



From Statkraft's Low Emissions Scenario:



EU's Green Deal emphasises both preservation and restoration of nature and species. The target for 2030 is to protect 30 per cent of EU's land and sea area with binding plans for biodiversity.



SUSTAINABILITY

Sustainability

HOW WE MANAGE SUSTAINABILITY

Statkraft aims to be a leading renewables company by 2025. A clear business strategy has been developed to achieve this. One of the enablers of the strategy is the way in which Statkraft operates as a company. This is reflected in the company's commitment to sustainability and responsible business practices. Through its activities, Statkraft aims to create value for society, the environment and the company.

At Statkraft, we recognise the importance of businesses in contributing to the realisation of the UN Sustainable Development Goals, and this is why we place a special focus on seven SDGs. These are goals which we are well-positioned to contribute to, or which we believe are particularly important to address. Our overarching ambition is to contribute to combatting climate change (SDG 13).

Statkraft is committed to combatting climate change through its core business, providing renewable energy from hydropower, wind and solar, and exploring new energy solutions.

Equally important is the way we do 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, a focus on diversity and inclusion, 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 change mitigation, which the company aims at maximising through its 2025 growth targets. As an overall climate ambition, Statkraft is committed to a power sector pathway compatible with a 1.5°C global warming target, and carbon neutrality by 2040. A set of climate targets has been established to achieve this.

Statkraft has a long history of focusing on sustainability. Combined with new laws and evolving stakeholder expectations, we draw on this experience as we continue to develop the sustainability strategy with a special focus on the areas of climate change, human rights, and biodiversity. We have also explored what circular economy means to Statkraft and its relevance to our technologies.

Governance

Through our management system, "The Statkraft Way", we embed our sustainability approach into our processes. The system sets the direction of our work, and it is reviewed and updated as laws, expectations and challenges evolve.

Our Code of Conduct, approved by the Board of Directors, outlines our fundamental principles for responsible behaviour. These principles are further described in the policies and governing documents in our management system. They cover our

key activities, including acquisition and construction projects. The Code of Conduct applies to our employees and all the companies in the Statkraft Group. When it comes to our business partners and suppliers, they are expected to adhere to our Supplier Code of Conduct.

We have a system for registration and follow-up of non-compliance with external and internal requirements. It facilitates handling of cases, analysis of incidents, identification of improvements, and subsequent learning across the group.

Our work is guided by relevant international frameworks and guidelines, including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. We comply with EU Directives for our European activities and with IFC Performance Standards for our international investments.

Statkraft's Key Performance Indicators (KPIs) include 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 corporate performance reporting process. Sustainability topics are also included in Corporate Audit's annual plan and work.

Covid-19 and sustainability

Our main priority has been to ensure the health and safety of our employees across our operations, and to maintain our power supply. We have also followed up our suppliers. This has enabled us to maintain uninterrupted, resilient operations around the world.

Throughout the pandemic, we have responded to regional restrictions and encouraged our employees to work from home. Health guidelines and training have been provided to those whose responsibilities require on-site work. IT systems have been given specific attention to safeguard cybersecurity and personal data.

In addition, we initiated a series of actions in the communities where we have operations. These included e.g. providing medical kits for testing in communities close to our projects, awareness and improved sanitation programs, food packages to vulnerable families, medical equipment and supplies to local clinics and hospitals, and alternative income-generating activities, such as the local manufacture of face masks. All donations were coordinated with local authorities and provided in kind with local suppliers being vetted before signing service or supply contracts.

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, anchored at the Corporate Management level. It identifies the sustainability topics that are most material for the company:

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

In the sustainability reporting process, 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 that appears in the Sustainability Statement.

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

In 2021, Statkraft started up annual reporting of our climate-related status, actions and ambitions to the Carbon Disclosure Project (CDP). Our reporting related to climate topics is aligned with the Taskforce on Climate related Financial Disclosure (TCFD) recommendations and a reference table is included as part of the Sustainability Statement.

We are continuously working to align with emerging regulations, standards and frameworks, such as the EU taxonomy (more information in the Taxonomy section) and the Corporate Sustainability Reporting Directive (CSRD). We also follow the development of and make preparations to implement relevant national legislation, including the new Norwegian Transparency Act.

Stakeholder dialogue

We value engagement with those impacted by our activities and those that impact our activities, and we aim to maintain an open dialogue on sustainability issues.

Statkraft's stakeholders include employees, local communities, local, regional and national authorities, government officials, customers, suppliers, research institutions, non-governmental organisations, civil society organisations, and the media.

Stakeholder dialogue forms part of daily operations, ranging from regular stakeholder interaction at our project sites, to memberships in sustainability forums and platforms, alliances, and partnerships such as:

- Conducting consultations with stakeholders affected directly or indirectly by our project activities
- Organising open public consultation meetings

- Establishing an efficient and transparent grievance mechanism for projects under construction and in operation
- Promoting sustainable improvements through active participation in industry associations and initiatives

Examples of stakeholder dialogue related to material issues are included in the relevant sections of this report.

Handling reported concerns

Statkraft acknowledges that the reporting and prevention of violations of laws, regulations and of the Code of Conduct depend on the willingness of employees and external parties to raise concerns. Accordingly, employees have the right and responsibility to report concerns. Externals are encouraged to raise concerns.

Statkraft's Corporate Audit is responsible for handling reported concerns in the company. Corporate Audit is independent from line organisations, and the Head of Corporate Audit reports functionally to the Board of Directors. The decision on how to follow up a reported concern is made by the Head of Corporate Audit. All reported concerns are taken seriously, and their handling is based on the principles of fair and objective treatment, protection of the reporter, protection of the individuals who are the subject of the report, confidentiality in the administrative process, protection of personal data and data security, and proportionality in the administrative process.

Employees and externals can report their concerns through the whistleblowing channel, through line management, via email, mail, or by phone. The whistleblowing channel offers reporters the possibility of reporting and communicating anonymously with Corporate Audit. Corporate Audit is responsible for managing Statkraft's independent reporting channel.

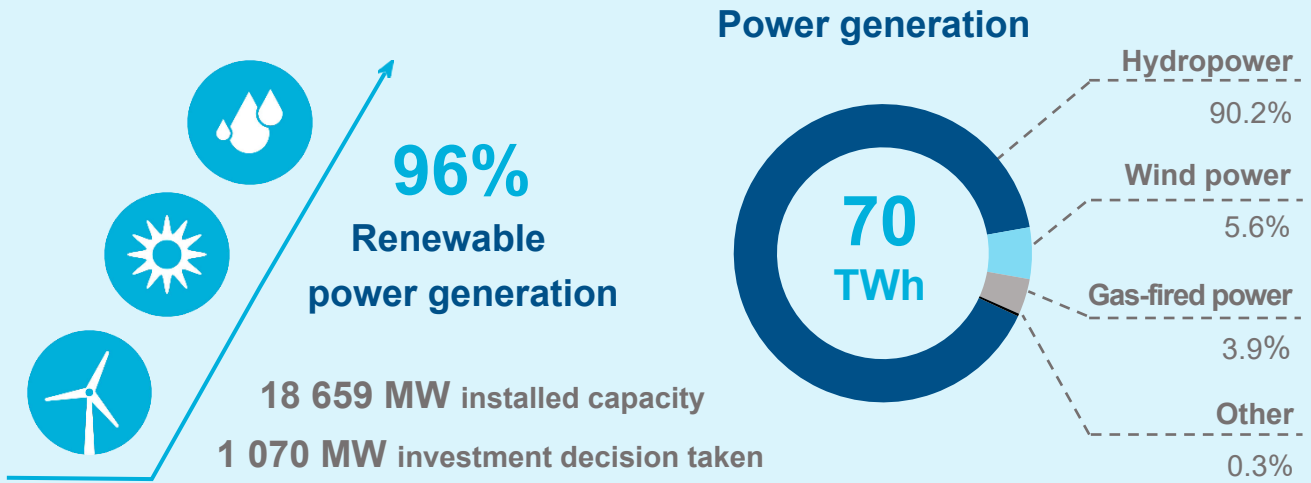
All reported concerns sent to Corporate Audit are acknowledged within 72 hours. Corporate Audit starts by conducting a quality assurance and initial review of the information received. Corporate Audit then assess the nature of the concerns and determine the steps required to establish relevant facts. Corporate Audit is responsible for performing all internal investigations.

The Head of Corporate Audit reports on the handling of reported concerns annually to the Board of Directors and biannually to the Audit Committee, and when investigations are concluded. In addition, the Head of Corporate Audit provides regular updates on reported concerns to the Audit Committee.

In 2021, 57 cases were reported to Corporate Audit. Of these cases, one led to an investigation, which is still ongoing, and four led to inquiries, two of which are still ongoing. Similarly, 34 cases were concluded by Corporate Audit or sent to the line organisation for further handling. Lastly, 18 cases were concluded to be outside Corporate Audit's mandate to handle and accordingly sent to the correct department for further handling, e.g. issues related to human resources.

Sustainability

at a glance



Power generation
Carbon intensity
kg CO₂e/MWh

2019	27
2020	28
2021	21

Score for
CDP: C
Carbon Disclosure Project

Capital return

22.4%
ROACE*

Electrified fleet

12%
of fleet

Environment

0
serious incidents

Women in management

28%
of total positions

Health and safety

7
serious injuries

Whistleblowing

57
cases

*Return on average capital employed.

STATKRAFT'S CONTRIBUTION

Statkraft has provided renewable energy to communities, industries, businesses, and homes around the world, blazing a trail for the global energy transition since 1895. Our growth ambition is to become one of the world's leading renewable energy companies by 2025.

We are integrating sustainability practices into our operations and striving to create economic, environmental, and social shared value, and contributing to the UN's Sustainable Development Goals (SDGs). Also, through our core business, we have the potential of contributing to the circular economy.

Environmental shared value

Globally, a significant source of greenhouse gas emissions is related to energy production of all types, including the generation of electricity. In order to reach global emission target, combating climate change and the loss of biodiversity caused by climate change, it is critical to increase the production of energy from low-carbon energy sources. To ensure sustainable natural resource management, it is also vital to produce more energy from renewable energy sources, especially with respect to meeting ambitions of a more circular economy. Thus, we believe that electrification based on renewable energy is key to reach climate change, biodiversity, and circular economy targets.

Today, Statkraft is Europe's largest generator of renewable power. We have a market share of about 7% of Europe's total electricity production based on renewable energy technologies such as hydro, wind, and solar power. Statkraft supplies about one-third of the total electricity consumption in Norway. We also generate heat and power from waste, biomass and natural gas.

Statkraft's business activities are constantly expanding. We are currently developing new green business activities such as hydrogen, biofuels, charging infrastructure for electric cars and locations for data centres. All of these contribute to the green energy transition.

Our activities, and our continuous efforts in Research & Development (R&D), generate dissemination of knowledge and information related to best practices, renewable energy, energy systems, climate change and environmental issues, all of which contribute to the industry's growth potential.

Statkraft has an environmental management system through which we address and manage our impacts. Through this system, we understand risks early in the planning and development phase, which allows us to avoid them and to mitigate negative impacts.

We also cooperate closely with authorities and research centres to provide expertise and resources. For example, we carry out environmental enhancement measures, genetic preservation initiatives, and landscape restoration activities.

Social shared value

We apply good practices in our operations, with the goal of having a positive impact in the communities where we develop and operate power plants; and put in place initiatives to address key issues of importance in these communities.

Possible project benefits include improving and developing local infrastructure and services, such as irrigation systems, roads, electrification, community buildings and health centres, and supporting health and education improvement projects.

Our hydropower plants in Norway provide benefits through both monetary and non-monetary mechanisms enshrined in Norwegian legislation. Among non-monetary benefits, we implement catchment and community development initiatives such as public use of access roads, assisting the development of tourism or facilitating access to resources for other economic sectors such as forestry or mining.

Moreover, skilled and careful operation of our hydropower plants enables us to contribute to both flood and drought mitigation by using the storage capacity of our reservoirs as a tool for enhanced climate resilience. The development and operation of hydropower plants facilitate multiple uses of watercourses and infrastructure such as drinking water supply, transportation, irrigation, and recreation.

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

Economic shared value

Statkraft's activities contribute in different ways to global, national, and local economies. Through our operations, we have created a total value of 36.9 million NOK globally. The value created is distributed between the salaries and benefits of our employees (13%), the returns to our lenders and owners (73%), and the company in the form of equity (14%). Our operations also support the creation of jobs in Norway and around the world.

By complying with our obligations to pay taxes and tariffs, we create revenue for the governments where we operate, helping to fund and improve public services. We also create value for our shareholders through the generation and distribution of dividends.

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.

As regards our hydropower portfolio, monetary benefit sharing mechanisms include revenue sharing through concession fees, various property and natural resource taxes, providing for economic development funds, equity sharing through public ownership, as well as preferential electricity rates for local communities.

Our tax policy

The Statkraft Group has a tax strategy which is approved by the Board of Directors and published on our external website. The tax strategy is regularly evaluated by Statkraft's Group Tax Department, and any amendments to the tax strategy are presented to the Board of Directors for review and approval.

Statkraft pursues a tax strategy that is principled, transparent and sustainable. We comply with tax law and practices in all of the

countries in which we operate, and we believe that a responsible approach to tax is essential to the long-term sustainability of the societies where we operate, as well as our business across the globe.

