

Sustainability





STATKRAFT'S SUSTAINABILITY GOALS

Statkraft is committed to a power sector pathway compatible with a **1.5°C global warming target** – through investing 100% in renewable energy and reach carbon neutrality by 2040.

Sustainability

HOW WE MANAGE SUSTAINABILITY

Renew the way the world is powered

Statkraft's 2030 aspiration is to be a leading international energy company – creating value by enabling a net-zero future. This underlines Statkraft's strong commitment to sustainability.

Through our activities, Statkraft aims to create value for society, the environment, and the business. Our newly updated vision is to 'renew the way the world is powered'.

Statkraft's corporate strategy was updated in 2022, with a significantly strengthened growth agenda towards 2030. This includes providing clean flexibility, accelerate solar, onshore and offshore wind and battery storage, green market solutions to customers and scale new green energy technologies.

The way we do business is important to achieve this ambitious growth strategy. Statkraft embeds sustainability in everything we do. Our sustainability strategy encompasses our overall approach to the Sustainable Development Goals, and the material topics climate change, biodiversity and human rights.

The 2020s have been named the Decade of Action, and the United Nations calls for accelerating sustainable solutions to solve the world's biggest challenges. At Statkraft, we recognise the importance of businesses in realising the UN Sustainable Development Goals (SDGs) by 2030. Statkraft focuses on seven SDGs, which we are well-positioned to contribute to and which we believe are particularly important to address.

Statkraft is committed to combatting climate change (SDG 13) and has a significant positive contribution through providing renewable energy from hydro-, wind and solar power, as well as through exploration of new energy solutions. We are committed to a power sector pathway compatible with a 1.5°C global warming target and works towards being carbon neutral by 2040.

Statkraft is equally committed to ensuring a just transition. That means that we, in the transition towards a green society, take into account the impact on the planet and the people who live there. The way we do business is essential in this regard, including a strong health and safety culture, a focus on diversity and inclusion, high ethical standards, fair labour conditions and zero tolerance for corruption. Statkraft also works to continuously increase the understanding of our impacts, both positive and negative, on people, the environment, and the societies where we operate.

As Statkraft has developed renewable energy for more than a century, our commitment to sustainability is at the core of our business. We draw on our long experience as we continue to develop our sustainability management and strategy to enable a net-zero future, whilst adhering to new laws and take into account increasing stakeholder expectations.

Key drivers for sustainability in 2022

The current energy crisis has put the global energy system to the test. Russia's invasion of Ukraine has resulted in major disruptions to the global energy systems and trade, underlining the world's dependence on volatile fossil energy markets. The risk of an energy deficit has caused soaring and rapidly changing European gas prices, which have subsequently led to a dramatic rise in power prices. This has pushed some consumers into energy poverty and reduced industrial activity. Given the global nature of fossil energy markets, the ramifications of these developments have been felt all over the world.

Russia's invasion of Ukraine has impacted the world beyond the war itself. Three urgent areas of concern are emerging: global food security and the hunger crisis, risks to progress on the clean energy transition, and humanitarian crisis. In the short term, the war might complicate the transition's path to a net-zero economy. In the longer term, however, the logic of energy security and economics could converge to kick net-zero transition efforts into higher gear. Bold moves would be needed at unprecedented speed to boost energy-efficiency measures and adopt renewable-energy alternatives to fossil fuels.

At the same time, climate change mitigation is more urgent than ever. The global temperature has already risen 1.1°C above pre-industrial times, and we are feeling the effects in the form of increased temperatures, hurricanes, wildfires and violent flooding. At current emissions levels, the remaining emissions budget (to stay within 2°C of warming, and as close as possible to 1.5°C) is diminishing at a rapid pace, increasing risks of damage to our climate and environment.

The energy systems of the future must deliver affordable energy without compromising on security of supply or sustainability. Our future depends on it. The main solution to obtaining energy security and independence is to develop clean and efficient energy at a higher pace than before. Statkraft plays a key role in this extraordinary situation by:

- increasing renewable energy capacity, and thereby decreasing reliance on fossil fuels
- increasing focus on "home-grown" energy supply options in countries such as Norway, to reduce import dependencies
- reduce the negative effects market volatility has on consumers

Expectations from stakeholders on sustainability is gaining momentum. Additionally, both the number of sustainability related regulations and the complexity of requirements to be met by organisations are increasing.

In October 2022, the Minister of Trade and Fisheries presented the new white paper on state ownership, detailing the Norwegian

state's role and purpose in the companies where they have ownership interests. These are in line with the upcoming sustainability requirements in Europe, and Statkraft works systematically to meet the expectations.

Governance

To act responsibly is one of our core values. The fundamental principles for responsible behaviour are outlined in our Code of Conduct, approved by the Board of Directors (BoD). These principles cover our key activities, including acquisition and construction projects. The Code of Conduct applies to our employees and all companies in the Statkraft Group. We expect our business partners and suppliers to adhere to our Supplier Code of Conduct.

The principles are further described in the governing documents in our management system, "The Statkraft Way". This system sets the direction for our work and is regularly reviewed and updated as regulations and expectations evolve. Through this system we embed our sustainability approach into our activities.

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 sustainability related EU Directives for our European activities and the IFC Performance Standards in our international investments.

Statkraft regularly conducts corporate-wide impact assessments related to sustainability topics, including environment and human rights. We conduct regular materiality analyses, assessing Statkraft's impacts on the economy, environment and people. Results are discussed with Corporate Management and the Board of Directors (BoD).

Statkraft's sustainability strategy is regularly updated based on impact assessments, material topics, market development and evolving requirements and expectations.

The BoD receives regular updates on Statkraft's sustainability performance, key activities and strategy. This includes material topics, updates to our strategy, targets and KPIs and improvement measures.

The annual report, including Statkraft's Sustainability Report with our material topics, is approved by the BoD.

Statkraft's management scorecards include strategic objectives, key risks and key performance indicators as well as sustainability topics, for example health, safety and the environment. The group scorecard is reviewed by Corporate Management and the BoD quarterly, through the corporate performance review process.

In 2022, Statkraft has provided both the BoD and the BoD's Audit Committee with deep-dives on sustainability, including key trends, upcoming sustainability regulations and further steps related to our sustainability reporting. The Audit Committee follows up on the further development of Statkraft's sustainability reporting

Sustainability is included in Corporate Audit's annual plan. The audit findings and recommendations are presented to the BoD twice a year. Non-compliance is systematically registered and followed up in line with external and internal requirements. It facilitates handling of cases, analysis of incidents, identification of improvements, and subsequent learning across the group.

Sustainability reporting

Statkraft reports on sustainability topics in accordance with the GRI Standards. We are conscious of the fact that risks and opportunities can be material from both financial and non-financial perspectives, recognising the concept of double materiality.

We are continuously working to align with new and emerging regulations, standards and frameworks, such as the EU taxonomy, the Norwegian Transparency Act, and the Corporate Sustainability Reporting Directive (CSRD).

In the sustainability reporting process, sustainability figures are collected from activities where Statkraft is the majority owner, and 100 per cent of the figures are included in the Sustainability Statement. References to relevant GRI Standards are included in Statkraft's GRI index that appears in the Sustainability Statement.

Statkraft has engaged an independent third party, Deloitte AS, to provide a limited level of assurance of the sustainability information in the Annual Report. The Audit Committee evaluates the external auditor's independence. The Auditor's statement is presented to the Corporate Management and the BoD.

In 2022, Statkraft continued the 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.

About the materiality assessment

In 2022, we have completed a double materiality analysis identifying topics that have impact on the business value, as well as topics that might have material impact on society and the environment. The longlist of material topics consisted of 30 topics within the categories environment (7), social (13) and governance (10). The criteria for assessing impact on society and the environment were set by global standards (e.g. GRI, CSRD), while criteria for assessing impact on business leverage were based on Statkraft's Enterprise Risk Management (ERM) framework.

Statkraft's updated materiality matrix was developed based on desktop research, interviews and a validation workshop. We will use the insight from the materiality analysis in our further work to develop Statkraft's sustainability strategy and reporting, adopting a strategic approach on the most material topics.

