. in the EU funded FIT Hydro R&D project focusing on fish friendly innovative technologies for hydropower. The project focuses on mitigation measures and strategies to develop cost-efficient environmental solutions and on strategies to avoid individual fish damage and enhancing population developments. Statkraft contributes with a case study about two-way migration facilities for fish in Anundsjö in Sweden.

Biodiversity in Brazil and Chile

Brazil is the country with the greatest biodiversity in the world. Statkraft's assets are located in two different biomes, 15 in the Atlantic forest region with a biodiversity similar to the Amazon forest and with several endemic species, and three in the Caatinga biome in the northeast, which is a biome that is endemic to Brazil with species only to be found there. All environmental management and monitoring programs are reviewed every 2-3 years as part of a strict permitting and auditing process in Brazil.

In Chile, Statkraft is implementing a range of programmes on the Tinguiririca River. These include protecting nesting sites for the Tricahue Parrot and habitats of the Torrent Duck and freshwater catfish, as well as reforestation and biodiversity offsets for the local La Isla Ecological Park.

Wind power and environmental impact

Wind power is a renewable technology with next to no emissions. In general, it takes only six months for a wind turbine to generate the same amount of energy that it took to produce the turbine itself, while the lifespan of a wind turbine is normally 25 years.

Noise and landscape aesthetics are the most important environmental impacts when establishing new wind farms. By looking for a site with both good wind resources and a reasonable good connection to a grid, one often ends up in rather remote areas. Building wind farms and the associated infrastructure in remote areas can impact the living conditions of rare plants and animals, directly or indirectly, and may change the conditions for grazing animals as well as for recreational activities. Even if the actual land use for construction sites, roads and wind turbines themselves only amounts to 2-3 percent of the total wind farm area, the presence of human beings, or the disturbance caused by operations of the wind turbines, such as noise, may affect the biological conditions outside the actual wind farm area. To design solutions that consider all these aspects, Statkraft cooperates closely with national and local authorities, land owners and other stakeholders. Some negative impacts can be avoided or minimised by good planning and siting, others can be mitigated or compensated ecologically through offsets.

During the planning, construction and operation of wind farms, Statkraft strives to reduce negative environmental impacts. This includes mapping of biodiversity values and sensitive areas early in the planning phase, and compiling information on red-listed bird species and their habitats in and around the construction sites. In some cases no-work zones close to "active territories" for focus bird species have been established during the breeding season. A lot of research has been carried out on wind farm impacts on birds over the last decade and Statkraft has participated actively in these R&D activities. The impacts on terrestrial mammals are on the other hand not that well understood. Statkraft is therefore supporting R&D initiatives in Norway, especially focusing on semi-domesticated reindeer. This is important as reindeer migratory routes that pass through or near to wind farms are a core part of the traditional Sami cultural livelihood.

Climate neutrality and GHG emissions

AMBITION	TARGET	STATUS
Contribute to the transition to a more climate friendly and sustainable energy system, and continuously seek to maintain a low climate footprint from operations	Growth 100% in renewables	●
	Emissions from consumption of electricity 100% neutralised with guarantees of origin from renewables	●
	100% of remaining unavoidable greenhouse gas emissions are compensated with Certified Emission Reductions (CERs)	●
	Reduction of non-ETS greenhouse gas emissions according to set ambitions	●

Supporting initiatives

- Further the understanding of the impact of national and international climate policies on the business and, as appropriate, provide Statkraft's perspectives, including on carbon pricing, to relevant stakeholders.
- Improve the market and strategic analysis in order to incorporate climate change induced changes.
- Further common understanding on how climate change affects all assets and continue to evaluate new business opportunities accordingly, based on company-wide climate assumptions.
- Contribute to scientific methods for assessing the climate impact of the business.

Comments on performance

- The power generation capacity based on renewables was increased by 353 MW, to a total of 17 831 MW, and a new strategy with strong growth ambitions within renewables was adapted.
- Implementation of the new strategy, with growth in solar, wind and hydro, will be a key focus in 2019.