Tax is a core part of our governance and our responsibility as a corporation and is overseen by the Board of Directors. The day-to-day management of Statkraft's tax affairs is handled by Group Tax, which is involved in all significant business developments to assess any potential tax consequences of our decisions in advance.

Statkraft has a clear responsibility to comply with legislation in the countries where we operate. In relation to tax legislation, we choose to do this by aiming not only to comply with the letter of the law, but also with the underlying intent of the policy. Statkraft has a centralised and uniform approach to interpretation of the tax rules, which is handled at the Group level.

We employ appropriately qualified and trained tax professionals with the necessary levels of expertise and knowledge. We constantly monitor updates and changes to tax legislation to assess their impact on the Statkraft Group.

Tax disclosures are subject to internal reviews as part of the statutory reporting process and as part of the Group reporting process. In addition to internal reviews, tax disclosures are subject to ordinary external audit requirements in accordance with local statutes and regulations.

Statkraft approaches tax in a way that is aligned with our business strategy and aims to reduce business complexity and cost. We do not engage in artificial tax arrangements and actively consider all implications of tax planning. Furthermore, all tax planning must comply with the Group's Tax Optimisation and Structuring framework, which governs our approach to tax planning and is subject to robust review and approval processes.

We do not use tax havens to avoid tax and only establish an entity in a nil or low-rate jurisdiction for substantive and commercial reasons. This means that we pay tax according to where value is created within the normal course of our commercial activities.

Statkraft is committed to ensure full compliance with all statutory obligations and full disclosure to tax authorities. We engage with tax authorities with honesty and integrity and seek to establish a relationship based on mutual respect, transparency and trust. We work collaboratively with tax authorities wherever possible to resolve disputes and achieve clarity, but we are prepared to litigate where we disagree with a ruling or decision.

Statkraft engages constructively with governments on the development of tax systems, legislation and administration, either directly or through industry associations as appropriate. We believe that more informed and sustainable outcomes are achieved where governments openly consult with industry and other affected stakeholders.

Statkraft has an established quarterly procedure in place for tax risk management that facilitates appropriate identification, measurement, management and reporting of tax risks. Where there is significant uncertainty or complexity in relation to a risk, external advice may be sought in accordance with our internal framework.

We proactively manage tax issues and risks in a way that maximises shareholder value after tax while operating in accordance with applicable legislation and Statkraft's Code of Conduct.

Statkraft continuously evaluates our tax processes and controls to ensure we are compliant with local and international standards relevant to our business. Complying with tax rules can be complex, as the interpretation of legislation and case law may not always be clear-cut and may change over time. We seek to manage this inherent tax risk by taking strong, well-documented technical positions to prevent unnecessary disputes.

Tax is part of the general process for reporting concerns about unethical or unlawful behaviour. Statkraft has systems in place for independent reporting of concerns, and Corporate Audit is the first recipient of all concerns reported through proper channels (i.e. the whistleblower channel).

OUR CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT GOALS

As a provider of clean energy to millions of people around the world, Statkraft is committed to playing a key role in the green transition towards a more sustainable, decarbonised global society.

Renewable power production is a fundamental and integral part of the movement to combat climate change (SDG 13), a factor which will play a pivotal role in determining the outcome of all 17 of the UN's Sustainable Development Goals (SDGs).

We have identified three levels of action in which we embed sustainability throughout our organisation: our overarching commitment, our core business functions, and the way in which we operate on a daily basis. Last year we accelerated our efforts to address these and

other SDGs in order to contribute to a more climate-positive, resilient and inclusive world. By adopting a balanced approach that recognises not only the positive impacts and synergies between SDGs, but also negative trade-offs, we pinpoint concrete measures that will allow us to achieve our goal of full carbon neutrality by 2040. We thereby aim to be a key player in advancing the UN's sustainability mission and global goals by 2030.

This strategic approach is further embedded within our internal Code of Conduct and Supplier Code of Conduct as well as our policies, which touch on impactful issues related to, amongst other things, our business ethics, the environment, employee health and safety, diversity and inclusion.



Our commitment

Decarbonising the planet



Climate change is the greatest challenge we currently face, and it has the potential to impact the economy, biodiversity, politics and the day-to-day lives of people around the world. We see SDG 13 as central to the overarching ambition of contributing to decarbonising the planet. Our core business is the generation of electricity using hydropower, wind, solar, gas, biomass, and hydrogen. All of our new investments are in renewable assets.

Our strategy

Our contribution to SDG 13 is exemplified by our commitment to reach carbon neutrality by 2040 and advancing a power sector pathway compatible with a 1.5°C global warming target. Given the pervasive nature of both the threats and opportunities associated with climate change, we intend to go beyond simply reducing our carbon footprint and have adopted a wide range of initiatives aimed at mainstreaming climate change measures both within our organisation and society at large (SDG target 13.3).

Our approach is focused on increasing renewable energy sourcing, accelerating investment in electric mobility, maximising energy efficiency, mitigating indirect emissions from our supply chain and decarbonising our operations.

Opportunities



Our path towards climate neutrality and our core business activities mean that we naturally have an impact on other relevant SDGs. We directly work to provide access to modern energy systems (7.1), substantially increase the share of renewable energy in the global energy mix (7.2) and provide opportunities for green jobs (8.5).

We also contribute through our low-carbon electricity generation to reduce the loss of biodiversity due to climate change (15.5).

Likewise, we contribute to the provision of cleaner air for cities and communities by replacing fossil fuel-based power generation with non-polluting renewable energy sources (3.9, 11.6).



Challenges

As part of the large ongoing transition away from coal-fired plants in the European market, our gas-fired power generation is expected to increase to meet demand (9.4). This, however, facilitates lower European power sector emissions overall (12.c), with further reductions expected over the coming years (7.1, 7.2).

We also work to minimise our Scope 3 indirect emissions (12.2) which result from the production and transport of gas to our plants, as well as materials like concrete and steel that are needed for new construction initiatives. We are exploring ways to implement improved sustainability measures, such as new environmental assessment tools and pilot projects to explore emission mitigation options in the supply chain (12.6), to reduce our overall greenhouse gas emissions.

Our core business

Generating affordable and clean energy



Substantial changes to the present energy sector will be required to limit global warming to 1.5°C. We contribute to this goal through our business activities and the provision of renewable energy (7.2, 12.2). With our ambition of developing 9 GW of new renewable capacity by 2025 (from 2018 baseline) and our overarching focus on ensuring all new investments are 100% renewable, we remain Europe's largest generator of renewable power and we will continue to be a leading contributor to decarbonisation of the energy sector.

Our strategy

Our installed renewable power generation capacity was at a total of 16 269 MW in 2021. In addition to our own capacity, we also build, develop, and sell renewable power plants. We are committed to the green transition through our continued support for EU policies, such as the "Fit for 55" package, which establishes a roadmap to achieve emission reductions by 2030 and net zero emissions by 2050.

We generate affordable, reliable, and clean energy in 13 countries (7.1, 7.a), and have set our goal to achieve carbon neutrality by 2040. Statkraft continuously seeks opportunities to develop business activities in the realm of renewable energy, and in 2021 we were chosen as suppliers of green hydrogen for the zero-emission cargo ship planned by HeidelbergCement and Felleskjøpet.

Opportunities



Statkraft is a major provider of electricity to power-intensive industries in Norway, allowing us to contribute to the overarching goal of decoupling the use of fossil fuels from economic growth (8.4, 12.2). Our supply of green power, electric vehicle charging and district heating all serve to make industrial processes cleaner and more environmentally sound (9.4, 12.6).

As the vast majority of our renewable generation comes from existing hydropower assets, our main generating source does not consume or produce toxic material (12.4) and makes use of the natural cycle of water, in line with a more circular economy.

We also look to expand access to modern and sustainable energy services for all, and have partnered with SolarAid to improve solar power access in sub-Saharan Africa (7.b, 17.7).



Challenges

As we continue to grow and build infrastructure, we recognise that our business has the potential to impact the environment in many ways.

Although our hydropower and wind power generation capabilities are an important component of providing clean energy, both technologies also affect biodiversity.

While hydropower can affect freshwater ecosystems, wind power can impact flying, grazing and migratory animals (15.1, 15.5). Furthermore, the construction of related infrastructure such as roads may contribute to habitat fragmentation and the spread of invasive species (15.8). Where migratory species are concerned, we work to holistically manage potential negative repercussions from our activities. Measures taken in Norway and Sweden, for example, focus on preserving the genetic variety of wild salmon (6.6).

Our core business

Creating sustainable cities and communities



Statkraft aims to make cities and communities more sustainable, safe, and resilient by helping improve resource use, reducing pollution and delivering improved infrastructure. As a leading renewable energy company, we invest in hydropower, wind, solar, hydrogen, and biofuel technologies in order to provide the renewable energy needed to promote circular economy principles and a pollution-free environment.

Our strategy

Our hydropower reservoirs are not only used to produce renewable energy, but also contribute to flow regulation and control, an important factor when considering the mitigation of climate change impacts and adverse effects of water-related disasters (11.5), such as floods and droughts.

We also investigate circular economy issues by reducing resource consumption and increasing the reduction, reuse and recycling of waste wherever possible. Through new business activities, like expanding electric vehicle charging, Statkraft aims to further deliver sustainable infrastructure and services to cities and communities (11.6).

Opportunities



Statkraft continues to develop sustainable and resilient energy infrastructure with a focus on making clean energy more accessible than ever before (9.1, 9.4). Our contribution to reducing cities' dependency on fossil fuels means that our business activities play a role in lowering both illness and death from hazardous chemicals and pollution (3.9).

Moreover, due to climate change, some regions may experience extreme precipitation and sudden floods, while other areas may be exposed to prolonged droughts. We are working to improve our water management services to prepare for changing conditions, and our reservoirs can play a role in both mitigating floods (13.1) and increasing freshwater availability for irrigation and consumption (6.1, 6.4).



Challenges

While Statkraft's business activities had a substantial positive impact on communities in 2021, we acknowledge that there are some associated risks related to waste generation and emissions stemming from our operations.

In line with circular economy principles, we are exploring ways to lessen our material footprint and reduce our waste generation through prevention, reduction, recycling and reuse (12.2, 12.5). To do so, we are looking at ways to recycle wind turbine blades, and we have also conducted a project to analyse the current status of European wind and solar in order to create a roadmap for achieving increased circularity in these areas by 2040.

The way we work

Advancing gender and workplace equality



Our focus on closing gender gaps has resulted in a steadily increasing proportion of women in Group top management positions; 30% of these positions are currently held by women, and we aim to reach at least 40% in the coming years (5.5). Various capacity-building initiatives such as unconscious bias training for senior management teams and leadership development platforms have been key drivers for enhancing workforce diversity and inclusion.

The Covid-19 pandemic has posed an obvious threat to the well-being and work-life balance of employees, with women impacted at higher rates around the world (5.1, 5.4). To help address this risk, Statkraft has provided active and responsive support to all employees in an effort to ensure that they stay healthy and feel safe. This includes providing mental and physical health support, home office equipment, and virtual exercises and learning spaces.

Our efforts in fostering gender equality are also closely connected to our diversity and inclusion engagement (10.3), including the professional development program and talent acquisition process. Our actions are aligned with strong global labour practice policies (8.8) in different countries where we operate to achieve a more equal, diverse, and inclusive work culture (5.c).

Providing decent work and economic growth



Statkraft seeks to create value through our business wherever we operate (8.3), and we recognise the important role our employees have to play in helping us achieve the transition to a world powered by clean energy.

We are strongly committed to providing an equitable and fair working environment, and continuously work to ensure that all workers within our organisation and across our supply chain receive fair wages (8.5, 10.4).

Caring for people is at the core of Statkraft's culture, and our strong commitment to health, safety and security is exemplified by our goal to provide a workplace free from injury and harm (8.8). Our business activities, construction projects and operation and maintenance of our power plants all carry inherent health and safety risks for our employees and contractors.

We aim to manage these risks through our "Powered by Care" programme (16.6). In 2021, the programme focused on addressing challenges related to the Covid-19 pandemic. Flexible work arrangements, surveys, the provision of mental health tools and resources, and various health webinars were all implemented to help ensure the health and well-being of everyone working at or for Statkraft.

The way we work

Preserving and protecting life on land



We acknowledge that power generation infrastructure impacts the environment. We are actively engaged in managing and mitigating our environmental impacts, including loss of biodiversity and natural habitats in our operating locations (15.5), in collaboration with responsible authorities. We are continuously improving our environmental management plans through annual environmental risk assessment, implementation of environmentally friendly designs, and management of pollution and waste.

Statkraft has an environmental management system that monitors potential negative environmental impacts, and ensures that incidents are systematically reported and addressed.

In 2021, Statkraft launched a project to improve and systematise biodiversity protection. In close collaboration with national authorities, we are mapping red-listed, highly-valued and vulnerable species (15.5). We also strive to minimise our negative impacts in areas where we operate. Examples of initiatives include measures to maintain healthy fish populations in rivers where we operate hydropower plants; to restore landscapes; to protect and foster soil and indigenous species in revegetation work, including relocation of species when necessary; and to establish no-work zones during the construction and operation of wind farms (6.6, 15.1).

Promoting just, peaceful, and inclusive societies



We are convinced that responsible governance and ethical standards are beneficial both for society and for business.

Therefore, our culture and all business activities are aligned with high global ethical standards. Through our internal Code of Conduct and Supplier Code of Conduct, we set out key expectations for all employees and requirements for suppliers.