Information related to strategy and performance for our most material topics can be found in the following sections:

Material topic	Section in Sustainability chapter
ENVIRONMENTAL (E)	
Responsible water management	Water management
Nature and biodiversity	Biodiversity
Climate mitigation	Climate action
Waste & circularity	Circular economy
SOCIAL (S)	
Occupational health and safety	Health and safety
Local community impact	Human rights, Biodiversity, Water management
Forced labour	Human rights, Supply chain management
Land rights	Human rights
Indigenous rights	Human rights
Cyber- & asset security	Security and emergency response
Access to energy	How we manage sustainability
Security of people	Health and Safety, Security and emergency response
Talent acquisition & development	Labour practices
Living wage & compensation	Human rights
Non-discrimination & equality	Labour practices
GOVERNANCE (G)	
Public policy and regulation	How we manage sustainability
Responsible procurement	Supply chain management
Anti-corruption	Business ethics
Competitive behaviour	Business ethics

Stakeholder dialogue

In order to provide more people with renewable energy, Statkraft works with a variety of stakeholders. This includes employees, local communities, local, regional and national authorities, government officials, customers, suppliers, our owner, financial institutions, research institutions, non-governmental organisations, civil society organisations, networks and the media. We work to create an open dialogue around sustainability issues with all who are part of, or potentially impacted by, our activities.

In early phases of developing a new project, Statkraft conducts stakeholder analysis and planning, to identify key stakeholders of the project and plan for consultation, information sharing and grievance mechanisms. The scope of the stakeholder engagement may vary with the project's risks and impacts, and throughout the different project phases. An important target of any project development is to ensure that any loss of land, production or access to resources is compensated in a sustainable way.

Stakeholder dialogue is an integrated part of daily operations, ranging from regular interaction at project sites, to memberships in sustainability forums and platforms, alliances, and partnerships. We engage to share information, better understand stakeholders' needs and find solutions to common challenges. This dialogue

provides us with valuable input in our daily activities and helps us to continuously improve and strengthen our business practices and relationships. Activities include:

- 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

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

Our work is guided by relevant international frameworks and guidelines, including the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and IFC performance standards on Environmental and Social Sustainability. The Norwegian Transparency Act, which entered into force in 2022, also includes requirements on stakeholder dialogue.

Handling reported concerns

Statkraft actively promotes a culture of openness and encourages employees to seek advice on all matters, including matters related to responsible business conduct. Employees can reach out to their managers, as well as to support functions such as Compliance, Sustainability, Human Resources, Health, Safety and Security (HSS) and Corporate Audit.

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 the responsibility to report concerns. Externals are encouraged to raise concerns.

The decision on how to follow up a reported concern received is made by the Head of Corporate Audit. The unit is independent from line organisations, and its head reports functionally to the BoD. 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.

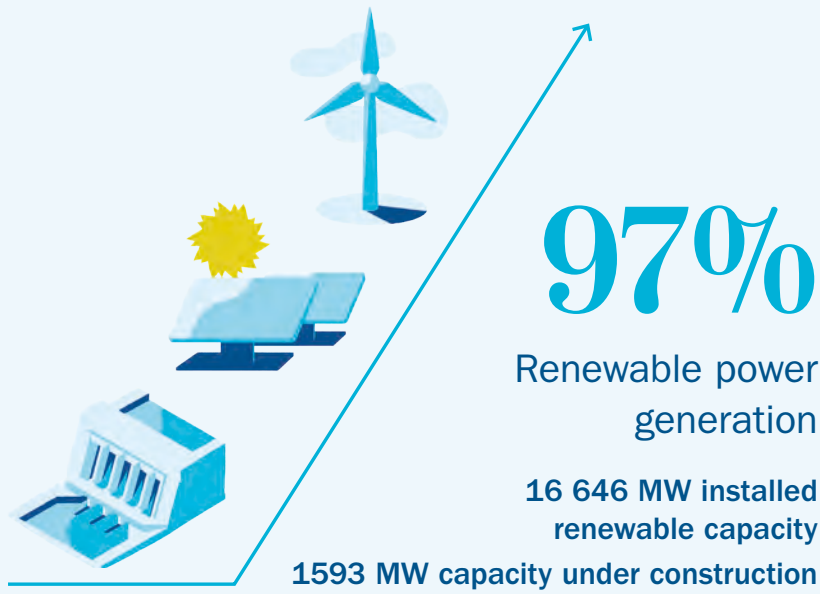
Employees and externals can report their concerns through the whistleblowing channel, through line management, via email, mail, or by phone. The whistleblowing channel offers reporters the possibility of reporting and communicating anonymously with Corporate Audit. They are responsible for managing Statkraft's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

Reported concerns sent to Corporate Audit are acknowledged within 72 hours. The unit starts by conducting a quality assurance and initial review of the information received. Then, they assess the nature of the concerns and determine the steps required to establish relevant facts. They are 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 the unit provides regular updates on reported concerns to the Audit Committee.

In 2022, 84 cases were reported to Corporate Audit. Of these cases, one led to an investigation that is still ongoing, and four inquiries that are completed. Nine cases were concluded to be outside Corporate Audit's mandate to handle and were accordingly sent to the correct department for further handling, e.g. issues related to human resources. The remaining low risk cases were either handled by Corporate Audit or by the line, or closed as part of an initial evaluation and quality assurance.

Sustainability at a glance



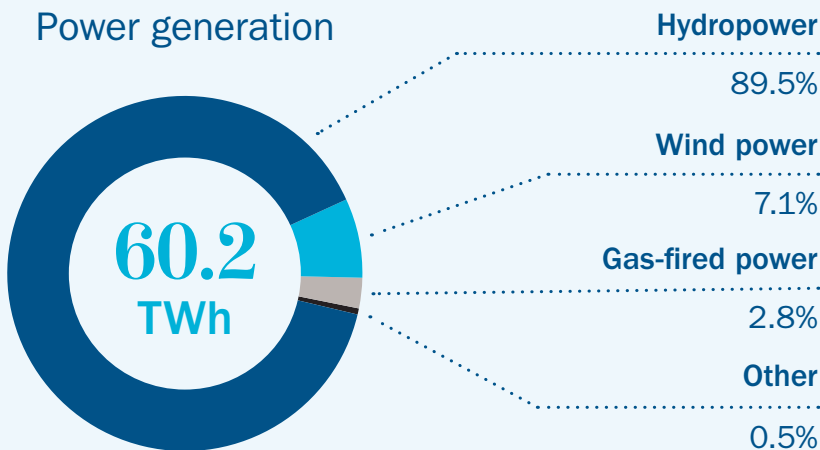
EU Taxonomy alignment

Net Revenue	76%
CapEx	87%

Carbon intensity (g CO₂e/kWh)

2020	28
2021	14
2022	11

Power generation



Strategic SDGs

Our commitment



Our core business



The way we work



ESG
INDUSTRY TOP RATED



Statkraft ranked 39 in Utilities (Low risk: 16.3)

As of August 2022



Score B on CDP Climate Change

Last update: December 2022

 Target

 On track

 Target not reached

HEALTH AND SAFETY

We aim to prevent incidents and commit to being a workplace without injury or harm.

Serious injures	7	12	0
	2021	2022	2022
TRI rate	3.6	4.1	<3.5
	2021	2022	2022

Comments on serious injuries and tri rate:

Regrettably there was one fatal accident (in India) where two contractor employees lost their lives. In addition, seven contractors and three Statkraft employees suffered serious work-related injuries. The TRI rate was 4.1 which is above our target (3.5).

HUMAN RIGHTS

We aim to respect human rights by having zero confirmed instances where we are causing, contributing, or are directly linked to breaches of human rights as per the UN Guiding Principles.

New confirmed instances in the fiscal year	9	0
	2022	2022

Comments on 2022 performance:

In 2022 we have updated our definitions to more closely align with international frameworks and recognised standards. There were nine confirmed instances related to human rights during 2022. These were mainly linked to wages and working hours breaches caused by our contractors or sub-contractors at Statkraft sites.

LABOUR PRACTICES

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

Women in top management positions	30%	33%	35%	40%
	2021	2022	2025	2030
Inclusion index	80%	88%	85%	
	2021	2022	2025	

Comments on 2022 performance:

The share of women in top management positions increased, and there was a significant improvement of the Inclusion Index. A number of Diversity and Inclusion initiatives were implemented.