Climate neutrality

Statkraft is a major producer and provider of renewable power and heat and thus contributes to a cleaner world. Even so, Statkraft contributes to emissions through its gas power plants and in a minor way in district heating production. The gas power plants can provide flexibility which is required to integrate an increasing and large share of intermittent renewables in the European power system. As coal still plays a major role in these markets, gas also contributes to reducing the total carbon intensity. This production is compliant under the EU Emission Trading System (EU ETS), and emissions are compensated with European Emission Allowances (EUAs).

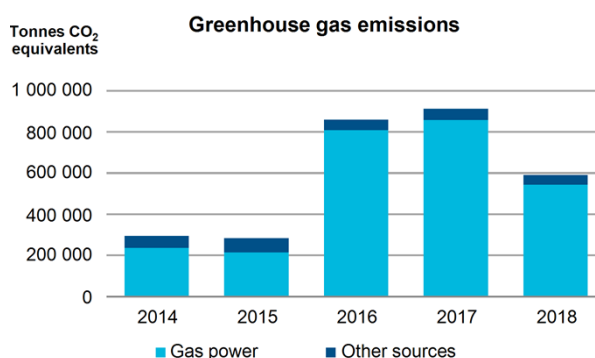
Statkraft also contributes to emissions through regular business activities such as travels and construction activities. These activities are constantly being reviewed in order to identify possible reduction measures. Statkraft has signed the Climate Neutral Now Pledge. In line with this, long term emission reduction targets for fuel consumption related to the company's operations and travel have been established and unavoidable emissions are compensated with UN Certified Emission Reduction Units (CERs).

Statkraft's GHG emissions

In 2018, Statkraft's total emissions of CO₂ equivalents amounted to 590 400 tonnes (including Statkraft's share Herdecke gas power plant in Germany). This corresponds to a relative emission of CO₂ equivalents of 9 kg/MWh. The majority of the GHG

emissions is related to the company's gas power plants in Germany. In 2018 this share was 92% and amounted to 544 000 tonnes CO₂ equivalents.

One example of climate related measures in 2018 is the installation of a 5000 m³ accumulator at the Heimdal incineration plant in Trondheim, Norway. The accumulator enables the plant to recover excess heat and replacing 10 GWh/year of fossil-fired peak-load supply with renewable energy. The measure also enables a more optimised delivery of renewable heat and can function as a security back-up in case of outages.



GHG emissions for 2014-2018 from gas power (including Statkraft's share of Herdecke gas power plant in Germany) and other sources. The significant change from 2015-2016 reflects the increased operation of gas power plants in Germany.

ECONOMIC DISCLOSURES

Water management

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

Supporting initiatives

- Ensure proactive, adequate handling and systematic follow-up of water levels, flow limits and hydropeaking requirements in concessions.
- Demonstrate responsible water management based on improved understanding of the effects of climate change on water availability (e.g. water scarcity, drought and flood management) in all areas of operations.

Comments on performance

- A century of energy and water management experience in a mature regulatory context enables Statkraft to optimise water use while continually improving its environmental and economic performances. In the context of climate change adaptation the water storage capacity of hydropower reservoirs contributes to reducing floods and droughts in regulated river basins. Reservoirs can also facilitate other water usage such as increasing the availability of water for irrigation.
- Key achievements in 2018 include responsible operations in extreme situations, resulting in the impacts of major flood events in Norway being more than halved. Knowledge and efficiency in integrated water resource management has been constantly advanced.
- Key measures planned for 2019 are to preserve the flexibility of Norway's hydropower generating system, reduce flood and drought damages through well-coordinated reservoir water management as well as continuous knowledge improvement through R&D.

Working with nature

By using water for renewable power generation, Statkraft is playing an important role in managing this common resource. The company is developing and operating hydropower in various climate zones and in different national framework conditions. Everyday water management is governed through laws and concessions taking into account social, economic and environmental needs.

Statkraft makes additional efforts to improve its performance through R&D and voluntary initiatives. Hydropower reservoirs can provide unique services to the power system such as flexibility. They also offer water management options which reduce our vulnerability to extreme weather conditions such as floods and droughts.

Optimised water use

Statkraft is working continuously towards improving the efficiency of the operations to optimise the use of water resources. A wide spectrum of experts ranging from hydrologists and meteorologists, engineers, production planners and power market analysts to power traders and infrastructure technicians is working to maximise the value of water which is stored in Statkraft's reservoirs. Thanks to simulation models and infrastructure such as dams and reservoirs, the stored water can be released when it has the highest value, typically when demand is high and other technologies are less capable.