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). We are similarly fully engaged in preventing corruption and unethical practices in all our activities.

Our main achievements in 2021 included the adoption of a human rights commitment statement by Corporate Management, the integration of a holistic approach to the management of construction projects, and decision-making frameworks aimed at utilising expert resources and community engagement to avoid negative human rights impacts. We also continued assessments to identify and mitigate risks related to business ethics, fraud and corruption.

HOW WE PROMOTE RESPONSIBLE BUSINESS PRACTICES

Health and Safety

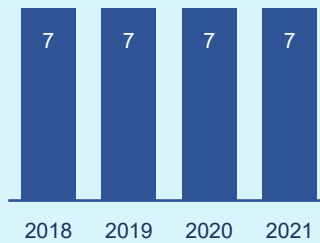
We aim to prevent incidents and commit to being a workplace without injury or harm, by:

- having zero serious injuries associated with our activities
- maintaining less than 3.5% sick leave amongst employees

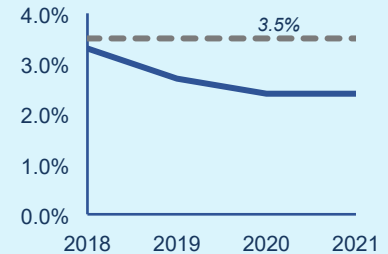
Comments on performance

There were no fatal accidents in Statkraft in 2021, but Statkraft did not reach its target of zero serious injuries. Four contractor employees and three Statkraft employees suffered serious injuries in work-related accidents, and the serious injury rate was 0.3. The Powered by Care programme and efforts to continuously improve our health and safety performance and culture will remain high priorities going forward.

Serious injuries across all activities



Sick leave amongst all employees



Improvement measures in 2021

- 1 Provided leadership and drove cultural change at all levels, and encouraged and measured management and employee engagement
- 2 Strengthened the focus on high-risk activities and preventative measures
- 3 Rolled out a stop unsafe work card giving everyone working for Statkraft a mandate from the CEO to stop any unsafe work activity
- 4 Provided training to build required competencies
- 5 Ensured knowledge-sharing from high-risk scenarios

Our approach

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

The Health, Safety, Security, and Environment (HSSE) policy and management system apply to everyone working at 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 demonstrate 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, operation 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 2021

Fatal accidents

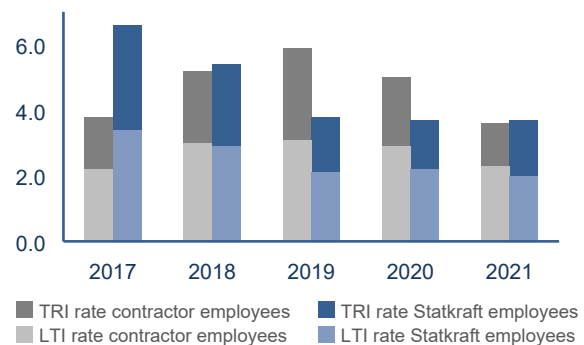
There were no fatal accidents in Statkraft in 2021.

Accidents

Four contractor's employees and three Statkraft employees suffered serious injuries in 2021. In addition, 43 incidents and observations were classified with high risk potential. Serious injuries and high-potential incidents are defined as incidents causing, or potentially causing, serious health consequences. Such accidents and incidents are investigated, and mitigating actions are implemented locally and across the Group to ensure learning and to prevent recurrence.

The total recordable injuries (TRI) for Statkraft employees increased to 56 in 2021, of which 31 were lost-time injuries (LTI). The TRI for contractors was 40, of which 25 were LTI. TRI rates and LTI rates for the last five years are presented below.

Total recordable injuries per million hours worked (TRI rate) with contribution of lost-time injuries per million hours worked (LTI rate)



Sick leave

Sick leave in Statkraft is at a stable low level, at 2.4% in 2021, which is below the target of 3.5%.

Health and Safety Improvement Programme

In 2021, the Powered by Care programme focused on:

Leadership and commitment

In 2021, 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. A dedicated “stop unsafe work” card signed by the CEO has been rolled out, giving everyone working for Statkraft the authority to stop work activities they deem unsafe.

Serious injury mitigation

Serious incidents (those with, or with potential for, serious consequences) are analysed to identify measures to prevent recurrence, and lessons learned are shared across the organisation. Use 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 lessons learned 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 Key Performance Indicators (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 2021 was given to the Project Delivery Unit in European Wind and Solar, for their proactive engagement and application of the authority and duty to stop unsafe work across all their projects.

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. Collaboration takes place within and across business areas to

share and learn from incidents, health and safety programmes and best practices.

Health

We have dedicated initiatives that focus on health and well-being, which address the challenges arising from the Covid-19 pandemic. These include flexible work arrangements, pulse surveys to check status, promoting resources and tools related to mental health, a mental health awareness week and various webinars focusing on mental and physical health.

Public safety

Statkraft's activities involve significant interaction with the public and the environment, and our focus is on ensuring the safety of both. Dam and watercourse safety is one key focus area. Statkraft performs maintenance on dams and associated structures within a strict and controlled system. Measures are carried out in accordance with legal and regulatory requirements, as well as Statkraft's detailed procedures and plans to protect life, the environment and property. Statkraft also performs systematic inspections and maintenance of electrical assets in compliance with laws and regulations. Assets near areas with public access have increased electrical safety awareness and safety measures.

In 2021, we faced several situations in the Nordics where management of hydropower plants was challenging due to more extreme weather conditions. In such situations, our priority is to mitigate floods that may have significant and serious consequences for local communities and the environment. These situations are expected to be more frequent in the future.

Priorities 2022

- Continue to develop our health and safety culture through systematic improvement, including employee surveys, management workshops and follow-up
- Strengthen processes, tools and practices for contractor management and engagement
- Implement new and improved digital support for HSSE processes and activities across the organisation
- Revise HSSE KPIs to drive the desired behaviours to further develop our culture
- Maintain and utilise the existing Powered by Care programme across the organisation (consisting of the following elements: CEO's HSSE award, life-saving rules, the “stop unsafe work” card, incident follow-up and learning, modular training, and sharing and collaboration)

Security and emergency response

We aim to actively prevent harm to people and assets through implementing a systematic approach, by:

- implementing identified supporting initiatives
- improving information security culture and IT security operational practice based on the CIS framework and the Norwegian National Security Authority's ICT security principles

Comments on performance

The response to Covid-19 has been the main effort in 2021. This response has been coordinated globally and in accordance with local health authorities' guidelines. An In-Action Review was conducted to ensure learning, both for the continued Covid-19 response and general handling of Emergency Response. A travel support solution to mitigate travel risks was implemented in 2021, with a new corporate HSSE requirement during travel. The capability of the cyber security department has also been strengthened.

Improvement measures in 2021

- 1 Refined our focus on the Covid-19 response, which is expected to continue into 2022
- 2 Increased our focus on Emergency Response training and travel risks
- 3 Increased our focus on compliance related to security regulations and training

Our approach

Security refers to the ability to keep people, operations, information and systems secure from intentional harm or damage. Statkraft takes 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, ISO 27001, NS-5814 and NS-5832. Statkraft is currently considering ISO 27001 certification.

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 include ASIS International, the Norwegian Business and Industry Security Council, ISACA, KraftCERT and the Norwegian Cyber Security Centre.

Statkraft has also created an internal, formal network that seeks to enhance collaboration across security disciplines: physical, personnel, information and IT security. KraftCERT is part of this network.

A new travel security support solution was implemented in 2021 and will ensure better support to travellers and ensure Duty of Care during travel for our employees. The solution includes better risk information prior to, following and during travel, as well as direct support from a third-party provider.

Statkraft actively and systematically addresses cyber security and information security risks, utilising our own resources and contractors to handle attempted cyber-attacks.

We interact regularly with government entities to acquire 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. Statkraft is currently building a framework for cultural measurement to achieve the objective of a strong information security culture that ensures the confidentiality, integrity and availability of Statkraft's information.

Over the last two years, Statkraft has organised the October Cyber Security Month, as initiated by ENISA.

Key risks

How Statkraft assesses security risks varies by asset. Security is assessed either through probability and consequence, or by analysing threats, vulnerabilities, and consequences. Both approaches are 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, Corporate Information Security Organisation 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 this is dictated by national regulations or the security situation, armed security is used.

In 2021, key risks have evolved around cyber security and personnel security, as a result of heightened risks with new ways of working during Covid-19. We have a regime in place to regularly verify our cyber security and information security controls

by performing security testing. As regards personnel security, Statkraft conducts background checks on new hires. The extent of the background check is dependent on the risk and national regulations.

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 is in accordance with best practice. This approach aims to enable Statkraft to simultaneously handle emergencies at the local, regional/national and strategic level.

Within Emergency Response, the response to Covid-19 has been the primary effort in 2021. As a result, training has been reduced somewhat in favour of real-life emergency handling. The response has been coordinated globally to ensure a harmonised Duty of Care while complying with local health authorities' advice and directives. Statkraft's pandemic response strategy has revolved around the following priorities:

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

Statkraft conducted an In-Action Review with an external consultant to ensure learning from the Covid-19 response.

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

Status 2021

Security incidents

A total of 522 security incidents were reported in 2021. 484 of these were IT incidents, including six high potential incidents that were detected and efficiently handled at an early stage.

Priorities 2022

- Continue response to the Covid-19 pandemic; the response is expected to become more diversified to allow for a more appropriate local response as the pandemic evolves
- Within cyber and information security, focus on training the organisation, joint operations, increasing geographical presence and compliance with current regulations
- Increase training capacity again within Emergency Response
- Maintain our travel assistance solution to mitigate global travel risks; the solution will maintain a strong focus as business travel is expected to increase in 2022

Human rights

We aim to act according to the United Nations Guiding Principles on Business and Human Rights, by:

- having zero confirmed instances where we are causing, contributing, or linked to breaches of internationally recognised human rights

Comments on performance

We continuously work to improve our processes in accordance with the UNGPs, including updating our policies and strengthening our strategic and operational approach to human rights due diligence.

* In October 2021, the Norwegian Supreme Court found that the licences awarded for the Roan and Storheia wind farms as part of the Fosen development were in violation of international human rights. The Supreme Court established that the wind power development would have a significant adverse effect on the reindeer herders' possibility to practice their culture on Fosen, which was deemed by the court to be the relevant threshold under Article 27 of the ICCPR. Against that background, the Supreme Court found that the herders' rights would ultimately be violated if satisfactory mitigating measures are not implemented.

Both Statkraft and Fosen Vind, majority owned by Statkraft, have a strong commitment to respect human rights and we take the Supreme Court decision very seriously. In addition to the standard impact assessment process, a thorough review of the potential impacts on the indigenous communities at Fosen had been undertaken as part of the original licensing process. This included extensive dialogue and engagement with the Sami groups, both by the company and the relevant authority. The companies acted in faith that the licenses awarded in 2013 did not violate the Sami groups' indigenous rights.

Fosen Vind is continuing its efforts to understand how the impacts can be addressed with the aim of adopting appropriate mitigating measures that safeguard the reindeer herders' cultural rights in line with Article 27. As part of ongoing processes initiated by the relevant ministry, Fosen Vind has suggested an impact assessment programme with this purpose. Fosen Vind has also outlined a plan for emergency preparedness to help Sør-Fosen sijte in the event of a challenging grazing situation the winter 2021/2022.

Confirmed instances where we are causing, contributing, or linked to breaches of internationally recognised human rights



Improvement measures in 2021

- 1 Continued work on the salient issues identified in the 2020 human rights impact assessment of Statkraft's activities
- 2 Adopted an explicit commitment statement on human rights to further reaffirm our long standing commitment, and demonstrated this through the "tone at the top"
- 3 Continued to develop our 2020 commitment to a living wage in all our operations and at our project sites, aiming for implementation in 2022
- 4 Deepened our understanding of human rights in the supply chain, including due diligence in the solar supply chain to understand and address any risks of forced labour, and a "Know your Supplier" process (see Supply chain management chapter)
- 5 Working to improve our processes to be compliant with new legal requirements that will make human rights due diligence mandatory (e.g. the Transparency Act in Norway entering into force in 2022)

Our approach

As a responsible business, we are committed to creating value while caring for people and the environment. This is at the heart of our corporate culture.

Our commitment to care for people is rooted in supporting and respecting human rights.

Given that Statkraft is a company with varied and extensive business relations and stakeholders, it is important to understand how our activities may impact human rights and whether we cause, contribute to, or are directly linked to such impacts. We have therefore established a human rights due diligence process to identify, prevent and mitigate our potential negative impacts on human rights. Where we have such impacts, we are implementing actions to address them and discuss them with our stakeholders. We are committed to providing for or cooperating in remedy processes in these situations.

Statkraft is committed to and has adopted an approach to human rights in line with the United Nations' Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. This long-standing commitment is reflected in the company's Code of Conduct, Supplier Code of Conduct, the Group Sustainability and HSSE Policy, as well as the Commitment Statement adopted by Corporate Management in September 2021. A review of the Supplier Code of Conduct has been initiated and will continue in 2022.