BUSINESS ETHICS

We aim to prevent corruption and unethical practices in all activities.

Serious compliance incidents	0	0	0
	2021	2022	2022

Comments on 2022 performance:

There was no serious compliance incidents during 2022. The implementation of our compliance programme is on schedule, and the level of compliance prevention activity continues to be high. A strong digitalisation agenda is leading way for further compliance management improvements.

ENVIRONMENT

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

Serious environmental incidents	0	0	0
	2021	2022	2022
Less serious environmental incidents	274	357	
	2021	2022	

Comments on 2022 performance:

There were no serious environmental incidents in 2022. Most of the less serious environmental incidents were minor breaches of emission regulations for biomass plants, short breaches of minimum flow and minor hydraulic oil leaks. Any incidents with serious consequences, or potential serious consequences, are investigated.

CLIMATE ACTION

We commit to a 1.5°C global warming target pathway for the power sector and climate neutrality by 2040.

GHG emissions intensity (g CO ₂ e/kWh)	14	11	<50	<35
	2021	2022	2025	2030
Growth (GW) in renewable energy capacity	3.3	3.6	9	
	2021	2022	2025	

Comments on 2022 performance:

The GHG intensity (scope 1 and 2) is among the lowest in the global energy sector. We are on track to reach our growth capacity target, and we are aiming at being a major wind and solar power developer by 2025. We are also improving our understanding on how to reduce our scope 3 emissions.

STATKRAFT'S CONTRIBUTION

Since 1895, Statkraft has provided renewable energy to communities, industries, businesses and homes around the world. This is at the core of the green transition. Towards 2030 we aspire to be a leading international renewable energy company – creating value by enabling a net-zero future.

Environmental shared value

Statkraft operates a large fleet of power plants, and in 2022 we generated 58 TWh of renewable energy. Statkraft also develops new plants, and by the end of 2022 1593 MW renewable energy production capacity was under construction. Statkraft supports the electrification of society, by developing charging infrastructure for electric vehicles. We also develop new green business activities, such as hydrogen and, biofuel generation.

Social shared value

Statkraft's activities create jobs across 20 countries. By the end of 2022, Statkraft had 5312 employees. New construction projects create jobs at the respective sites, as well as in the supply chain.

In addition to local jobs, our projects can provide local infrastructure and services, such as irrigation systems, roads, electrification, community buildings and health centres, and also support health and education improvement projects. We also help increase the knowledge of the wider society through activities such as research and development projects.

The development and operation of hydropower plants also facilitate multiple uses of watercourses and infrastructure such as drinking water supply, transportation, flood prevention, irrigation, and recreation.

Economic shared value

In 2022, Statkraft had gross operating revenues and other income of NOK 166 174 million globally. This was distributed to salaries and benefits of our employees (10 per cent), returns to lenders and owners (75 per cent) and equity (15 per cent).

Through taxes and tariffs, we generate revenue for the governments where we operate. We also create value for our shareholder through the generation and distribution of dividends.

In order to deliver on our strategy, Statkraft is also dependent on buying a large range of equipment and services.

Our tax policy

The Statkraft Group pursues a tax strategy that is principled, transparent and sustainable. It 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 BoD for review and approval.

Our tax strategy is based on the fundamental principles that taxes should be paid where economic value is generated, that company tax arrangements are a board responsibility and that public country-by-country reporting is a core element of transparent corporate tax disclosure. Statkraft believes that appropriate, prudent and transparent tax behaviour is a key component of

STATKRAFT'S LOW EMISSIONS SCENARIO

Statkraft's Low Emissions Scenario provides a technology-optimistic, but realistic scenario of the global energy system towards 2050.

The energy crisis has shown that a rapid transition to renewable-dominated energy systems is imperative to improve resilience and energy security.

Some key messages:

- Power demand is expected to more than double by 2050, and all of this growth will be met by renewables.
- Solar PV is the fastest way to make Europe independent from Russian gas. Towards 2030, we see an accelerated build-out of solar and wind power and higher share of electricity use in industry, buildings and transport.
- Going from being dependent on fossil fuels to renewables, increases the reliance on metals and countries controlling the clean technology value chain. Even though there are abundant known reserves, the mining, processing and refining capacity for key metals are concentrated in a few countries often associated with human rights and sustainability issues. This underlines the need for diversification going forward.
- Statkraft's Low Emission Scenario is in line with a 2°C emission pathway. This is ambitious, but not ambitious enough. Getting closer to a 1.5°C pathway would require a substantial change in speed in all sectors.
- Hydropower will have an increasingly important role as flexibility provider in the energy transition, ending as the fourth largest electricity-producing technology in 2050.
- The energy transition requires that policies and market forces work in tandem and that collaboration across sectors and countries is enhanced.

responsible business practices. Therefore, we expect our business partners to implement similar standards around tax and transparency within their organisations whilst recognising that Statkraft engages with different business partners. For some of these full alignment with these standards may not be possible due to the scope and size of their business operations.

We comply with tax law and practices in all the countries we operate. Tax is a core part of our governance and our responsibility as a corporation and is overseen by the BoD. 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 our operating countries. For 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 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 low tax jurisdictions 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 and with integrity 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 (e.g. the whistleblower channel). Should a risk of tax evasion be identified through a business relationship, Statkraft shall always report the matter through appropriate channels, including to authorities.

Statkraft will seek business partners' collaboration in good faith when it comes to the avoidance of aggressive tax behaviour. When Statkraft acquires a company or group of companies, their tax policies and procedures are reviewed as part of the due diligence process and post-acquisition Statkraft will implement our own standards through the integration process. When Statkraft enters into a joint venture arrangement, we require the joint venture company to apply equivalent standards to Statkraft's own around tax and transparency.

OUR CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT GOALS

Statkraft is committed to playing a key role in the green transition towards a more decarbonised, and thus more sustainable future.


The UN Sustainable Development Goals (SDGs) enable the global community to navigate towards a more sustainable future. For Statkraft, the SDGs therefore serve as inspiration and a guide for evaluating and improving our own business activities.



As a provider of renewable energy, Statkraft is strongly committed to SDG 13 (Climate Action) and minimising the negative societal and environmental impacts of climate change. In addition, we also recognise that the SDGs are highly interconnected, which means

that a direct impact on one goal at the same time can help accelerate the achievement of one or several of the other SDGs.

At Statkraft, we address the SDGs on three levels: our overarching commitment, our core business, and in the way we work together. We make an impact focusing on what matters and delivering smart solutions that drive positive change.

We have decided to focus on seven of the SDGs, including developing ambitions and targets. These ambitions and targets, and the actions we will take to reach these targets, will contribute to our long-term ambition of being carbon neutral by 2040.

SDG	MATERIAL TOPIC	AMBITION	SECTION IN SUSTAINABILITY CHAPTER
Our commitment			
SDG 13: Climate Action 	<ul style="list-style-type: none"> Climate mitigation 	We commit to a power sector pathway compatible with a 1.5°C global warming target. We aim to be carbon neutral (scope 1 and 2) by 2040.	<ul style="list-style-type: none"> Climate action

SDG	MATERIAL TOPIC	AMBITION	SECTION IN SUSTAINABILITY CHAPTER
Our core business			
SDG 7: Affordable and Clean Energy 	<ul style="list-style-type: none"> Climate mitigation Access to energy 	We deliver climate-friendly, renewable power and take responsible environmental measures. We grow the capacity in renewable energy (hydropower, wind power and solar power).	<ul style="list-style-type: none"> How we manage sustainability Climate action
SDG 11: Sustainable Cities and Communities 	<ul style="list-style-type: none"> Climate mitigation Nature and biodiversity Waste & circularity Access to energy 	We will develop a clear ambition and corporate wide-targets for circular economy in 2023.	<ul style="list-style-type: none"> Climate action Biodiversity Circular economy How we manage sustainability