Simultaneously, by modernising its facilities, Statkraft strives towards obtaining more power from the same amount of water.

This can in certain cases increase the plant generation capacity between 1% and 5%.

Balancing water availability

Statkraft is managing 261 dams and 161 reservoirs in Norway, equal to half of Norway's and close to 25% of Europe's reservoir capacity. In 2018, Norway experienced extreme precipitation variations. A dry summer with very little rain was followed by abundant precipitation in autumn. Thanks to large reservoirs and expertise in managing complex water systems, Statkraft contributed to reducing several major flood episodes in Southern and Western Norway. In the regions of Hardanger, Upper Telemark and Ulla-Førre, about 70% of the precipitation of a flood event in the fourth quarter was stored in Statkraft's reservoirs.

Climate changes are likely to increase such intensive precipitation episodes in Northern Europe, and prognoses indicate more extreme weather is to come.

Improved knowledge

Statkraft aims at being a driving force in hydropower R&D. Statkraft cooperates with national research institutes like HydroCen in Norway to find innovative ways of generating more electricity from the same amount of water and to assist the hydropower sector in adapting to a rapidly changing energy market, while at the same time improving its environmental performance.

As part of the HydroCen R&D Program, Statkraft contributes with a case study on the Nea River (Trøndelag in Norway) to extend the scope of the Environmental Design method for regulated rivers for salmon to include also inland trout, biodiversity and recreational interests.

The EU funded HydroFlex R&D project aims to develop new technologies permitting highly flexible operations of hydropower stations. The project comprises studying the potential for significant ramping rates, frequent starts and stops as well as options to provide a large range of system services. Furthermore, the operations must be within suitable environmental and social conditions while being economically competitive compared to other options.

Operation examples from some countries

Statkraft strives at improving the environment without losing flexibility for future water and energy management needs. The following examples describe key issues for Statkraft's operations in different countries.

Operations in Norway

Norway has long-term hydropower concessions whose terms are reviewed and updated by the authorities every 30 years with the main goal of improving the environmental performance. During the upcoming decade about 70% of Norway's hydropower assets and about 80% of Statkraft's Norwegian hydropower assets will be granted new operating conditions under this process. Currently, Statkraft is active in 13 revision of terms processes in Norway. Statkraft supports environmental improvements which demonstrate higher environmental benefits than costs related to the loss of:

- renewable and climate-friendly power generation
- flexibility required to balance power demand
- flood management possibilities.

Statkraft believes that local environmental conditions can be enhanced without compromising the robustness of the Norwegian power supply system. Therefore, Statkraft is committed to participating in the revision process with its expertise and experience in order to ensure that authorities and politicians have adequate information at their disposal when determining the updated operating terms in the best interest for the environment, as well as for future power and water management needs.

Operations in Sweden

In Sweden, environmental legislation for hydropower is undergoing a revision process to enhance the implementation of EU's Water Framework Directive. A voluntary Hydro Environmental Fund has been established to support the implementation of environmental enhancements. Statkraft is contributing to this fund and is also a member of its board.

Operations in Peru

In Peru Statkraft's operations are governed in part by the National Water Resources Law whose goal is an integrated management of the water resources. In Peru, around 80% of the water consumption is for agriculture, and the National Water Authority (ANA) is the governmental agency responsible for water allocation among the main water users. According to Peruvian law, the agricultural users have priority over energy users and this represents a challenge for Statkraft's operations.

Since the end of 2016 a new regulation from ANA dictates monthly water discharges from all reservoirs. In order to meet this challenge, Statkraft Peru has engaged in a constructive dialogue with authorities and been able to reach an agreement on optimal water discharges which still allow maintaining efficient power generation without jeopardizing the interest of agricultural users. Following this development, Statkraft has implemented an initiative for automatic and real-time monitoring of water discharges in our Surasaca and Cochaquillo reservoirs, which both have downstream agricultural users. In this way, agricultural water users and ANA can both monitor in real-time the water discharges and hence optimize the water distribution among the multiple users.