We have an integrated approach to handling human rights issues in Statkraft. This means that we manage human rights issues through the existing functional areas and management systems. 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 latest human rights impact assessment conducted in 2020, as part of our corporate-level human rights due diligence process, has identified four key areas of salient human rights, where we are focusing our efforts:

- Community relations and social licence, including indigenous peoples and minorities' rights
- Health, safety and security, including privacy
- Labour conditions in the workplace
- Decent work practices in our supply chain

While the salient issues remain the same this year, we see development in various aspects of risks within these four areas. For example, the issue of forced labour in the solar supply chain has come to the fore in 2021 (see the Supply chain management chapter). Another example is the Fosen Supreme Court judgement which has highlighted indigenous rights and their relevance to business (more detailed information below).

Human rights continue to be an important issue in large-scale development projects such as Tidong (India), Los Lagos (Chile), and Ventos de Santa Eugenia (Brazil), as well as in large and/or

complex M&A processes. Smaller development projects with specific supply chain challenges as regards human rights, such as solar and batteries projects, are also a specific area of concern.

Status 2021

Projects, programmes and initiatives

As part of the sustainability strategy, a dedicated workstream on human rights was completed in 2021. The company is now working to implement the strategy prioritising the salient issues identified in the 2020 human rights impact assessment. Statkraft is focusing on finding synergy across functions and business areas to focus on the issues where we can make the most positive impact, while continuously improving in areas where we have identified negative impact.

In order to improve the communication and visibility of human rights internally, Corporate Management adopted a Commitment Statement, as mentioned above. In combination with internal and external training efforts, the Statement is intended to increase awareness of management expectations in concrete areas and activities. Through the adoption of similar commitment statements on health and safety and business ethics in previous years, we have experienced this to be an effective tool to promote awareness and the "tone from the top". Statkraft has also increased its expert resources to assist construction projects teams in their assessments of human rights impacts as part of our licence to operate, and to further integrate a human rights approach in the management of construction projects and decision-making frameworks.

In the privacy and personal data protection area, there have been several initiatives to follow legal developments from the EU, as well as to roll out governance in compliance with new national legislation in some of our countries. In particular, we have focused on our supply chain to ensure that transfers of personal data out of the EU are handled securely. This will most likely be a long-term effort, as there are still legal uncertainties regarding such transfers.

We have also worked on developing more detailed guidance on how to process personal data in our various community relations and stakeholder management processes to reduce the risk for data subjects.

The Norwegian Transparency Act was adopted this year, and Statkraft is working to prepare for the law coming into force in July 2022. Similarly, new legal requirements have been adopted in other geographies and Statkraft will be working to be ready to meet these new standards as they emerge. Statkraft is also a member of the Nordic Business Network on Human Rights, where we engage with peers to share information and knowledge on human rights topics

Community relations and social licence

Statkraft is engaged in a broad range of community development initiatives.

Consultations and engagement continued in 2021 with a wide range of local stakeholders, including indigenous peoples.

Norway

In October 2021, the Norwegian Supreme Court rejected the petition from Fosen Vind regarding the setting of damages for two Sami sijte (reindeer husbandry groups) in connection with the Roan and Storheia projects, which are part of the Fosen wind farm development. The reason for the rejection was that the Supreme Court found the licences were invalid as they violated the indigenous rights of the Sami sijte under Article 27 of the International Covenant on Civil and Political Rights. The Court found that the impact the wind parks could have on the reindeers' winter grazing areas entailed a clear risk that the Sami sijte, over the long term, will have to significantly reduce their number of animals. The conclusion was that this would have a substantively negative effect on their ability to exercise their nomadic culture, unless satisfactory mitigating measures are implemented. The Ministry of Petroleum and Energy (MPE) has confirmed that no immediate measures will be taken in relation to the concession while the work to identify appropriate mitigating measures to be implemented is ongoing.

Both Statkraft and Fosen Vind have a clear commitment to respect human rights and adhere to the UN Guiding Principles on Business and Human Rights. In addition to the standard impact assessment process, a thorough review of the potential impacts on the indigenous communities at Fosen had been undertaken as part of the original licensing process. This included extensive dialogue and engagement with the Sør-Fosen sijte and Nord-Fosen siida, the two reindeer husbandry groups within the reindeer husbandry district, both by the company and the relevant authorities. The companies acted in faith that the licenses awarded in 2013 did not violate the Sami groups' indigenous rights.

An agreement for the construction phase of the projects was reached between Fosen Vind and Sør-Fosen sijte and Nord-Fosen siida. Unfortunately, no agreement could be reached for the operations phase and the issue of compensation for this phase was therefore brought to the courts for resolution. Following the Supreme Court decision, MPE has outlined an administrative process with the aim to identify mitigation measures that safeguard the reindeer herders' right to cultural practice and maintain reindeer husbandry at Fosen in the long-term. MPE will consider relevant changes to the wind park licenses to ensure the protection of Sami's indigenous rights. In light of our commitment to respect human rights, Fosen Vind and Statkraft will support this process and have proposed an impact assessment programme, as requested by MPE.

Statkraft owns 52.1% of Storheia through Fosen Vind DA, whereas Roan was divested in 2021. Fosen Vind and Roan Vind will continue the dialogue with Sør-Fosen sijte and Nord-Fosen siida respectively, with the aim of adopting appropriate mitigating measures that safeguard the reindeer herders' cultural rights in line with Article 27, both in the short and long term. Fosen Vind has also outlined a plan for our emergency preparedness to help Sør-Fosen sijte in the event of a challenging grazing situation during the winter 2021/2022. We will continue the dialogue with the Ministry and other relevant stakeholders and contribute to the development of a satisfactory impact assessment programme.

Chile

In line with the findings from the company-wide human rights impact assessment, we paid special attention to human rights risks related to community acceptance, health, safety and security, and decent work conditions in our projects and activities. As part of our human rights due diligence routines, we conducted a human rights management review of our Los Lagos Hydropower project, which is under construction in southern Chile. The human rights management review identified areas with potential improvements where mitigating measures were implemented. One such action was to provide an introduction and training on human rights and community relations to the security personnel working for our main contractors on site. The management review also highlighted some areas where the Los Lagos project is performing well, along with a focus on implementing measures to promote decent work conditions among contractor workforces on site, which led to the establishment of a precedent for industry good practice. In agreement with our main contractor, the project established a living wage for the workforce, higher than the minimum wage provided by the local law and calculated using an internationally recognised approach.

Brazil

An Information Centre has been established near the Ventos de Santa Eugênia wind project to receive questions, suggestions and official information related to the construction site. In addition to the physical structure for the grievance mechanism, Statkraft also has a toll-free telephone number and an email address to receive any complaints from the communities. All received complaints are analysed and addressed in a timely manner.

Among several programs developed to identify and mitigate possible social impacts, a specialised study was conducted to map the social, historical, and productive aspects of two local communities of formerly enslaved people (Quilombola) that are located in the construction site's influence area. In alignment with the ILO Indigenous and Tribal Peoples Convention No. 169, this study also identified possible construction impacts and pointed out mitigation initiatives that are being addressed. In addition, Statkraft is implementing four social programmes inside those two communities specifically to contribute to Quilombola Social Communication; a Covid Prevention Plan, Environmental Sustainability and Income Generation, and Strengthening of Quilombola Identity.

Health, safety and security

Health, safety and security issues are a priority for Statkraft, as we find a clear link between these issues 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 4 500 employees. In addition to corporate-level activities on this front, Statkraft also engages in activities at the local level. For example, in Peru, a diversity and inclusion programme has been launched to create campaigns to raise awareness in relation to gender issues, women's empowerment,

unconscious biases, etc. 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.

Statkraft has committed to guaranteeing a living wage for all our employees and will require the same for site-based workers.

Statkraft is committed to promoting living wages in the supply chain based on the principle of leverage. The company is currently working on a concrete, step-wise plan for rolling out this commitment for new projects in the pipeline. We are also assessing how it can be implemented for existing construction projects in a cross-functional manner involving project management teams, procurement teams and corporate units.

Statkraft has conducted a human rights impact assessment and reviewed the risks of forced labour in the solar supply chain. This work is specifically relevant for current greenfield solar projects which are just starting the construction phase. Statkraft is also reviewing impacts and assessing risks associated with ongoing battery projects in the UK and Ireland, with a particular focus on responsible mining of minerals used in the batteries. Please see the chapter on Supply chain management for further details.

Priorities 2022

- Roll out awareness-raising and training activities on human rights in Statkraft
- Roll out living wage in new construction projects, and evaluate how it can be implemented in existing construction projects; review working conditions for all workers and contractors at construction sites
- Plan for the enactment of the Transparency Act and other new legal frameworks
- Follow up the Fosen Supreme Court ruling, including continued engagement and dialogue with the impacted Sami sijte and the authorities, as well as internal discussions and lessons learned
- Conduct an updated corporate human rights due diligence review and roll out country-based human rights impact assessment in a prioritised manner, focusing on countries with an assumed higher risk
- Execute human rights initiatives in the supply chain

Labour practices

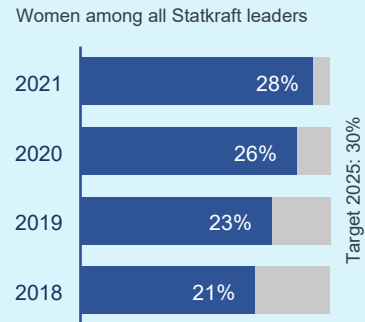
We aim to be a diverse and inclusive workplace where everyone has equal opportunities to contribute and realise their potential, by:

- having 35% women in Group top management positions¹ by 2025, and 40% by 2030
- having 30% women among all Statkraft leaders by 2025
- having a favourability score of 85% on our new employee inclusion index by 2023

Comments on performance

Three new goals were established in 2021 to strengthen our diversity and inclusion efforts. Currently, there are 30% women in Group top management positions, up from 29% in 2020. 28% of all leaders in Statkraft are women, up from 26% in 2020. In addition to gender balance goals, a new inclusion index was established in 2021. This index tracks the degree to which employees experience inclusion at work, and progress is measured twice a year as part of employee surveys. Results from the 2021 survey show a favourability score of 80% on the inclusion index.

1. Group top management positions include CEO, EVPs, and SVPs. Target and results for percentage women among leaders in Statkraft are set and measured for wholly owned subsidiaries.



Improvement measures in 2021

- 1 Set clear goals for gender balance in leadership
- 2 Carried out a global D&I maturity assessment and employee survey as a basis for systematic and targeted action planning
- 3 Established a new inclusion index that measures employees' experience of inclusion at work

Our approach

Statkraft is an open workplace that encourages everyone to pursue their potential while enabling the energy transition. Collectively, we strive to meet the next challenge head-on and are able to see the connection between our own work and the broader purpose of the company.

Our people are our most important resource, and play a key role in reaching the goal of a world based on renewable energy.

At Statkraft, we are committed to helping our people translate their ideas and knowledge into impactful action. One of our most important tasks as an employer is to create a caring culture – one that treats employees like individuals with lives outside work.

Key risks

Responsibility is one of Statkraft's core values. A key focus in 2021 has been to ensure the health and safety of our people during the Covid-19 pandemic.

Both in 2021 and moving forward, it is critical for Statkraft to attract, develop, engage, and retain the workforce needed to deliver on our strategy and to lead the transition to renewable energy.

Status 2021

Employee satisfaction and well-being

A pulse survey was conducted in June 2021 to enable Statkraft to continuously listen to and act on feedback from employees. The overall results of the pulse survey showed high engagement and productivity across Statkraft, although work-life balance and general well-being have been reduced for some employees due to the Covid-19 pandemic. Both global and local activities such as Covid information pages, virtual exercise groups, mental and physical health awareness campaigns, and virtual learning opportunities have continued in 2021. The pulse survey also showed that flexible and hybrid work has been a key learning point during the pandemic, and that employees favoured hybrid work to be a part of the post-pandemic future for Statkraft.

The annual Statkraft employee engagement survey was conducted in October 2021 with a response rate of 90%.

The employee engagement rate was 91% the same score as in 2020.

All 11 dimensions and indices measured were above the global average benchmark, and the trend for employee engagement has been steadily rising since 2018 (when the score was 78%).

Future of work

A project was initiated in 2021 to analyse and explore the potential for hybrid work in Statkraft. Throughout the pandemic, Statkraft has proven that we are able to be productive and run a complex business with a larger amount of hybrid work than before. We believe that hybrid work has the potential to improve the work-life balance. We also believe it is important to safeguard the company's shared culture and to build on the power of in-person interactions within and across Statkraft's locations. In June 2021, we launched guidelines for hybrid work at Statkraft. Employees in the scope of these guidelines are those that predominantly perform "office-based work" in Statkraft. The guidelines offer up to 40% remote work to employees based on certain criteria. The aim was to incorporate the best from both office-based work and remote work. Statkraft's approach to hybrid work will be continuously evaluated and developed to maximise the benefits for employees and for Statkraft as a company.

People development

Attracting and developing people has remained a key focus in 2021 to ensure a workforce that is both engaged and highly qualified. A substantial uplift on people development was conducted in 2020 with the launch of a new learning platform and the offering of LinkedIn Learning to all employees. A leadership programme gathering top leaders across Statkraft was also initiated in 2020 and has continued during 2021 in collaboration with the business school IMD. The programme has generated high engagement among participants, with a particular focus on topics such as collaboration, agility, psychological safety and how to lead in uncertain times. To ensure that the programme has a sustainable impact, 36 participants from the programme volunteered for additional project work in cross-geography and cross-functional teams, with a mandate to propose organisational improvements to corporate management based on the key topics in the programme.