SDG	MATERIAL TOPIC	AMBITION	SECTION IN SUSTAINABILITY CHAPTER
The way we work			
SDG 5: Gender Equality 	<ul style="list-style-type: none"> Talent acquisition & development Non-discrimination & equality 	We aim to be a diverse and inclusive workplace where everyone has equal opportunities to contribute and realise their potential.	<ul style="list-style-type: none"> Labour practices
SDG 8: Decent Work and Economic Growth 	<ul style="list-style-type: none"> Occupational health and safety Forced labour Indigenous rights Living wage & compensation Security of people 	We prevent incidents and commit to being a workplace without injury or harm. We respect human rights and continuously work to embed this in the way we do business.	<ul style="list-style-type: none"> Health and safety Human rights Supply chain management Labour practices Security and emergency response
SDG 15: Life on Land 	<ul style="list-style-type: none"> Nature and biodiversity Land rights Local community impact 	We deliver climate-friendly, renewable power and take responsible environmental measures. We commit to mitigate our impact on biodiversity in a responsible way, to continuously improve the understanding of our impact and to report this transparently. We respect human rights and continuously work to embed this in the way we do business.	<ul style="list-style-type: none"> Biodiversity Human rights Water management
SDG 16: Peace, Justice and Strong Institutions 	<ul style="list-style-type: none"> Public policy and regulation Responsible water management Anti-corruption Responsible procurement 	We prevent corruption and unethical practices in all activities.	<ul style="list-style-type: none"> How we manage sustainability Water management Business ethics Supply chain management

HOW WE PROMOTE RESPONSIBLE BUSINESS PRACTICES

Health and Safety

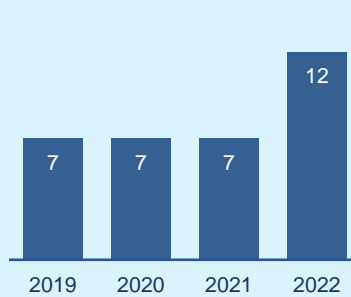
We aim to prevent incidents and commit to being a workplace without injury or harm, by:

- having zero serious injuries associated with our activities
- keep a rate of less than 3.5 per cent sick leave amongst employees

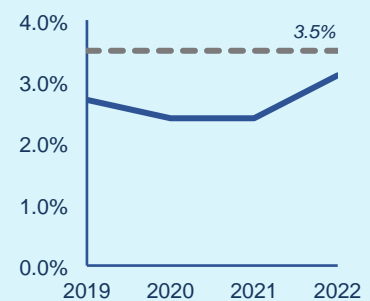
Comments on performance

There was one fatal accident in Statkraft resulting in two fatalities in 2022, and Statkraft did not reach our target of zero serious injuries. In addition, seven contractor employees and three Statkraft employees suffered serious injuries in work-related accidents, this is a substantial increase in serious injuries since 2021. 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



Sick leave



Improvement measures in 2022

- 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 policy and management system for health, safety and security applies 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 demonstrates our commitment to a workplace without injury and harm through our Powered by Care commitment statement.

Statkraft uses international and national standards and best practice as reference for the management system framework, for example International Organization for Standardization (ISO) 45001 Occupational Health and Safety.

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 2022

Fatal accidents

Regrettably there was one fatal accident in Statkraft in 2022, where two contractor employees lost their lives. The accident occurred in May at the Tidong Hydropower project in India.

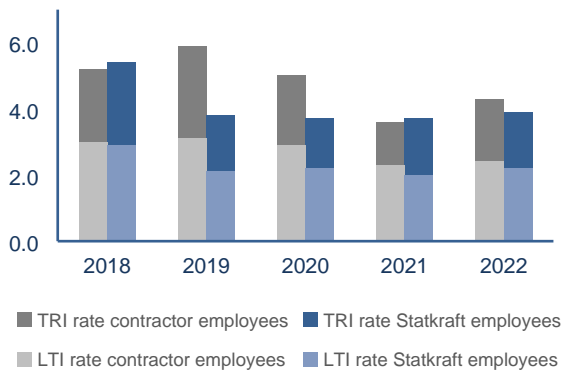
Accidents

In addition to the fatalities, seven contractor employees and three Statkraft employees suffered serious injuries in 2022. This is a substantial increase in the serious injuries indicator from 2021. In addition, 94 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 prevent future accidents. In 2023

Statkraft will focus on improving learning from incidents and daily work by strengthening our learning processes and investigation methods.

The total recordable injuries (TRI) for Statkraft employees increased to 55 in 2022, of which 31 were lost-time injuries (LTI). The TRI for contractors was 71, of which 41 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 has increased to 3.1 per cent in 2022, after a stable low level. Despite this increase, sick leave is still below the target of 3.5 per cent.

Health and Safety Improvement Programme

In 2022, the Powered by Care programme focused on:

Leadership and commitment

In 2022, 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.

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 award scheme is in place to encourage activities that contribute to improved health, safety, security and environmental awareness, results and engagement across the organisation. The CEO's HSSE Award for 2022 was presented to Region South in Business Area Nordics, for their initiative Leading by Safety. This is an initiative building an improved safety culture by every employee being a leader and has covered 44 power plants and more than 200 employees.

Continuous improvement

An annual management review of Statkraft's performance and activities related to HSE has been performed, and the recommendations have been integrated in HSE 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 and pulse surveys to check status on wellbeing in the organisation.

In 2022, Statkraft implemented a mental health campaign to create awareness about wellbeing and mental health. The campaign promoted tools related to mental health, such as safety moment for mental health and 'Team Energy Check'. In addition, various webinars focusing on mental and physical health was held in the organisation.

Public safety

Statkraft's activities involve significant interaction with the public and the environment, and our focus is on ensuring the safety of both. 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. This applies to the entire life cycle of our assets during design, construction works, operation, and demolition.

To ensure our assets do not pose a threat to the public, risk assessments are used with appropriate mitigating protection measures, verification of effectiveness of such measures, reassessment of risk and follow up. Dam and watercourse safety together with our electrical assets are key focus areas.

Priorities 2023

- Continue to develop our health and safety culture through systematic improvement and culture development programs with focus on behaviour
- Improve the health and safety management system and its implementation
- Improve learning from incidents and daily work by strengthening our learning processes and investigation methods
- Implement new and improved digital support for health and safety processes and activities across the organisation
- Strengthen processes, tools and practices for contractor management and engagement
- Maintain and utilise the existing Powered by Care programme across the organisation

Security and emergency response

We aim to actively prevent harm to people and assets through the implementation of 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
- operationalise and implement sector wide security measures in conjunction with national authorities, following Russia's invasion of Ukraine

Comments on performance

While the response to Covid-19 was the main effort in 2021, Russia's invasion of Ukraine has been the main contributor to both the security and emergency response context for 2022. Within personnel security, the focus has been to further develop and harmonise a corporate framework. As business travel increased in 2022, the travel assistance solution implemented through 2021 greatly enhanced Statkraft's ability to effectively support our travelling employees. Statkraft IT Operations achieved ISO/IEC 27001 certification in 2022.

Improvement measures in 2022

- 1 Operationalising lessons learned from managing both Covid-19 and subsequent emergencies into the Emergency Response concept
- 2 A comprehensive effort launched to develop and harmonise a corporate framework for personnel security
- 3 Implementation of ISO 27001 certification

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 IT Operations achieved ISO/IEC 27001 certification in May 2022. Work is planned for further certification in areas and geographies where such certification is being required by local authorities.

Statkraft has well-established relationships with 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 include ASIS International, the Norwegian Business and Industry Security Council, ISACA, KraftCERT and the Norwegian Cyber Security Centre.

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

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 Corporate Management considers mitigation of such risks to be of high importance.

Information security is a high priority and Statkraft follows international good practice for information security management. Statkraft is continuing a focused effort to achieve the objective of a strong information security culture that ensures the confidentiality, integrity and availability of Statkraft's information.

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

Key risks

Statkraft assesses security risks 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.

Key risks evolved in 2022 around cyber security and personnel security. Although Statkraft is not present in either Ukraine or Russia, the war in Ukraine is a major contributor to the overall security context through its wider impact on the European energy sector and geopolitics. We have a system in place to regularly verify our cyber security and information security controls by performing security testing. With regard to personnel security, Statkraft conducts background checks on new hires. The extent of the background check depends on the risk and national regulations. Significant efforts were made in 2022 to strengthen and harmonise a corporate framework for personnel security.