Operations in Turkey

At the Kargi HPP in Turkey a study to measure the benefits of increased water efficiency downstream on the Kizilirmak river was completed in 2018. The findings indicate that less water is required for irrigation systems than what was originally assumed, and this will lead to more water being available for power generation. Statkraft will work closely with downstream irrigators and local regulatory bodies to ensure that sufficient water is available for rice production and to contribute to maintaining functioning irrigation intake structures on the Kizilirmak river. This study will contribute to significant production increases and is an excellent example of cooperation between environmental, social and production teams.

Climate change

As a leading renewable energy company with mainly renewable power generation (97.6%), Statkraft has a significantly lower carbon intensity (9 kg CO₂/MWh) than the sector average.

The majority of Statkraft's assets have a high longevity, and the company has a long-term perspective in relation to its core activities. Water and wind are other main input parameters, and as natural resources they are exposed to physical climate change. In addition, climate policies as well as energy policies define the regulatory framework for the company's operations.

Improving hydrological performance

Statkraft continuously adapts to climate change in operation and long term planning of its hydro assets. The day-to-day operation in the Nordics requires evolving an understanding of the changes in precipitation patterns.

Statkraft participates in several international and national projects in order to improve its understanding of climate change effects on the hydrological resources for short and long term, both in and outside of Norway. This aims at assessing future water availability in order to understand the implications of balancing water needs for energy production, flood mitigation, ecosystem services and the environment.

In the future, more extreme weather patterns will put water resources in general under increased stress. This requires new coordinated and integrated models for water management. Water will need to be stored and released in times of excess and scarcity for different purposes, the most urgent being drinking water, irrigation and flood control. Combining the need for water storage for these purposes with the storage capacities in hydropower opens up new opportunities for multipurpose hydropower plants. The research and analysis required for developing good water management and business models are similar to the operational models for hydropower plants. In the Nordics, Statkraft is undertaking significant maintenance and upgrade work on dams, among others, to prepare for changes in precipitation patterns and more extreme weather.

Scenario analysis

Statkraft closely follows national, EU and global climate policy developments to assess the possible impact on the business. Likewise, understanding the impacts of cost and technological developments within renewable technologies are a core part of the analysis. Statkraft provides direct input to policy processes in Norway and the EU including an annual "Low Emissions Scenario Report".



During extreme rainfall in October 2018, Statkraft managed to significantly reduce the extent of a major flood incident from a 50-years to a 20-years flood event.

Business ethics

AMBITION	TARGET	STATUS
Prevent corruption and unethical practices in all activities	Zero serious compliance incidents	
	On schedule implementation of the compliance measures	
Supporting initiatives - All employees complete trainings in business ethics with a focus on anti-corruption - Continue to strengthen the culture of reporting of concerns and breaches - Continue to ensure adequate corporate-wide handling of anti-corruption and business ethics risks, with particular focus on high risk processes - Improve the adequacy of how business ethics is reflected in requirements and controls for key business processes		
Comments on performance - The main reasons behind the green status are the on-track roll out of the compliance programme, including implementation of planned measures related to training, culture building and risk mitigation in critical business processes. Key achievements in 2018 include the roll out of training activities to all staff, roll-out of new guidance in all working languages of the group, and development of a new Business Ethics Commitment Statement. - Measures planned for 2019 include increased focus on leadership engagement activities and roll-out of compliance procedures in a new project management system.		

Framework for business ethics and compliance work

Statkraft has continued to expand its efforts within the area of business ethics in recent years, with 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. An audit of the compliance programme in the company was conducted in 2018, with a particular focus on efforts to prevent corruption and fraud across the company. The audit confirmed the existence of a well-established and comprehensive compliance programme, adjusted to the risks of the company, and up to date with the relevant developments in external legislation and standards.

The Board of Directors is involved in compliance work through regular discussions on the development of the programme, at least on a quarterly basis. Last year a new approach was adopted for the Board of Director's involvement in this work, expanding their involvement further. This included a review of the abovementioned audit and follow-up plans presented by the administration to address identified improvement areas.

Compliance programme

Statkraft conducts regular risk assessments on anti-corruption for the whole company, annually for all business areas. Risks are addressed through dedicated mitigation measures. 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. During 2018 a new risk assessment methodology was implemented, including incorporating new topics covered by the compliance agenda.