In 2021 we also launched a new portfolio of leadership and talent development programmes, alongside "Power Skills" – a series of tailored learning opportunities for all employees on topics such as project management, communication, culture, and collaboration. In addition, we reviewed Statkraft's people development processes, and strengthened our focus on feedback, learning and development.

Workforce diversity and inclusion

For us, diversity means differences in gender, age, expertise, cultural background, nationality, experience, sexual orientation, ethnicity, ability, and religious beliefs – everything that shapes who we are and our perspectives. To succeed with the transition to a world powered by renewable energy, we need different perspectives and voices at the table. We therefore work actively to create an inclusive work environment where everyone has an equal opportunity to contribute to business success and to realise their potential. Diverse and inclusive teams make Statkraft better.

Efforts to strengthen diversity and inclusion (D&I) in Statkraft were continued in 2021. To ensure a targeted approach, a global D&I maturity assessment was carried out, providing a solid basis for action planning and long-term ambitions for D&I in Statkraft. The

results showed good ambitions to improve D&I, but that there is a need for a more strategic and systematic approach. Clear targets have therefore been set for gender balance in leadership and a new inclusion index has been established. This index consists of four questions in the employee survey and will track to what extent employees experience inclusion at work. Progress will be measured twice a year, and the baseline for the index was established in 2021. The results show a favourability score of 80% on the inclusion index.

Based on the maturity assessment there have been workshops in all top management groups in 2021 to identify D&I action plans on both group level and in each of the business areas. The focus in 2022 will be to implement and follow-up established action plans. Moreover, we will work to further embed diversity and inclusion in our policies and processes as well as to continue to work on creating an even more inclusive culture.

When looking at gender equality results for 2021 in Norway, the overview below shows that women's total salary is 93.7% of men's salary overall. Total salary includes, in addition to fixed base salary, elements such as shift premiums and other compensation. When looking at average fixed salary, the difference between men and women's salary is minimal, at 104.1% (women to men).

Gender equality results 2021 (for wholly owned subsidiaries in Norway)

		Women	Men
Total employees	(1 653 people)	29%	71%
Part-time employees	(23 people)	43%	57%
Temporary employees	(21 people)	52%	48%
Average parental leave		163 days	81 days
Top management positions		30%	70%
All leadership positions		28%	72%
Average total salary ratio (women to men)		93.7%	

Gender equality per Hay grade 2021 (for wholly owned subsidiaries in Norway)

Hay Grade	Number of women	Number of men	Ratio women/men average total salary
11	10	15	97.7%
12	28	153	97.7%
13	25	125	92.4%
14	26	71	73.8%
15	35	73	81.4%
16	53	115	90.6%
17	64	191	92.0%
18	122	213	85.8%
19	48	115	79.2%
20	34	53	85.6%
21	10	35	92.6%
23	9	19	96.0%
All levels	478	1 200	93.7%

Statkraft uses an external framework for assessing positions and compensation provided by Korn Ferry Hay Group. This is an international well-known and used methodology. Union representatives have been involved in the process of changing the salary system to reflect employees' Hay grade. Full time work is a

norm and policy in Statkraft unless part time is requested from employees. Only 1.4% of employees work part time, and of these 43% are women.

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 trade unions within the energy sector. In countries not covered by SEWC, Statkraft respects the employees' freedom of

association and cooperates with union representatives in accordance with collective bargaining agreements, legal requirements, international standards, and prevailing industry best-practice for each location.

Priorities 2022

- Ensure the health and safety of all employees during the Covid-19 pandemic
- Ensure a diverse and inclusive work environment where everyone has an equal opportunity to contribute to business success, to realise their potential, and to be themselves
- Strengthen our culture for continuous learning and development

Supply chain management

We aim to continuously improve sustainability in our supply chain, by:

- stepping up sustainability risk management to improve supply chain performance and integrate SDG ambitions for climate and labour conditions
- implementing new EU taxonomy and new Norwegian Transparency Act
- working together with our suppliers to achieve sustainability goals

Comments on performance

During 2021, Statkraft focused on implementing sustainable supply chain management as an integrated part of the procurement process. Implementation of a range of measures has continued, and the entire procurement community has received training in sustainability. Our procurement procedures and tools, as well as the contractual obligations for suppliers, have been revised and updated.

Improvement measures in 2021

- 1 Identified potential risks in the supply chains for electromechanical equipment for hydro, solar panels, and wind turbines
- 2 Established a system for assessing how strategic suppliers work with human rights management in their supply chain
- 3 Reviewed labour conditions in Norway for subcontractors at key construction sites
- 4 Trained contract managers and procurement personnel to improve awareness about sustainability and how to avoid purchasing from suppliers that may cause adverse impacts to people, society, and the environment

Our approach

Statkraft is committed to sustainable and responsible business practices, and this commitment extends to our suppliers. Our work is guided by the eighth UN Sustainable Development Goal (Decent work and economic growth), the UNs Guiding Principles for Business and Human Rights, and the OECD's Guidelines for Multinational Enterprises. We believe that cooperation with suppliers is necessary to achieve a sustainable supply chain. We organise our procurement activities so that we can obtain the best possible value, terms and conditions, and avoid adverse impacts to people, society, and the environment in our supply chains.

Our ambition is to procure from suppliers that demonstrate respect for people, society, and the environment.

Each year, Statkraft purchases from approximately 11 000 suppliers world-wide. Procurement is handled by more than 100 procurement professionals, in different purchasing streams, located in twelve countries. Their day-to-day work is supported by the Sustainable Supply Chain unit in Group Procurement.

Our Supplier Code of Conduct is part of all contracts; it prohibits unethical and illegal business practices, and requires our suppliers

to respect fundamental human rights and labour rights, health and safety standards, the environment, and privacy.

Statkraft's procurement policy requires that procurement activities be organised to "avoid adverse impacts to people, society and the environment". The policy is supported by requirements that ensure that potential impacts are assessed in the same manner as financial and operational risks. Our standard contract models include sustainability obligations. We integrate obligations in tender documents, and potential suppliers are assessed (as part of the qualification criteria) on how they respect human and labour rights.

When we discover an adverse impact linked to our purchases, we engage in dialogue with the supplier to stop and rectify the situation. Where impacts cannot be rectified, we cooperate with the supplier to enable remediation that is proportionate to the significance and scale of the adverse impact.

Key risks

A risk of adverse impact exists when there is potential for behaviour inconsistent with the recommendations in OECD's Guidelines for Multinational Enterprises. Statkraft acknowledges that we cannot handle all potential adverse impacts in our supply chain. Action priorities have been set for the most significant risks of human and labour rights impacts, based on severity and likelihood.

Most of Statkraft's procurement activities are directly linked to the purchase of equipment necessary to produce electricity and construction of powerplants. We have identified risks in the supply chains for electromechanical equipment (used for hydropower), wind turbines and solar panels, and specific risks related to components/activities linked to sector, products, input material and geographies. The main risks identified are described below.

We handle risks by addressing issues in the tender phase and by including mitigation measures in contract obligations. We work continuously to develop, implement, and track measures.

Emissions from construction and rehabilitation of power plants has an effect on the climate. Emissions linked to the supply chain (scope 3) are addressed in the Climate action chapter.

Potential risks of breach of human and labour rights in the supply chain for hydropower equipment

Electromechanical equipment for hydropower generation is usually tailor-made to the production capacity of a power plant. The supply chain is long and varies from project to project. The main component of all electromechanical equipment is steel, followed by copper and aluminium. There is very limited use of conflict minerals and critical minerals in electromechanical equipment. Statkraft's contracting parties buy engineered components from a variety of sub-suppliers and usually undertake assembly in their own workshops. Statkraft has limited transparency into the lower tiers of the supply chain. We consider that the highest potential for adverse impacts are poor working conditions and inequality at sub-supplier workshops (in rough machining and welding workshops), and unreasonable working time, inadequate leave

periods and wages for workers during equipment installation at site.

Potential risks of breach of human and labour rights in the supply chain for wind power equipment

The main components in wind turbines are rotor blades, the rotor hub, nacelle, and tower. The supply chain is long and Statkraft's suppliers buy standard and manufactured components from a variety of sub-suppliers. Glass fibre reinforced plastic (GRP) is the main component in the rotor blades, and also a large part of the rotor and hub. Statkraft has assessed that there is a risk of forced labour, and discrimination against women related to production of GRP parts. In addition, there is a potential risk of unreasonable working time, inadequate leave periods and wages for workers during installation of wind turbines on-site.

Potential risks of breach of human and labour rights in the supply chain for solar power equipment

The main components for solar are photovoltaic (PV) panels, with polysilicon as the key input material, and inverters. Forced labour in the production of polysilicon for solar panels sourced from China received international attention towards the end of 2020 and Statkraft has addressed these issues during 2021, supported by a dedicated taskforce. Statkraft strongly opposes the use of forced labour and seeks to avoid contributing to or being directly linked to adverse human rights impacts, which we address through necessary traceability and audit rights. Future contracts will be awarded to suppliers that deliver solar module materials from factories where there is a limited risk of forced labour, who can act transparently and allow sufficient insight into their supply chain.

Statkraft also works with industry associations and peers to raise awareness, increase transparency, and improve industry standards for PV panels.

Other potential risks of breach of human and labour rights in our supply chains

Business consulting and engineering work is usually performed by suppliers in countries where Statkraft is located, and the supply chain is short. Statkraft considers the risk of human rights breaches to be low.

Statkraft acknowledges that there are potential risks related to labour conditions in connection with transportation of goods to Statkraft's sites and between each supplier tier, and also linked to certain indirect materials and services, but our focus in 2021 has been on procurement of equipment where Statkraft has the highest risk and most leverage.

Risks related to business ethics (e.g. risk of fraud and corruption) are still under pressure, and we are working to mitigate them through awareness.

Status 2021

Sustainable supply chain management as an integrated part of procurement processes

Statkraft carries out sustainability assessments as part of the supply chain management, which is integrated in the procurement process. Also, a guide for tendering, monitoring and follow up of

sustainability activities during contract execution has been developed. The procurement community, with more than 100 procurement professionals (category managers, contract managers and sourcing personnel), has been trained. A tool to assess how strategic suppliers work to identify, prevent, mitigate, and account for potential adverse human and labour rights impacts in their own business and supply chains has been developed. Statkraft has held dialogue with three suppliers of hydro equipment, two suppliers of wind turbines and five suppliers of solar equipment. Our aim is to improve transparency, continue dialogue with our strategic suppliers and share best practice to better identify and avoid risks for adverse impacts, ensuring compliance with labour rights on-site.

In 2021, we continued to verify that contractors and sub-contractors performing work at our sites respect labour rights. We performed ten controls in Norway and discovered that, in three cases, contractors have paid workers a wage below the minimum requirement, and that six contractors have performed work in breach of working time requirements.

Key results of investigations in 2021



Controlled the labour conditions of 10 contractors on Statkraft's sites in Norway



Discovered 6 contracts where work in the supply chain had been performed in breach of working time limitations



Found 3 contracts where workers in the supply chain were paid wages below minimum requirements

Statkraft believes that not paying a minimum wage is a significant breach of our Supplier Code of Conduct. When we discover breaches, we instruct our suppliers to rectify the situation and to submit documentation that the breach is remedied. However, in

cases like this, as it is not possible to retroactively rectify breaches of working time restrictions, we instruct our suppliers to compensate their workers for overtime in accordance with Norwegian law.

Consequently, Statkraft is revising the contractual obligations for suppliers and is strengthening the system for verifying labour conditions to prevent breaches of Statkraft's requirements and applicable legislation.

Building awareness among procurement personnel

Group Procurement continues to build awareness of issues that may cause adverse impacts on people, society, and the environment.

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

Priorities 2022

- Integrate Statkraft's SDG ambitions for climate in procurement processes, ensuring compliance with new EU taxonomy
- Align supply chain processes with requirements in the new Norwegian Transparency Act
- Roll out commitment on ensuring a living wage for contractor personnel at construction sites and undertake assessments of labour conditions for the same
- Map sustainability risks related to new technologies, transportation, and indirect purchases
- Increase co-operation with industry peers and participate in sector and industry initiatives to share experience and increase leverage

Business ethics

We aim to prevent corruption and unethical practices in all activities, by:

- maintaining zero serious compliance incidents
- implementing our compliance programme on schedule

Comments on performance

A comprehensive compliance programme has been implemented and rolled out to all new entities in the Group. We have regular communication and culture-building activities to complement formal business ethics training sessions. In addition, we have regular business ethics dilemma discussions across business areas. Overall, we have strengthened our compliance resources centrally and in the line, and we regularly review our internal controls in key business processes to ensure adequate handling of business ethics risks. We have successfully embedded integrity due diligence, especially regarding corruption and fraud risks in high-risk projects (such as construction and M&A projects).

Improvement measures in 2021

- 1** Rolled out a new modular and interactive Business Ethics eLearning for all employees.
- 2** Delivered digital classroom business ethics training to relevant departments, including to new hires and colleagues joining after the SolarCentury acquisition, with a particular focus on corruption, fraud and competition law risks.
- 3** Invested significant efforts in designing appropriate controls in co-development agreements and new business activities.
- 4** Piloted a new digital tool for integrity due diligence of business partners.

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 at a general level in 2019, followed by audits focused on particular topics/regions in 2020 and 2021. 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 adequacy and quality of the activities are under constant review by the corporate compliance unit, which supports and advises Statkraft's management on the compliance programme.