This has included both internal and external legal review of personnel security measures as well as benchmarking and discussions with peers.

For selected countries with Statkraft operations, focus has also been on physical security, following from geopolitical as well as more local contexts.

Business travel increased in 2022 and the newly implemented travel assistance solution monitored and supported the more than 2,000 individual business travellers at Statkraft who in total conducted over 10,000 travels during 2022.

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.

Statkraft utilised our emergency response framework to manage both the emerging energy market turmoil preceding the Russian invasion of Ukraine and to focus the organisation of immediate tasks and responsibilities in the immediate aftermath of the invasion of Ukraine. This provided valuable learning for further development of the emergency response concept.

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

Status 2022

Security incidents

A total of 235 security incidents were reported in 2022. 170 of these were IT incidents. Included in the total are 11 incidents classified as serious/high potential incidents. However, early detection and handling prevented these from resulting in major consequences.

Priorities 2023

- Utilise added resources to facilitate, support and conduct ER training and exercises
- Implement best practice framework for personnel security
- Within cyber and information security, focus on training the organisation, joint operations, increasing geographical presence and compliance with current regulations
- Expand ISO/IEC 27001 certification

Human rights

We aim to respect human rights, by:

- having zero confirmed instances where we are causing, contributing, or directly linked to breaches of human rights as per the UN Guiding Principles on Business and Human Rights

New confirmed instances in the fiscal year

9

2022

Comments on performance

Throughout 2022 Statkraft has worked extensively with preparation for and implementation of the Norwegian Transparency Act, which entered into force 1 July. These efforts build on Statkraft's long standing approach to respect human rights, aligned with international standards, such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

With respect to reported instances, we have aligned our method for counting more closely with the abovementioned frameworks. The term "directly linked to" is of the purposes of this indicator limited to instances connected to our construction sites, power plants, and operations. We have also increased monitoring of working conditions at our sites, particularly in Norway. As a result, the numbers from one year to the next are not comparable, and the historical indicator data are not shown above. Statkraft will continue to mature our methods for measuring our human rights impacts.

Improvement measures in 2022

- 1 Improved governing documents and tools, including a revised Supplier Code of Conduct and a toolkit to facilitate human rights impact assessments in capital projects
- 2 Increased awareness of human rights impacts and risks, including a new e-learning, and an internal information campaign prior to the Norwegian Transparency Act entering into force
- 3 Renewed corporate level human rights impact assessment, and high-level inherent country risks mapped for most Statkraft geographies
- 4 Extensive efforts to identify and implement living wage ambition

Our approach

Statkraft is committed to respect human rights in all aspects of our operations and in relationships with our business partners. This is clearly expressed in our Code of Conduct, approved by the Board of Directors, and through our Human Rights commitment statement endorsed by our Corporate Management. Human rights are also one of three key focus areas in the sustainability strategy, alongside climate and biodiversity.

As a signatory of the United Nations Global Compact, Statkraft is committed to the 10 principles on human rights, labour rights, environment and anti-corruption. Statkraft is also committed to implementing the UN Guiding Principles on Business and Human Rights (UNGP) and the principles contained in the OECD Guidelines for Multinational Enterprises (OECD Guidelines). The Norwegian Transparency Act, which entered into force on 1 July 2022, further codifies these commitments into legal requirements. Our duty and commitment to respect human rights requires that Statkraft undertakes and integrates human rights due diligence in our operations and for the full supply chain in order to:

- avoid causing or contributing to adverse human rights impacts through our own activities, and prevent or address such impacts when they occur
- seek to prevent or mitigate adverse human rights impacts that are directly linked to our operations, products or services by our business relationships

Statkraft's approach to human rights is risk-based and aims to create shared value. Additionally, we strive to integrate human rights systematically into relevant business processes and activities.

The overall commitment and approach are embedded in an updated governing document on human rights and social management, which provides a description of the human rights due diligence process covering our own direct activities and our supply chain. It requires that the company shall assess human rights risks, impacts and contributions including, but not limited to, our greenfield and reinvestment projects, M&A transactions, new business / geographies, and regular business operations. We continuously develop further requirements and guidance for specific processes to support the business.

Further, requirements to provide for, or cooperate in, remediation through legitimate processes, where our activities can potentially cause or contribute to adverse human rights impacts, are covered in the updated governing document. Statkraft assesses the need to establish separate grievance mechanisms, in addition to existing whistleblowing channels, in all construction projects or operations which can potentially cause or contribute to adverse human rights impacts.

It is the responsibility of the business units to ensure implementation of relevant requirements on human rights and have sufficient competent resources to do so. A dedicated corporate function is responsible for developing relevant

requirements, tools, and templates to support the business units in their endeavours. This corporate function also provides mandatory advice to the business to ensure aligned practices and proper handling of specifically defined high-risk cases. Corporate Audit conducts independent audits, with human and labour rights being an integral part of the annual audit plan adopted by the Board of Directors (in addition to investigating reported concerns, see the “How we manage sustainability” section). Corporate Management and the Board of Directors provide steering and oversight. See the “How we manage sustainability” section for more information.

Key risks

Our corporate level human rights impact assessment was conducted in 2020, and identified four key areas of salient human rights, where we are focusing our efforts:

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

The corporate level assessment was conducted using the methodology described in the UNGPs and OECD Guidelines, looking at the relevant factors such as scope, scale and irremediability. The process included internal and external input and included engagement with corporate management on salient issues and dilemma discussions.

While the salient issues have remained the same, we see development in various aspects of risks within these four areas. For example, the complexity of following up labour conditions for workers in the part of our supply chain that performs work at our sites have come to the fore in 2022. And the challenges as highlighted in last year's report related to forced labour in the solar supply chain and to indigenous rights in connection with our projects, continue to be important.

While we regularly revisit our salient issues, the company is currently undertaking a new corporate level impact assessment to be finalised in 2023. This is to calibrate our understanding and pick up if there are any significant changes to our salient issues. Simultaneously, the company is in the process of mapping high-level inherent country human rights risks in all our 20 geographies.

These inherent country level risks will be discussed in the management teams in all our countries. The expected output is an overview of key, prioritised risks in each country, which will be integrated into the regular risk management process, with an agreed action plan to reduce, mitigate or prevent the risks from materialising. This assessment will also be an important baseline for human rights impact assessments in our development and construction projects and as input to M&A risk assessments in the respective country.

The group enterprise risk management process includes human rights considerations and combines input from group and business areas. Further improvements to align with human rights risk processes will be a focus area going forward.

With the increase in monitoring activities, we have identified a higher risk associated with decent working conditions at our sites, specifically related to working time and wages for workers in our tier one and tier two supply chain. This has resulted in an increase in confirmed instances where we are causing, contributing, or directly linked to breaches of internationally recognised human rights. These are described in more detail in the “Decent working conditions in the supply chain” paragraph below.

Status 2022

Overarching improvement initiatives

Norwegian Transparency Act

In preparing for the entry into force of the Norwegian Transparency Act, Statkraft undertook numerous activities to ensure compliance.

Regarding the duty to undertake human rights due diligence, our internal requirements, processes and tools were updated as described under ‘Our approach’.

In order to address the duty to disclose publicly Statkraft made numerous updates to our websites in order to provide the public with further details on the company's approach to human rights in our own activities and in the supply chain. In addition, information related to the Fosen Vind development and the Los Lagos hydro project in Chile were provided on their websites. This includes our approach, processes and key risks, as well as more detailed, historic information on how the two projects have assessed human rights impacts. Both these developments have an impact on indigenous groups, which Statkraft regards as high priority for the company to handle responsibly and with care.

The annual reporting on human rights impacts required under the Act is embedded in this annual report and made available on the company website. In addition, in case of significant changes to the company human rights risk level this will be disclosed on the company website throughout the year.

The third duty under the act is to respond to requests for information. Statkraft set up an internal procedure for handling such requests, which was communicated internally through a communication campaign, including providing information to the Board of Directors and Corporate Management. Statkraft did not receive any requests in 2022.

Extensive communication and training efforts accompanied the implementation of the Act, including a new e-learning on human rights. The company is currently working on further training and awareness-raising activities, as well as developing tools and templates, etc. to ensure implementation and continuous improvement in the organisation.