During the course of 2018 work was carried out to update the internal rules and guidance related to business ethics. New Business Ethics Rules were introduced in ten different languages with new printed and digital guidance material, including a new

portal for easy access. A new business ethics e-learning programme was also introduced, and Corporate Management adopted a new Business Ethics Commitment Statement, to clearly communicate the tone from the top companywide.

The main corruption risks identified for the company relate to business development and M&A processes, procurement and payment processes, the use of consultants and intermediaries, government permitting processes, stakeholder management and conflicts of interest. The risks typically vary depending on the geographical location, technology and type of business activity in question. These nuances are reflected in the risk maps of the different business units.

The corporate compliance programme is regularly updated to reflect risks identified through risk assessments and through analysis of concrete cases and investigations. This includes development of new procedures and controls, and adjustments to training activities.

Training and communication

Statkraft ensures that all employees are familiar with the principles set out in the Code of Conduct through orientation programmes given when joining the company, training conducted regularly for all staff, and through communication by senior managers. Last year training sessions were conducted in all major locations. In addition specialised training sessions were organised for the Board of Directors, the Corporate Management, high level managers, and staff members in different functions. Compliance has been included as an important topic in all major leadership and company events conducted through the year.

Handling of risk related to third parties

Statkraft has clear and detailed procedures for the handling of risks related to third parties. This includes a policy for how background checks are conducted, how contract clauses should be formulated, and how monitoring should be conducted for high risk contracts.

All high-risk business partners (including all agents) are checked independently by the Compliance Unit. The integrity reviews conducted include an assessment of the ownership structure (incl. beneficial owners), an assessment of connections to politically exposed persons and a broad assessment of reputational risks associated with the counterparty. The level of the analysis is adjusted to the nature of the business partners and agreements. In 2018 additional work was undertaken to further develop and adjust the procedures for third party checks for locations and business activity areas of particular risk exposure. There are also new efforts being made to revise approaches to monitoring of third parties throughout the contracting period.

In 2018 work was done to update standard business ethics clauses included in contracts with third parties, to ensure that these reflect the developments of legal requirements and the risk exposure of different types of contracting processes.

Internal controls

In recent years Statkraft has invested in improved controls related to anti-corruption and fraud prevention. There is an ongoing collaboration between the Compliance unit and the CFO area for the further development of such controls. Over the last year significant efforts were invested in the implementation of improved controls in core financial processes.

New initiatives in the compliance area

In addition to the continuous development of the key areas of work outlined above, several new initiatives were launched in 2018, as described below.

Personal data protection project

The Personal Data Protection Project was implemented in 2018. The project aims at bringing Statkraft to the necessary level of maturity of compliance with applicable personal data protection rules, especially the new European General Data Protection Regulation (GDPR) that took effect in May 2018. The project is focused on clarifying roles and responsibilities, improving procedures, and increasing awareness of personal data protection. In addition, a comprehensive mapping exercise has been conducted across the whole company to establish detailed records of processing and to address any gaps identified.

New guidance and training

Significant efforts have been made in developing a simplified and user-friendly set of training guidance and tools in all the operational languages of the company. The new guidance and training is focused on a set of eight core Business Ethics Rules in an effort to ensure that the most fundamental internal rules are well known and easily remembered by all staff. The development of this new guidance and its overall focus has been discussed with the Board of Directors and Corporate Management prior to finalising and launching the material.

Tax

In light of an increased focus globally on tax governance and tax transparency, the Board of Directors decided in 2017 to approve the voluntary disclosure of a global tax strategy detailing the internal tax policies, practices and procedures embedded in Statkraft's management system. The voluntary publication of the global tax strategy was done in addition to the mandatory publication of a specific UK tax strategy, published in accordance with recent UK legislation.

Statkraft pursues a tax strategy that is principled, transparent and sustainable and aligned with Statkraft's Code of Conduct. Statkraft is committed to ensuring full compliance with all statutory obligations and full disclosure to tax authorities. Statkraft transacts on an arm's length basis and does not engage in artificial tax arrangements and actively considers 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 the facts and circumstances to the relevant tax authority
- not use tax regimes considered as "harmful" by the OECD or EU

Statkraft has an established procedure in place for tax risk management that facilitates appropriate identification, measuring, management and reporting of tax risks.