The Board of Directors exercise oversight of the compliance programme 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. A more in-depth group-wide assessment is conducted every three to five years.

The risk assessment process and methodology for risk assessment is reviewed regularly.

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 have also been 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, and we continuously strive to maintain strong business ethics as the organisation grows and our business develops.

The corporate compliance programme is updated annually and on an ongoing basis to ensure continuous mitigation of the identified risks and to reflect lessons learned from concrete cases and investigations, and from audits and reviews. Implementation examples for specific geographies are given below.

Brazil

On 16 October 2021, a leniency agreement was signed with the Federal Comptroller General (CGU) and the Federal Attorney General (AGU). As part of the agreement, Statkraft admitted that prior to Statkraft taking over control of Desenvix Energias Renováveis S.A. in 2015, Desenvix made illegal payments to speed up public entity approvals in 2011-2014. Statkraft's full compliance programme was rolled out in the organisation in Brazil following Statkraft taking control, and efforts are continuously made to review and update the programme.

Greece

An investigation was conducted in 2021 following reported concerns that corruption may have taken place related to two

development projects in Greece prior to Statkraft's acquisition in 2020. Direct evidence of corruption has not been found, but Statkraft has reported facts and circumstances to relevant authorities and exited the relevant projects. Any financial exposure for Statkraft is not expected to be material.

Status 2021

Training and communication

Statkraft ensures that all employees are familiar with the principles set out in the Code of Conduct and internal business ethics rules.

New, modular interactive Business Ethics eLearning has been launched for all employees.

Tailored training sessions are given to employees according to their risk exposure. In 2021 all new staff joining from SolarCentury received compliance training. 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 were included in leadership and group events throughout the year.

Statkraft's internal Business Ethics Portal is a key hub for knowledge sharing, engagement and culture-building. The Portal, which contains materials and guidance on all relevant topics, was upgraded in 2021 for a better user experience. We also set targets for the frequency of dilemma discussions run by managers at different levels, as well as other similar initiatives. The performance against these targets is monitored.

Fraud Prevention & Internal Controls

Statkraft recognises the increased risk of fraud resulting from the Covid-19 pandemic and launched a fraud awareness initiative in 2020 aimed at strengthening the resilience of the first line of defence and empowering managers to control risk. The campaign, which continued well into 2021, consisted of communication to all employees, new fraud awareness materials and targeted training and communication.

Several initiatives were taken in 2021 to further strengthen internal procedures and controls related to compliance. Work continued on developing and implementing some initiatives from the Framework for Compliance Reporting, Monitoring and Review outlined in July 2020. There were also further developments in the Fraud Prevention System, including adjustments to existing controls in financial processes. Corporate-wide projects on fraud prevention were executed and reinforced controls will be implemented in 2022 as a part of continued development of the Finance and Fraud Analytics tool.

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 mergers 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.

Personal data protection

In 2021, we have performed various new initiatives to further strengthen our privacy and personal data protection program:

- we have strengthened our collaboration with IT Security to ensure a more holistic experience for our users,
- we have taken part in several collaborative activities with other Corporate Staffs to raise awareness about personal data protection and privacy,
- we have automated and streamlined how we handle data protection inquiries to better document, streamline and manage support requests,
- we have initiated several improvement projects following up Corporate Audit findings concerning internal control frameworks, system support and other topics; one example is our development of topic-specific guidelines for our various stakeholder, environmental, and social management processes in projects.

In addition, there have been relatively extensive legal developments impacting how we transfer personal data out of the EU/EEA, which we have followed up with targeted mini-projects mapping our supply chain and developing new contract templates to ensure adequate risk management.

Priorities 2022

- Complete implementation of the digital workflow for integrity due diligence (IDD) of business partners
- Develop and implement a Conflict of Interest tool to bolster management and documentation of potential conflicts across the company
- Implement a training and communication plan for 2022
- Perform ongoing compliance work related to growth initiatives (M&As, greenfields), and support integration of new companies
- Ensure an aligned approach to compliance in all development projects across technologies

HOW WE SUPPORT THE GREEN TRANSITION

Biodiversity

We aim to deliver climate-friendly, renewable power while implementing responsible environmental measures, by:

- maintaining zero serious environmental incidents related to biodiversity
- implementing Group-wide improvement initiatives related to biodiversity management

Comments on performance

As part of the sustainability strategy, Statkraft has initiated a biodiversity workstream to develop a company-wide strategic approach. The workstream will help us understand how Statkraft is managing material biodiversity topics today and further identify key improvement areas at a corporate level.

Improvement measures in 2021

- 1** Completed Critical Habitat Screening for all assets in our operations outside of Europe, identifying monitoring needs and established Biodiversity Action Plans
- 2** Cleaned fine sediments and thick mosses out of riverbeds for salmon and installed passages for upstream migration of young eels
- 3** Established a three-year R&D project (2020-2022) to assess possible long-term impacts from wind projects on the white-tailed eagle population
- 4** Formed a partnership in 2021 with the Bumblebee Conservation Trust which will assist with assessing habitat management plans to ensure Statkraft is maximising biodiversity measures in solar development

Our approach

Statkraft manages biodiversity within its corporate sustainability framework, in close collaboration with relevant authorities. Statkraft provides expertise and resources to perform monitoring and research projects, and the necessary investigations. 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 impacts on nature, climate and the social value of power generation are made by relevant public authorities in an independent manner.

Key risks

Internationally recognised reports show that global biodiversity is rapidly declining.

The main reasons are changes in land use (deforestation, monocropping and urbanisation), over-exploitation of natural resources, climate change, pollution and invasive alien species. Stakeholders are also increasingly focusing on the impact of society and business on biodiversity.

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 in the planning and development phase can avoid and minimise negative impacts during construction and operation.

Currently, Statkraft's key risks related to biodiversity arise mainly from hydropower and wind power generation. 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 and degradation of habitats and to the spread of invasive alien species.

Status 2021

Throughout the year we have continued efforts to reduce and mitigate impacts through environmentally friendly designs, appropriate location choices, and implementing improvement measures, as well as work to protect soil, air and water from pollution and waste.

In relation to Statkraft's sustainability strategy we have initiated a workstream to further develop our approach throughout the company. The workstream aims to map and understand key risks and regulatory developments that affect Statkraft today and in the future and understand our current footprint and potential improvement areas.

Below are some examples of our biodiversity activities for 2021.

Hydropower

Wild salmon

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. In

addition, Atlantic salmon was placed on Norway's national red list of threatened species in 2021. Statkraft operates hydropower plants on 13 out of 52 national salmon rivers. Our impact on wild salmon varies depending on whether the power station discharges water into a river section where salmon live and whether our installations reduce the natural flow of a river. Other factors that also affect the salmon population include parasite infestations (*Gyrodactylus salaris*), the time spent in salt water and escaped hatched salmon.

In order to enhanced living conditions for young salmon, mechanical removal (ripping) was used in 2021 to remove fine sediments and thick moss vegetation from the riverbed of Suldalslågen (South-Western Norway), a national salmon river and one of Norway's best salmon fishing rivers.

Eel

In the context of building a new hydropower plant at Dalfoss in the Kragerø river basin (Southern Norway), Skagerak Energi AS – majority owned by Statkraft – has installed a passage to facilitate the upstream migration of young eel as well as a modern intake installation to catch downstream migrating adult eels and transport them to the other side of the power plant.

Preservation measures

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 stocks. To sustain salmon and other important migratory fish species, Statkraft has restocked more than 570 000 salmon, sea trout, inland trout, grayling and eel in the Nordics and Europe, as well as more than 1 100 000 juveniles of the same species. Approximately 340 000 fish eggs were placed in Norway and Sweden. In Sweden, a total of 101 000 eel juveniles were collected in Laholm (Lagan River) in 2021. In addition, trap and transport of grown eel was carried out in the Lagan and Nissan Rivers in Sweden in collaboration with local fishermen.

Key figures for aquatic species restocking in 2021

 **570 000 salmon, trout, grayling and eel restocked**

 **1 100 000 salmon, trout, grayling and eel juveniles restocked**

 **340 000 fish eggs placed in Norway and Sweden**

Reindeer

In the Nea River (Central Norway), a passage for tame reindeer herds has been built downstream of the Tydal hydropower plant. Such mitigation measures require close collaboration with authorities to ensure that the impacts of new infrastructure on nature are acceptable and that effective solutions are developed to mitigate changes in the migration routes of these domesticated reindeer.

Landscape restoration

In Albania, where Statkraft has two hydropower projects in operation (Banja and Moglicë), an extensive reforestation project has been undertaken to offset the loss of forests due to the

impacts from construction, spoils, quarries, transmission line corridors and inundation. A total of 872 hectares of new forest, consisting of native trees and economically important fruit and nut trees are being planted around the reservoirs. This programme not only offsets the loss of forest areas but also stabilises slopes, rehabilitates former camps and construction areas and provides local communities with a source of additional income.

Construction projects

Statkraft is constructing a 52 MW hydropower plant in Chile (Los Lagos) and a 519 MW wind project in northeast Brazil (Ventos de Santa Eugênia) where animal rescue and relocation programs have been carried out prior to the start of construction and local seeds have been gathered for reforestation programs as part of rehabilitation and offset activities to ensure there is no biodiversity loss of flora and fauna in the vicinities of our projects. In India, Statkraft is currently constructing the 150 MW Tidong hydropower project in Himachal Pradesh. The project area impacts a critical habitat with a red-listed species locally known as chilgoza, a type of pine tree. In 2021, re-alignment and adjustments in the right-of-way and tower spot locations necessitated felling of more trees, totalling 1 042. A higher impact level requires more attention, and a forestation programme is under consideration.

Innovation

In 2021, the German authorities approved an innovative solution at Statkraft's run-of-river hydropower plant in Wahnhausen, where renewal of the concession aimed at improving the conditions for migrating fish. A pilot project has been accepted for a permanent downstream bypass using an existing pipe.

A new electric barrier is about to be tested in our Swedish hydropower plant Gideåbacka, with the objective of assisting salmon in finding the upstream migration passage.

Wind power

In Norway, all six wind farms associated with the Fosen wind power programme are now completed.

Statkraft was responsible for construction operations, including the restoration of road embankments, quarries and landfills. During construction of Fosen Vind, ornithological monitoring enabled the protection of active breeding bird nests, and this monitoring now continues throughout the post-construction phase. These surveys are already taking place at Roan Wind Farm and in 2021 found no signs of negative impacts on breeding birds.

In the Netherlands, Statkraft has established a research programme, along with several government agencies, energy companies and nature organisations, to monitor the potential reduction of bird collisions with a wind turbine where one blade is painted black. The project will run until 2024.

In the UK, Statkraft has undertaken annual monitoring across the four operational schemes including conducting bird surveys, habitat condition assessments and woodland establishment monitoring. Monitoring has found that habitats are establishing well and helping to increase biodiversity across our sites.

Solar power

Talayuela Solar (Cáceres, Extremadura) was connected to the grid in January 2021. At 300 MW, the project is one of the largest in Spain. 320 hectares of the site has been set aside for environmental protection, of which 78 hectares are part of the holm oak protection area. The environmental protection initiative involves planting 5 000 acorns yearly. It is expected that in five years there will be an average of 20-30 000 new holm oaks.

To increase forest growth, we will plant 20 000 saplings in coming years.

The steppe habitat will be restored and improved through a management strategy for animal husbandry. Ponds, troughs and basins have also been built to support animals that are sensitive to the lack of water in the region. Wild rabbits and other species will be encouraged/introduced, and studies will be carried out to measure the variety of species on site. A nature classroom is also being constructed to provide visitors with onsite learning about local nature and solar power.

Following its acquisition of Solarcentury, Statkraft has a pipeline of solar projects in the UK, all of which are being developed with the aim of delivering a significant net gain in biodiversity. During 2021, Statkraft formed a partnership with the Bumblebee Conservation Trust, which will assist with assessing our habitat management plans to ensure we are maximising biodiversity measures. Our process includes estimating the number of bumblebees present in an area, which is important because bumblebees are an indicator species for overall habitat quality. In addition, we support a trust that takes care of rare breeds (Rare Breeds Survival Trust), which demonstrates how old and new can work together to achieve a healthier and more diverse environment.

In the Netherlands, Statkraft has been taking part in a study run by the University of Wageningen, where biodiversity has been measured onsite comparing grazing by sheep with regular lawnmowing. Following the study, Statkraft started mowing with different machinery in order to increase the biodiversity that thrives in this new environment. Statkraft is committed to taking part in and learning from this type of independent research, and will be taking part in further studies in 2022.

Houten Oostrumsdijkje - a 16 MW solar farm - was connected in May 2021. The development of this site has allowed for the restoration of the historical landscaping structure, and large ditches have been created to improve water management for the solar farm and its surroundings. More than 150 trees were planted, in addition to more than 500 m of hedgerow.