Finally, Statkraft engaged with the Norwegian Consumer Authority, who is tasked with monitoring compliance with the provisions of the Act, prior to its entry into force, together with other Norwegian state-owned companies. The focus was to better understand their expectations and inform about the work undertaken in the large Norwegian multinational companies, which have had an approach to human rights due diligence for years.

Living wage and working hours

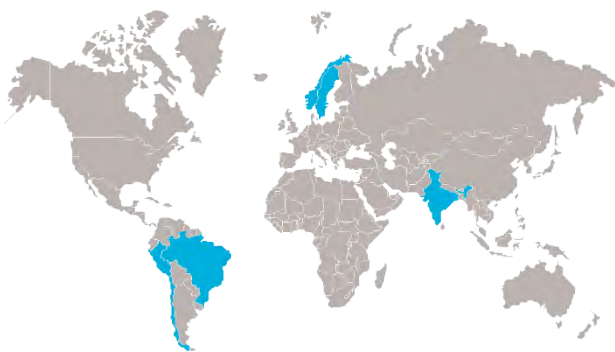
There have been several initiatives taken throughout the year, particularly related to our commitment to guarantee a living wage for all our employees, require the same for all site-based workers, and promote a living wage in the rest of the supply chain. A new internal requirement document describing the Statkraft approach to living wage has been drafted, and the company is working to establish a Statkraft minimum wage level in all our markets.

Statkraft is working on updating our internal requirements related to decent working conditions at our sites, including working time restrictions. There are also efforts ongoing to ensure decent, reasonable working time in line with international standards for construction sites. Whilst working on this, one of the challenging questions we have encountered is how to establish shift work arrangements that provide for a healthy, safe and human rights-compatible work-life at construction sites. At such locations, some workers wish to work as much as possible when at site and then be able to take longer leaves of absence to be with family and friends.

Improvement initiatives connected with Statkraft's salient human rights issues

Community relations and social license

As part of the development, construction and operation of our hydropower plants, wind farms, solar parks and in our other activities, Statkraft engages extensively in consultation processes with local communities. As a salient issue it is important to understand the nature of our potential impacts on local communities. Below we will provide some examples of such engagement, primarily from countries where we have activities and operations impacting on indigenous, tribal, native or other minority groups, as this is a high priority for the company to handle responsibly and with care. These impacts could be for example related to livelihood or cultural practices. The map below indicates countries where Statkraft is present and has activities potentially impacting said groups:



Statkraft's approach is to avoid, reduce and compensate direct or indirect impacts. To successfully implement programs, Statkraft conducts consultations with affected parties, including individual households and landowners, local organizations, and different levels of government responsible bodies. Compensation usually consists of two parts: firstly, there is compensation for any losses

of land, production and structures in the form of replacement or monetary compensation based on negotiations with owners, licensees and/or others owning rights on the land, and communities; secondly, there is support for sustainable development initiatives. The latter is obligatory in some countries, such as India, but in many countries, it is an arrangement negotiated with local stakeholders.

Norway

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, unless sufficient mitigation measures are undertaken, would have a significant adverse effect in the longer term 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 International Covenant on Civil and Political Rights (ICCPR). Following the Supreme Court decision, The Ministry of Petroleum and Energy (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 farm 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.

As Roan wind farm has been divested (see earlier annual reports), Fosen Vind has regular dialogue primarily with Sør-Fosen sijte 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, and will continue to do so. Fosen Vind has also outlined a plan to help Sør-Fosen sijte in the event of a challenging grazing situation or other short-term needs the sijte may have.

Fosen Vind is working continuously to fulfil its legal obligations to undertake human rights due diligence, and continue the dialogue with the impacted sijte. Furthermore, Fosen Vind is keeping its website www.fosenvind.no updated as the case is progressing.

Chile

Statkraft has been present in Chile since 2014, operating two hydropower plants and developing hydropower and wind projects. Constructing hydropower in parts of southern Chile is challenging due to a history of underlying conflict and tensions in the region connected with land and indigenous rights. The ongoing construction of the Los Lagos hydropower project is carried out in line with Statkraft's requirements for human rights due diligence, and with a particular focus on, respecting indigenous peoples' rights. The project is in the area of influence in the Pilmaiquen river basin in the south of Chile, where 25 indigenous communities were identified as potentially impacted by the construction. These included risks/impacts related to water quality, airborne dust, road use, etc., and addressing these have been and continues to be a priority for the project.

To understand these potential impacts, the Los Lagos Project is focusing on dialogue and to answer all the claims entered by the neighbouring communities through the project grievance mechanism. In 2022, 15 claims were received typically related to restrictions to the access roads and pending payment from contractors (17 per cent of the complaints were not related to the project directly, but related to activities by groups opposing the project). Most of them were solved in a timely fashion and in accordance with the set procedure. This includes analysing the complaints by multiple teams and responding within internally set mandatory deadlines for proper and expedited case handling. Since the beginning of the construction in 2019, there have been 88 claims entered to the project, of which 80 are solved, meanwhile 103 claims have been received in the wider river basin area, of which 93 have been closed.

A Participatory Monitoring Programme has been set up, open to the communities to review and follow-up the environmental and social agreements that need to be implemented during the construction of the project. The Water Quality and Environment Monitoring Panel, together with the Archaeological Panel have 26 members from 17 organizations – seven of them being indigenous communities.

The experience has been positive, as it is possible to receive input from as well as share information to the community about the project and the way in which the environmental agreements are fulfilled, inviting people to the construction site to observe and visit, as well as reviewing the monitoring reports of the consultants. For this, new trainings and workshops have been carried out by experts to old and new members of the panels to share knowledge and facilitate the community monitoring, reaching a total of 11 people in 2021 and 23 people in 2022.

Additionally, we have always sought dialogue with all the stakeholders to inform, ask, and reach agreement and consensus to have a harmonious coexist in a shared territory. Since the beginning of the project, 395 meetings have been held, and 146 of these have been direct and formal interactions with indigenous communities and organizations. In 2022, there have been 55 formal meetings, in addition to the multiple informal interactions in the daily activities of the communities through regular visits of the local team.

The project also focuses on hiring local labour. On December 31st, 2022 there are 928 workers in the project, 262 of them from local communities, representing 28 per cent of the workforce. 685 workers are external to the territory. A total of 11 per cent of the total manpower in the project is indigenous, representing 20 per cent of the local labour force.

Although Statkraft has been successful in establishing trust and cooperation with most of the impacted communities in the vicinity of the Los Lagos projects, there are a few communities and groups that have opposed the project from on onset. On the basis of claims put forward by these opposition groups, the Supreme Court of Justice of Chile concluded in November 2021 that the Council of National Monuments shall carry out an Indigenous Consultation. Subsequently, the company has been following up the process and informing communities. First actions are expected

in February 2023. Statkraft Chile waits for this process to be carried out as soon as possible, following national and international standards, respecting, and involving all the representative communities of the territory.

Finally, a decision is pending in the Court of Appeals related to the review of the project's environmental license due to claims by the groups opposing the project of potential gaps in the environmental impact assessments. The project has won the case in the lower courts.

More information on the Los Lagos project is available on the project's website.

Brazil

In the case of indigenous peoples and vulnerable groups in Brazil special efforts have been made to establish good relationships through culturally sensitive consultations and respect for traditional practices. There are two projects in Brazil that impact directly and indirectly on indigenous or vulnerable communities. In both cases, an Indigenous Basic Plan (IBP) has been formulated with authorities and in dialogue with communities to provide support and compensation of impacts and for improving local infrastructure and services. The Monjolinho Hydropower asset in southern Brazil inundated areas of traditional forest at the end of the reservoir. Initially, compensation was provided by protecting, enlarging and enhancing the remaining forest areas and surrounding areas. During operations, an IBP was agreed with authorities and the communities to improve livelihoods and local infrastructure and services, including providing schools with computers and other materials – an annual amount is allotted each year. There are traditional communities in the vicinity of the Santa Eugênia Windfarm in NE Brazil. These Quilombolas communities (descendants from former slaves) are not directly impacted but in the 'zone of influence', and in accordance with Brazilian law are entitled to social development benefits based on a needs assessment and dialogue with communities and authorities.