Priorities 2022

- Continue taking active part in ongoing revision of concession terms in projects in Norway and prepare for upcoming processes in Sweden
- Implement new environmental terms and conditions for updated operating rules for the Åbjøra, Trollheim and Aura hydropower plants, with integrated fish and habitat management plans
- Update our fish management strategy for the upcoming period (2022 – 2025)
- Improve training and dissemination of information and share lessons learned across all geographies

Climate action

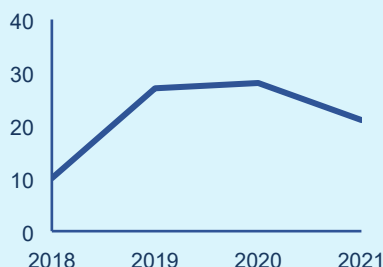
We commit to a 1.5°C global warming target pathway for the power sector, and we aim to bring society along with us, by:

- reducing our GHG emissions (scope 1 & 2) to reach climate neutrality by 2040
- remaining Europe's largest generator of renewable power
- continuing to invest 100% in renewables by expanding our hydro, wind, and solar power by 9 GW before 2025 (from 2018 baseline)
- reaching 98% renewable energy share in district heating by 2030
- reducing our supply chain emissions (scope 3) by engaging with our suppliers
- transforming our vehicle fleet to 100% EV by 2030

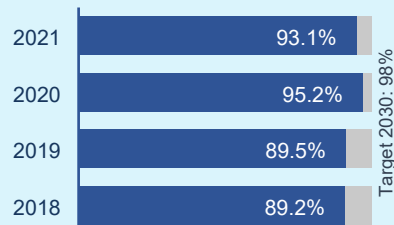
Comments on performance

In 2021, our installed power generation capacity based on renewables was 16 269 MW. Statkraft's total GHG emissions (scope 1 & 2) in 2021 were 1.2 million tonnes of CO₂e, and most of these emissions came from gas-fired power generation in Germany. As Statkraft's portfolio is dominated by renewable power generation assets, the average GHG emissions from the company's electricity generation are still low, only 21 g CO₂e/kWh in 2021. Statkraft's power generation was based on 96.1% renewable energy sources in 2021.

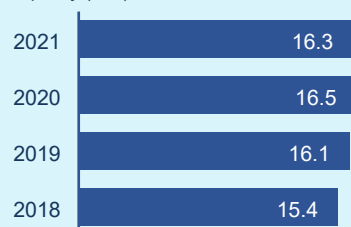
GHG Intensity (scope 1 & 2, g CO₂e/kWh)



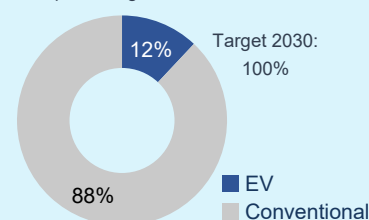
Total share of renewables in district heating



Installed renewable power generation capacity (GW)



EV percentage in own fleet in 2021



Improvement measures in 2021

- 1 Continued to optimise our hydropower portfolio through refurbishment projects in the Nordics
- 2 Continued to be well on track with our growth target of 9 GW by 2025 in new developed renewable capacity (from 2018 baseline)
- 3 Continued to develop our businesses contributing to decarbonisation, such as green hydrogen (and green ammonia), our EV charging business, and maturing additional initiatives such as biofuel
- 4 Actively supported policies for decarbonisation and carbon neutrality, including key instruments such as the EU ETS, carbon pricing and policies for deep decarbonisation

Our approach

Climate change is one of the greatest challenges the world is currently facing. Statkraft helps alleviate climate change through its core business.

The Paris Agreement sets ambitious targets for reducing greenhouse gas emissions to a level which limits global warming to 2°C, and to pursue efforts to limit the increase to 1.5°C. 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 on renewable energy, we will be a leading contributor to decarbonising the energy system.

Statkraft's ambition is to remain Europe's largest generator of renewable power and to be among the top three most climate-friendly European-based power generators. Statkraft supports policy measures that contribute to reduced greenhouse gas emissions by adopting market mechanisms. Statkraft's ambition is to reduce emissions from its supply chain and will encourage its suppliers to also contribute to this effort.

Key risks

Physical risks

Physical risks resulting from climate change will materialise as both incidents 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, although we may see periods with less precipitation than historical averages as well. Extreme weather events may occur more frequently. In regions outside the Nordics, precipitation could decrease. However, large reservoirs do act as a safeguard enabling us to cope with increasingly imbalanced precipitation patterns, as they allow us to store excessive rainfall and retain more fresh water for dry periods.

For existing power plants, this will represent a change in power generation 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, Statkraft invests annually in 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 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, all 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.

Changes in output from hydropower plants and other renewable power plants may impact power prices, and temperature changes 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 energy sources, as well as increasing the overall energy efficiency of their economies. In general, this is expected to increase the long-term value of Statkraft's assets and expertise. 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, which establishes a new roadmap to achieve emission reductions of 55% by 2030 and net zero emissions by 2050. A set of proposed changes to EU legislation to support these targets, known as the "Fit for 55" package, was presented in June 2021. For the energy sector, the emission reduction targets will be reached through a combination of a strengthened cap-and-trade system for emission allowances, direct regulation and subsidies. It is too early to assess the full consequences of the implementation of the European Green Deal, but it is likely to increase both the production capacity of renewable 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 government 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 for new generation capacity will be negative for Statkraft, as it can lead to oversupply and put negative pressure on power prices. However, subsidies may also create investment opportunities. Subsidies and other incentives that increase electricity demand will have a positive impact for Statkraft.

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 will partly be offset through geographical diversification.

The European energy sector is also impacted by regulations of 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 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

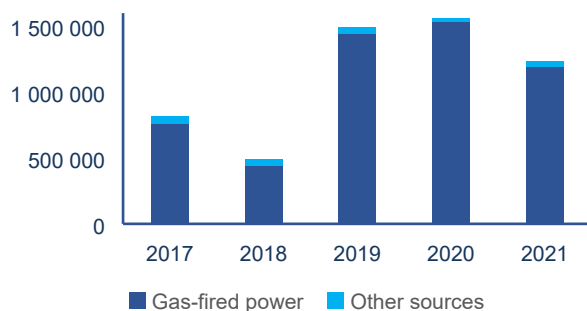
European power markets. These studies make it possible to understand how current assets and future investments will be impacted by environmental policies and provide both power price forecasts and a framework to quantify business risks.

Status 2021

Statkraft's greenhouse gas emissions

The GHG intensity of Statkraft's operations is among the lowest in the global energy sector. In 2021, Statkraft's own GHG emissions were 1.2 million tonnes of CO₂e.

Total emissions (scope 1 & 2 for activities with >50% ownership, tonnes CO₂e)



As shown in the figure above, 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, encompassed by the 'other sources' in the figure above, the average GHG emissions from the company's electricity generation are still low.

Average emissions were 21 g CO₂/kWh in 2021
9% of the average EU power generation carbon intensity (European Environmental Agency, 2020).

Statkraft's gas-fired capacity is regulated under the EU ETS. As the total GHG emissions under this system gradually decrease, 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 sources of Statkraft's indirect emissions are upstream emissions associated with production and transport of gas to our gas-fired plants as well as our use of materials and products, primarily concrete and steel and the use of fossil fuels in ongoing construction projects. High-level estimates indicate total scope 3 emissions in 2021 at a minimum of 740 000 tonnes of CO₂e.

In 2021, Statkraft started an initiative to develop practical approaches for assessing GHG emissions in the supply chain with focus on consumption of materials and products in ongoing and future construction projects. We have prioritised establishing a set of pilot projects across the company; two hydropower refurbishment projects in Norway and three new wind construction projects outside Norway. In the hydropower area, we have developed and started testing a unique climate assessment tool based on life cycle emissions data related to projects' use of construction materials, electro-mechanical products and on-site

work. Further, we have started developing a similar climate/circularity assessment tool for wind projects that will be finalised in 2022.

Growth in renewable energy capacity

In 2025, Statkraft aims to remain Europe's largest generator of renewable power, and to be among the top three most climate-friendly European-based power generators. In addition, Statkraft aims for the following emission targets globally: <50 g CO₂e/kWh by 2025, <35 g CO₂e/kWh by 2030 and climate neutral by 2040.

In 2021, Statkraft's installed renewable power generation capacity was 16 269 MW.

Statkraft aims to be a major wind and solar developer with a total growth target of 8 GW by 2025 in new developed capacity from a 2018 baseline. In October 2021, Statkraft acquired the wind power portfolio of wind farm operator Breeze Three Energy in Germany and France. This acquisition constituted our market entry as an owner of a wind farm portfolio in Germany and France and is in line with Statkraft's strategy to ramp up as a wind and solar developer and further strengthens our role as a key renewable player in Europe.

Part of Statkraft's business strategy is to develop new business initiatives with international potential within sectors such as datacentres, EV charging, advanced biofuel or green hydrogen.

Statkraft aims to be a leading green hydrogen producer in Norway and Sweden, and an important milestone was reached in 2021, when it was announced that Statkraft and Skagerak Energi had been chosen to provide the world's first hydrogen-powered cargo ship with zero-emission green hydrogen planned by Heidelberg Cement and agricultural cooperative Felleskjøpet. The winning concept involves container swapping with compressed hydrogen. The solution is flexible and can be used both for transport and other purposes.

District heating is an integral part of the energy supply in towns and cities and acts as a useful supplement to the electricity grid. Statkraft will continue to increase the renewable share of its district heating plants from 93.1% in 2021 to at least 98% in 2030. Statkraft will also continue to modernise and further develop its district heating distribution grid.

For example, in Norway a biofuel burner has been added in Namsos to reduce the need to use fossil gas and a feasibility study was initiated for a carbon capture system at Heimdal district heating plant in Trondheim. In addition, as an energy efficiency measure, heat accumulators have been installed at Heimdal and are under development at Gardermoen to reduce the need to use fossil fuels to meet peak load demands. In Sweden, fossil fuel has been replaced by biofuel in Åmål.

Supporting decarbonisation of society

In January 2021, the CEOs of the three largest Nordic energy utilities, Statkraft, Fortum and Vattenfall, sent a letter to the Director-General for Climate Action at the European Commission, calling for swift revision of the EU 2030 climate and energy legislation. In their letter, the three CEOs welcomed the EU's revised 2030 climate target of at least 55% emissions reduction as

a crucial step on the path towards 2050 climate neutrality, emphasising three key elements for a rapid adjustment of the 2030 climate and energy policy framework; strengthening EU ETS as a key driver for decarbonisation, enhancing electrification to decarbonise the EU economy and strengthening cost efficiency and markets through technology neutrality.

In February 2021, Statkraft's EV charging businesses were merged into a single organisation and rebranded to Mer – with a mission to make the transition to sustainable e-mobility easier and more accessible to European EV drivers by offering innovative solutions and improving the customer experience. Electrification of the transport sector is an important step towards a low-emission society and will cut future emissions in the sector. Statkraft's Low Emissions Scenario report estimates that 40% of new passenger cars sold in 2030 will be electric and that this will increase to almost 100% by 2050. Statkraft's own ambition is to transform its global vehicle fleet to 100% EV by 2030. The status in 2021 was that 12% of the total vehicle fleet has been converted to electric vehicles (compared with 2% in 2020).

In July 2021, Statkraft and SolarAid, the international development charity working to create a sustainable market for solar lights in Africa, announced a continued strategic partnership to tackle climate change and poverty in Africa. Statkraft will support SolarAid with donations totalling two million GBP to be paid over three years. Solar power is a simple and cost-effective solution for those who have no choice but to rely on expensive and toxic kerosene or dangerous candles. Statkraft's partnership with SolarAid will fund small distributed solar power solutions in selected areas in sub-Saharan Africa.

Part of Statkraft's business strategy is to grow our different customer segments. Statkraft aims to serve large corporate customers' needs across the entire value chain from market access and hedging to green power supply. We will also continue to grow customer-oriented activities, such as EV charging and district heating.

During the year, Statkraft signed several power purchase agreements (PPAs) with large corporations across Europe, serving these customers with renewable energy. A prominent example is a 15-year contract with metals producer Boliden's plant in Odda, Norway, with an annual volume of 1.6 TWh.

In October 2021, Statkraft launched its Low Emissions Scenario 2021. This is the sixth consecutive report, which is updated annually and demonstrates Statkraft's own analyses on how the energy world can develop towards 2050. Some key report findings are given in the following figure.

Key findings from the 2021 low emissions scenario

2°C

projected global
temperature
increase by 2100



solar is world's
largest power
source by 2035

80%

of global power
generation in 2050
is renewable

Statkraft's Low Emissions Scenario report also suggests that renewable energy and electrification are the main solutions for decarbonisation, and that green hydrogen will play a key role in the industry and heavy transport sectors.

In 2021, Statkraft started up annual reporting of our climate-related status, actions and ambitions to the Carbon Disclosure Project (CDP), a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts.

Priorities 2022

- Continue with Statkraft's main ambition to deliver renewable power, and grow capacity in hydro, wind and solar by 9 GW by 2025 (from 2018 baseline)
- Continue to develop GHG assessment tools and pilot projects across the company to understand how to reduce supply chain scope 3 emissions in refurbishment and construction projects
- Continue to minimise negative climate impact through initiatives such as transitioning Statkraft's commercial vehicle fleet to electric vehicles, limiting the use of business flights and offsetting non-ETS direct emissions
- Investigate how Statkraft can set science-based emissions reduction targets in line with 1.5°C emissions scenarios and the framework of the Science Based Targets initiative
- Continue the company's annual climate reporting to the CDP, the global disclosure system for environmental impact that provides a reporting mechanism in line with recommendations from the Task Force on Climate-related Financial Disclosures (TCFD)
- Complete a feasibility study of CCS for waste combustion related to the Heimdal Heating plant in Trondheim
- Continue to deliver on the ambition to reach a 98% renewable energy share in district heating by 2030
- Continue to deliver on the ambition of transforming our global vehicle fleet to 100% EV by 2030

Water management

We aim to be recognised as a company with responsible water management practices, by:

- implementing identified supporting initiatives

Comments on performance

Statkraft's mandate is to maximise value creation and 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. A key priority for 2021 has been to preserve a maximum of flexibility, both for energy services as well as water management services, in order to ensure adaptation to climate change and to remain responsive to an increasingly variable power supply side.