Peru

For a recent solar and wind acquisition from Grenergy Peru, an assessment of the consultation process and relationship with the indigenous Aymara, the traditional owners of the land, was carried out to ensure that the consultation process was open and inclusive and that the agreement for the rental of the land and arrangements would benefit the communities.

Health, safety and security

There is a clear link between health, safety and security and our commitment to respect human rights. See the "Health and Safety" and "Security and emergency response" sections for more information.

Labour conditions at the workplace

Fundamental human rights are closely linked to the management of human resources and ensuring adequate working conditions for our more than 5000 employees. See the "Labour practices" section for more information.

Decent working conditions in the supply chain

The follow-up of human rights in the supply chain, and in particular decent working conditions is a key focus area. As described above Statkraft has this year aligned our definition of “linkage” more closely with the international frameworks it is committed to. “Linkage” is defined by the relationship between the confirmed human rights breach and Statkraft’s products, services or operations through another entity (i.e. business relationship). It does not refer only direct contractual relationships, but Statkraft has chosen to limit the indicator to human rights breaches confirmed in connection with site-based work on the Statkraft sites, including offices etc. This alignment in combination with increased audit and monitoring activities, have resulted in a higher number of confirmed instances.

Several controls of working conditions and how contractors follow-up requirements have been performed on Statkraft sites in Norway. Seven of eleven controls led to the observation of breaches of applicable labour laws and/or contractual conditions. An audit by Corporate Audit of a set of projects in Norway confirmed that the process to follow-up working conditions for supply chain workers at site is inadequate and needs to be addressed in a systematic way going forward.

An internal audit of working conditions for supply chain workers at the Tidong project site in Himachal Pradesh, India, has been conducted. Although the Tidong project team has made a lot of effort to manage risk related to working and living conditions for supply chain workers at the project site, some critical findings were made with respect to how suppliers and contractors were handling these issues, including instances of excessive working hours, delayed payment of wages and insufficient measures to ensure safe and hygienic living and working conditions at the camp site. Breaches of local law were also identified. Many of the findings have been or are in the process of being addressed, including improving induction training for supply chain workers, providing checklists and briefing documents to project staff interfacing with supply chain workers, and digitalization and monitoring of all grievances and follow up actions.

Furthermore, three monitoring activities on site in Ireland have been performed, with clear follow-up actions identified to address labour rights at site. The findings were not assessed to be breaches of human rights, but the project is working with the relevant suppliers to improve the situation.

Statkraft believes that not paying a minimum wage is a significant breach of law, contract, and our Supplier Code of Conduct. When we discover instances where this is the case, we instruct our suppliers to rectify and to submit documentation that the breach is remedied. However, as it is not possible to rectify breach of working time restrictions, we require our suppliers to compensate their workers for overtime in accordance with applicable law. Statkraft also works with suppliers to avoid repetition of such practices.

Findings from internal audits and control activities are taken very seriously by the asset owners, and Corporate Management. The findings and how the company will work to address the issues identified and remediate the negative impacts to individual workers, have been and will continue to be discussed and followed up at Corporate Management level and with the Board of Directors.

See the “Supply chain management” section for more information.

Other initiatives

Statkraft is a member of the Nordic Business Network on Human Rights, where we engage with peers to share information and knowledge on human rights topics. Statkraft is also engaging with other large, industrial Norwegian companies with state-ownership on topics within business and human rights. In 2022, we have discussed topics such as the draft EU directive on Corporate Sustainability Due Diligence, preparedness for the Norwegian Transparency Act entering into force, and reporting requirements. Statkraft resources has also presented in Norwegian and international forums.

Statkraft has also submitted a response in the formal hearing process related to the proposed EU Regulation on prohibiting products made with forced labour on the Union Market. Statkraft expressed a general support to the proposal along with comments to further improve the proposal.

Priorities 2023

- Follow-up of audit findings related to labour conditions on Statkraft’s sites, including improvements to the process to systematically handle this risk
- Finalise due diligence activities both at corporate and country level
- Roll-out human rights due diligence toolkit for capital projects and tools for human rights due diligence in M&A projects
- Continued 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
- Finalise work on defining a living wage in each market and roll out
- Continue to develop relevant targets and strategic objectives for the different levels of the organization, and disclosure initiatives
- Continued awareness raising and training activities

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 per cent women among top management positions by 2025 ¹⁾, and 40 per cent by 2030
- having 30 per cent women among all management positions ²⁾ by 2025
- having a favourability score of 85 per cent on employee inclusion index by 2023

Comments on performance

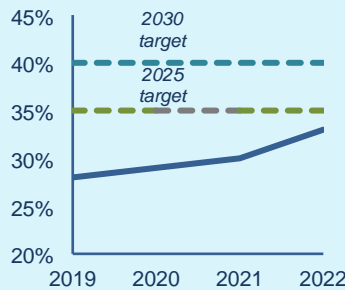
In 2022 there has been progress towards target for gender equality in leadership.

In 2022 the score on the inclusion index, tracking to what extent employees experience inclusion at work, increased from 80 per cent to 88 per cent favourability.

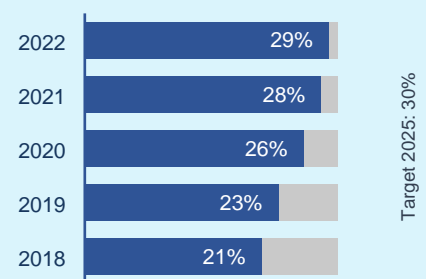
¹⁾ Top management positions include CEO, EVPs, and SVPs in the mother company.

²⁾ Target and results for all management positions are set and measured for the mother company and wholly owned subsidiaries.

Women among top management positions ¹⁾



Women among all management positions ²⁾



Improvement measures in 2022

- 1 Implementation of diversity and inclusion (D&I) awareness and competence building initiatives
- 2 Integrating D&I into new recruitment policy and process
- 3 Establishing a D&I governance structure for follow-up and reporting

Our approach

Statkraft is committed to a great and inclusive employee experience, where people can grow and are empowered to make a difference. We believe everyone working at Statkraft plays a key role in delivering our vision to “*Renew the way the world is powered*”.

Statkraft’s people and organisation strategy is part of our business strategy, and underlines our commitment to be a great place to work, and to develop both people and the organisation:

We continuously develop our organisation. Our vision and values give us a shared direction for culture development.

We develop people and competence. We develop the skills we need today and tomorrow, providing great learning and development opportunities, and a learning culture.

We attract and retain diverse talent. We ensure that we are an attractive employer for current and future employees.

We are committed to a great and inclusive employee experience. We want an inclusive work environment where everyone can contribute, grow, and thrive.

Key risks

A key risk for Statkraft related to labour practices in 2022 has been the high competition for talent in the renewables sector. A key focus in 2022 has therefore been to attract, develop, engage, and retain people to ensure Statkraft can deliver on the business strategy and lead the transition to renewable energy.

Statkraft has through increased monitoring activities of our suppliers on our project sites identified a clear risk of breaches of principles related to decent labour practices in this context. See the “Human rights” section for more information.

Status 2022

New vision and values

In 2022 a new vision for Statkraft was developed, setting the direction for our work. The new vision is to “*Renew the way the world is powered*”.

Statkraft has further strengthened our values to set the direction for how we wish to develop the company culture to deliver on the vision. The values “We act responsibly”, “We grow together” and “We make an impact” reflect cultural strengths Statkraft already have, such as responsibility and awareness of how our work impacts our colleagues, customers, society and the environment, while highlighting other cultural aspects that we wish to strengthen moving forward.

The activation of the values started with a launch on a leadership gathering for the top 250 leaders in November 2022, and we will continue with communication and engagement activities throughout 2023 for everyone in Statkraft.

Employee experience

Through Pulse surveys Statkraft employees provide feedback regularly and influence how Statkraft can deliver on the commitment to have a great and inclusive employee experience. Pulse surveys were conducted in Q2 and Q4 2022. The Q2 survey showed an overall engagement score of 8.6 which was 1.1 points above the sector benchmark. The Q4 score on engagement was again 8.6, which was 1.0 points above the sector benchmark.