Improvement measures in 2021

- 1 Adopted a new operating routine during periods with low water levels to avoid sudden changes in the flow regime of the Hjartdøla and Heddøla rivers
- 2 Concluded the public revision processes of concession terms for the hydropower schemes at Åbjøra, Aura, and Trollheim
- 3 Optimized operating conditions at the Kargi hydropower plant in Turkey, where a project to study downstream water releases resulted in greater efficiency and cost savings, while maintaining adequate water supply for irrigators

Our approach

At Statkraft, water has been our business since our inception in the late 1800s and it continues to play a significant part in the energy mix that makes up Statkraft in 2021. While we are involved in hydropower projects globally, the majority of our hydropower assets are located in the Nordics.

Responsible and optimal water resource management requires the capacity to analyse large volumes of data and to predict weather conditions as accurately as possible. These complex tasks require close cooperation between experts in hydrology, meteorology, market analysis and production planning. Our activities cover four focus areas: increasing efficiency in resource use, maintaining flexibility, operational water management and water quality management.

In order to maximise the role of hydropower reservoirs in mitigating climate change, hydropower projects need to be developed and operated sustainably, hence taking into account river ecology, hydrology, sediment transport, local livelihoods, and greenhouse gas emissions. The International Hydropower Association recognises that multipurpose hydropower reservoirs contribute to flow regulation and control, increased availability of freshwater for irrigation, navigation and the supply of drinking water or industrial water, in addition to its purpose of storing energy for power production.

Key risks

The key risk for the hydropower industry is climate change. We now face challenges in accurately predicting future trends, as modelling must incorporate an understanding of how climate change will impact weather patterns.

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 flood events but also more dryer periods than we have had

historically. In warmer climatic zones, water periodically becomes a scarce commodity, which may trigger user conflict issues.

Status 2021

Statkraft aims at preserving flexible renewable power generation from our hydropower reservoirs to ensure supply security and to enable the shift towards a greener economy. At the same time, we must maintain our capacity to mitigate floods. Management of hydropower plants in the Nordics has been challenging during 2021 due to more extreme and varying weather conditions. Whereas in 2020 we had a high focus on mitigating floods, the circumstances this year were the complete opposite. Little snowfall in the winter, followed by dry weather, caused low inflow and a difficulty to fulfil minimum flow requirements at several locations. For example, the mountainous areas of Northern Norway experienced an exceptionally long period of very low temperatures, freezing all smaller bodies of water, including water intakes and tributaries, and causing low reservoir inflow. The dry weather continued in the South of Norway until autumn and led to low water levels in several of our reservoirs as well as to high electricity prices.

For example, we experienced such minimum flow challenges in the Rana River in Northern Norway. It was prone to a major flood event during the winter of 2021, when the natural flow regime of about 20 m³/s suddenly rose to 1 000 m³/s. Such flash floods have a particularly devastating effect on the aquatic ecosystem, as they move significant masses of ice over the riverbed and its banks, disturbing fish eggs and killing juvenile fish. The mountainous areas of Northern Norway also experienced an exceptionally long period of very low temperatures, where all smaller bodies of water, including water intakes and tributaries, were completely frozen, making it challenging to meet minimum flow requirements.

Maintaining flexibility

For plants with reservoir capacity, it is 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. As such, a key priority for 2021 has been to preserve a maximum of flexibility, both for energy and water management services.

Most of Statkraft's hydropower assets are in Norway and Sweden, and public revision processes for our concession terms are ongoing in both countries. In 2021, the public revision of concession terms was concluded for three hydropower schemes: Åbjøra, Aura and Trollheim. Although the Aura and Trollheim hydropower schemes are located in the same area of Central Norway, the outcomes are a good illustration of how hydropower is a tailor-made technology which is adapted to local conditions and needs. For example, minimum flow requirements were included for Trollheim, whereas for Aura, the decision was made to establish an integrated habitat management plan to improve living conditions for fish. It also showcases that decision-making must address dilemmas; that power plants play different roles in the power systems and that cost-benefit considerations for environmental improvement measures vary accordingly.

Statkraft has recently had to manage its reservoirs more frequently, due to the changing and extreme weather conditions, as they can play an important role in mitigating floods. When the weather forecast indicates intensive precipitation ahead, our focus shifts from financial optimisation to civil protection. For example, we try to empty our reservoirs as much as possible, regardless of the power market situation, to enable our reservoirs to absorb the large expected volumes of rain. As a result of minimum flow requirements, excess amounts of rain or snowmelt, 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.

Beyond hydropower, which returns all withdrawn water directly to the environment, we also consume water for cooling in our gas-fired power plants, and to treat emissions (process water) in our gas and bio power plants, as well as in our district heating. We only consume water in areas with low water stress.

Water quality and quantity management

Water quality management is part of our environmental management processes. It is usually embedded in specific licence terms.

As an example, Statkraft has developed a measurement method for small scale gas supersaturation, in cooperation with major Norwegian research organisations, such as NINA and NTNU. Gas supersaturation of water can occur in high-head hydropower schemes and has a negative impact on water quality, which can

be harmful to aquatic fauna. A study is ongoing to evaluate whether or not this is an issue, with measurements taken at five hydropower plants in Norway.

As for water quantity management, we continuously strive to optimize our generation while considering local needs. One example of a project in which we refined inflow forecasts to achieve better performance, is the Kargi hydropower project (102 MW) in northern Turkey. A study of irrigation water used in rice production found that the original flow requirements exceeded the actual needs of farmers. With improved infrastructure and monitoring, Statkraft was able to reduce flows for several months and divert this water to the powerhouse for generation. Combined with responsive water management to ensure sufficient amounts of water to the rice farmers, this resulted in an increased production of 5.9 MWh in 2021.

Innovation

Even with our 88 years of weather data, we have never before registered the combinations of weather types we have recently seen. Statkraft has invested in several R&D projects to develop new and flexible modelling tools, refine inflow forecasts over the short and long term and to achieve better performance.

In collaboration with the University of Umeå, we are modelling climate scenarios for three river basins in Norway and Sweden (Ljungan, Lagan and Umeå). We aim to estimate how the increasing variability of precipitation could affect hydropower generation and the possibility of being able to comply with special environmental measures such as minimum flow requirements. The first river basin to be examined will be Ljungan.

In 2021, Statkraft signed a cooperation agreement for the "SamVann" research project, led by SINTEF Energy Institute and approved by the Research Council of Norway. We aim to document the socio-economic benefits of reservoirs in flood mitigation. Interdisciplinary collaboration and the use of new data sources will make it possible to find more detailed cost functions for flood damage, and how these are affected by various flood parameters and climate change.

Priorities 2022

- Provide data, information and expertise in ongoing revision of concession terms
- Obtain knowledge-based contributions to national Water Framework Directive processes for hydropower operations in Europe, and implement the measures concluded in updated water management laws and/or public review processes of concession terms

Circular economy

Statkraft recognises the increasing importance of a more circular economy and is working to better understand how we can leverage circularity initiatives to decrease GHG emissions from our supply chain and help mitigate environmental impacts.

Comments on performance

We believe that the circular economy lays an important foundation for how we can further integrate sustainable practices into our business processes. We have recently pursued several initiatives that lay a foundation for better integration of circular economy principles into our activities, including in our supply chain.

Improvement measures in 2021

- 1** Dedicated our annual summer project to the circular economy in European wind and solar, to build the foundation for a circular economy ambition
- 2** Initiated collaboration with SolarPower Europe to develop a new Life Cycle Assessment (LCA) of solar modules
- 3** Started a pre-feasibility study to explore the use of a climate and circularity assessment tool for the development of wind farms
- 4** Hosted an internal company hackathon to gather ideas for how Statkraft can best implement a circular economy mindset

Our approach

The circular economy is an alternative to traditional economic thinking that focuses on using reused/recycled materials in construction, keeping assets in use for as long as possible, and reducing, reusing, and recycling waste, instead of sending it to landfills. Doing so maximises the long-term value of materials, and reduces the need for raw resources – along with the GHG emissions from their extraction and processing.

Statkraft contributes to improving circularity by providing renewable energy – a key pillar of the circular economy.

We are currently exploring ways to expand this contribution by working to electrify the transport sector, and by collaborating with our suppliers to design for increased asset lifetime, reduced resource consumption, and increased end-of-life reuse and recycling. Moreover, we also focus on increasing the efficiency of resources already in use; for example, when refurbishing our hydropower projects, we aim to increase installed capacity so that we can generate more electricity with the same amount of water, but without additional environmental impact.

Key risks

The general current circular economy risk focus includes three main items: waste generation in wind and solar, emissions up and down the value chain (scope 3 emissions), and global supply chain fragility.

Statkraft currently generates little waste from wind and solar, as plants have yet to be decommissioned. However, due to the relatively short lifespan of such plants (20-40 years, as compared with hydropower's 100 years), studies from the University of Cambridge and the International Renewable Energy Agency indicate that wind and solar waste streams will grow exponentially in the next decade, in pace with the expected expansion in global renewables. Although Statkraft's current portfolio consists mostly

of hydropower, we expect to grow within wind and solar. It is therefore important for Statkraft to explore this further.

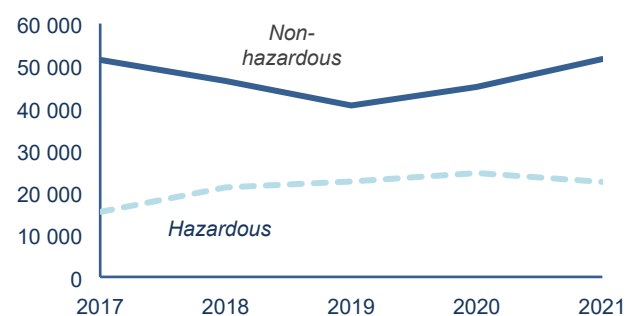
An additional risk is the scope 3 emissions from our material footprint. Indirect emissions released in extraction, processing, and shipping of materials to our assets contribute to climate change, and thereby also to our identified climate-related risks (see the Climate action section). Our efforts to minimise our material footprint help mitigate climate-related risks.

Finally, the Covid-19 pandemic has demonstrated the fragility of global supply chain systems, which poses a risk to our activities. More circular business models keep materials in use, locally, much longer than today, which could help mitigate the impact that international crises can have on our operations.

Status 2021

Using renewables instead of fossil fuels to generate electricity entails less natural resource extraction, less pollution, and much lower GHG emissions. Statkraft, being a leading provider of renewable energy, plays a key role in enabling others to become more circular. This being said, our own activities still generate waste, as shown in the figure below.

Total waste generated (tonnes)



Our main source of waste today is from our waste incineration and biopower plants. The decommissioning of wind and solar plants in coming years is expected to increase total waste generation across the industry, and Statkraft is no exception. We recognise that more action is required to decrease the material footprint of our activities. Decoupling resource consumption from economic growth is one of the pillars of the European Green Deal, which aims to, among other things, accelerate the EU's transition to a circular economy. This ambition is enshrined in several legal instruments such as the Taxonomy for Sustainable Activities ("the EU Taxonomy"), the Environment Action Program and the Circular Economy Action Plan. Against this backdrop, addressing the circularity of our own assets is an increasingly important step to consider as we continue to develop our sustainability strategy. In line with our risk picture, our primary focus is on wind and solar.

Although 85-90% of a wind turbine can be recycled today, the composite turbine blades remain an issue. In June 2021, WindEurope, of which Statkraft is a member, called for an EU-wide ban on landfilling wind turbine blades by 2025. Industry efforts to improve the recyclability of blades is ongoing. Statkraft is following developments in this field closely, and has funded blade recycling initiatives (Rekovind and ReComp) through the industry coalition Vindforsk. We have also initiated a pre-feasibility study to explore the creation of a combined scope 3 emissions and circularity calculator for wind farm projects.

As regards the solar supply chain, we are currently collaborating with SolarPower Europe to produce a new LCA for solar modules, which will help inform future circularity measures.

We are also exploring other circular economy initiatives. For instance, at Statkraft's two biomass power plants in Germany

(Emden and Landesbergen), a study has been undertaken to assess whether it would be possible to recover phosphate from burning sewage sludge and fermentation substrate to reduce the need for new raw material. The technology to recover phosphate already exists; our study evaluates whether it is technically feasible to incorporate it into our plants. If successful, it would prove that we can give a "second life" to what would traditionally be considered waste, by extracting a product that has a market value as fertiliser.

In order to gain a clearer view of which circularity measures Statkraft can adopt going forward, we dedicated our annual summer project in 2021 to the circular economy. The project analysed the current sector and regulatory landscapes for European wind and solar, and formulated a potential roadmap for achieving full circularity in new wind and solar projects by 2040. The feasibility of the results is currently under review, with the aim to launch a follow-up project for strategic target-setting in 2022.

Priorities 2022

- Continue cooperation with SolarPower Europe in the development of a new LCA for solar modules
- Initiate development of a circular economy strategy with a clear ambition and targets
- Continue development of a combined scope 3 emissions and circularity calculator tool for wind farm suppliers, and start testing in a pilot project

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