People development

Attracting and developing people has remained a key focus in 2022 to ensure a workforce that is both engaged and highly qualified. In 2022, Statkraft continued efforts to strengthen processes for people development with the launch of a new global Goal and Development Process. This has resulted in more than 3600 employees formalising their development plan, 3400 employees have documented performance and behaviour goals for the year, and more than 950 documented check-ins to ensure continued focus on updating of goals and development plans.

Statkraft has continued to deliver leadership development for leaders at all levels in the organisation. In 2022 a leadership development programme with IMD for top management across Statkraft was finalised, and in addition development journeys of 4-6 months were conducted for more than 350 formal and informal leaders. The programmes generated high engagement and received positive feedback from participants. In 2022, Statkraft also delivered shorter “Skills courses” to more than 300 employees and offered access to all employees to Statkraft courses to learning offerings on our internal learning portal and in the external training portal LinkedIn Learning.

Workforce D&I (Diversity and Inclusion)

For Statkraft, 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. Statkraft 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. This is a core part of our values and ethical fundament as a company. It has also been identified as a salient human rights issue for the company. Diverse and inclusive teams make Statkraft better.

The efforts to strengthen D&I in Statkraft were continued in 2022. Statkraft have set clear targets for both inclusion and gender equality in leadership roles. The focus this year has been on implementation of the D&I strategy and action plans approved by corporate management in 2021. To ensure a systematic and targeted approach, activities are identified based on insight from employee surveys and connected to three strategic pillars:

- Culture, competence and leadership - to include diversity
- Talent actions – to attract, recruit and retain diversity
- Governance – to embed D&I in goals, policies and structures to ensure equal rights and opportunities

Activities in 2022 have included D&I awareness and competence building initiatives in the organisation, like celebrating diversity days, internal D&I campaigns, and an introduction to D&I skills course. To ensure a diverse talent pipeline, D&I have been integrated in people processes and policies (e.g., recruitment, talent development). Examples of measures include: a target that all leadership positions on level 4 and up that is recruited for must have a shortlist of applicants with a minimum of 1/3 representation women to men, 50/50 interview panels, minimum 30 per cent women in talent/leadership programs and a requirement that all open positions must be posted internally. We have also established a D&I governance structure for follow-up, reporting and alignment across the company. Measures include establishing a D&I steering committee with members from group management as well as a D&I network with representatives from all Statkraft country organisations. The purpose of the network is to ensure alignment, share best practice and be a driving force for a more diverse and inclusive workplace across the organisation.

Inclusion is measured by a set of questions in the employee survey that tracks to what extent employees experience inclusion at work. Progress on the inclusion index was measured as part of the Pulse survey in Q4 2022. The results show a favourability score of 88 per cent, an improvement from 80 per cent favourability in 2021. This shows that employees to a great extent feel like they work in an inclusive environment where diversity is valued and where they can speak up without fear of negative consequences. It is also positive to see that communication about the importance of D&I in Statkraft is one of the questions that shows most improvement from last year in the survey. In 2022 there has also been progress towards targets for gender equality in leadership. Statkraft’s Corporate Management team now consist of 50 per cent women and 50 per cent men. There are 33 per cent women in top management positions, up from 30 per cent in 2021, and 29 per cent women among all management positions, up from 28 per cent in 2021. As a reference point the share of women in total was 31 per cent, an increase from 29 per cent in 2021. This shows that our work towards a more gender balanced organisation is having a positive effect, but that it takes time.

When looking at gender equality in compensation for 2022 in Norway, the overall ratio for total salary women to men is 0.93. 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, the ratio women to men is 0.98.

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. Full-time work is a norm and policy in Statkraft unless part time is requested from

employees. In Norway, only one per cent of employees work part time and those workers are evenly split between men and women.

In 2023 work will continue to further embed D&I in policies and processes and create an even more inclusive culture through building diversity competence in the organisation. Being able to attract and recruit talent from the entire talent pool is key to succeed with Statkraft's growth strategy, and an important focus area for next year. Increasing cross cultural understanding will be another focus area for 2023. Furthermore, efforts will be continued to work strategically and systematically with D&I based on reliable insights. Work was initiated in 2022 to improve employee data to enable better D&I metrics and analytics, and this work will be continued in 2023.

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, 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 conventions and European Union (EU) directives have been included in the SEWC agreement with the European Federation of Public Service Unions, the federation for European

trade unions within the energy sector. In countries not covered by SEWC, Statkraft respects and promotes the employees' freedom of association and cooperates with union representatives in accordance with collective bargaining agreements, legal requirements, international standards and human rights, and prevailing industry best-practice for each location.

Priorities 2023

- Strengthen values and ways of working to achieve vision to Renew the way the world is powered
- Attract and retain diverse talent through a strong position as an attractive employer for new and existing employees
- Committed to a great and inclusive employee experience where people can grow and are empowered to make a difference
- Finalise work on defining a living wage in each market and make appropriate adjustments where gaps are identified, see the "Human rights" section
- Follow-up of audit findings related to labour conditions on Statkraft's sites, see the "Human rights" section

Supply chain management

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

- updating requirements, processes, and systems to avoid adverse impacts on people, society, and the environment
- working with our suppliers to achieve Statkraft's sustainability goals
- increasing awareness about potential adverse impacts
- co-operating with peers and participating in industry initiatives to share best practice

Comments on performance

In 2022, Statkraft continued to implement sustainability aspects into procurement processes and supply chain management. The follow-up of sustainability impacts in our supply chain has improved. The procurement community has been trained to identify, assess, and mitigate sustainability risks, and the project teams are supported by dedicated sustainability advisors. Statkraft's Supplier Code of Conduct (SCoC) has been revised and updated. The work to monitor labour rights on our sites continued from last year, with further findings (see the "Human rights" section).

Improvement measures in 2022

- 1** Strengthened focus on supply chain management to ensure compliance with the Norwegian Transparency Act
- 2** Implemented a Supplier Relationship Management module in the procurement system with qualification questions pertaining to human rights, environment and climate, and business ethics
- 3** Established procedures and systems for control of labour conditions for workers in the supply chain during execution of work on construction sites

Our approach

Statkraft is committed to sustainable and responsible business practices, and this commitment extends to our suppliers. Our procurement activities are guided by the OECD Guidelines for Multinational Enterprises and the OECD Diligence Guidance for Responsible Business Conduct. We organise our procurement activities to obtain the best possible value, terms and conditions, and avoid adverse impacts to people, society, and the environment in our supply chains.

To improve sustainability at all levels in the supply chain, we believe that cooperation with our suppliers is necessary.

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

Last year, Statkraft purchased from approximately 13,000 suppliers world-wide. Procurement is handled by more than 130 procurement professionals, and there are purchasing teams located in fifteen countries. The procurement professionals are supported by a dedicated sustainability team which is part of the Group Procurement unit.

Statkraft's SCoC (which our suppliers must accept and is part of all contracts) was updated in 2022. It prohibits unethical and illegal business practices, requires our suppliers to respect human and labour rights and cater to a healthy, safe, and secure workplace. In addition to encouraging combatting climate change and protecting of the environment, the SCoC reflects our commitment to responsible business conduct.

Statkraft requires that procurement activities be organised to "avoid adverse impacts to people, society and the environment". That is supported by procurement requirements to ensure that sustainability risks are assessed in the same manner as financial and operational risks. Our standard contract models include sustainability obligations. We also integrate sustainability requirements in tender documents, and strategic suppliers are assessed (as part of the qualification criteria) on their management system for human and labour rights, environment and climate, and business ethics. All suppliers are integrity checked in Dow Jones Risk Center, and strategic suppliers for solar, wind and batteries are assessed in the sustainability rating tool EcoVadis.

When we discover an adverse impact linked to our purchases, we engage in dialogue with the supplier to stop, mitigate and/or rectify the situation. When 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

Statkraft acknowledges that we cannot handle all potential adverse impacts in our supply chain. Risks have therefore been prioritised based on severity and likelihood, and the prioritised risks are described in further detail below.

Most of Statkraft's procurement activities are directly linked to purchasing of equipment necessary to produce electricity and the construction of power plants. Specific sustainability risks in the supply chains have been identified related to (i) hydropower

equipment, wind turbines, solar panels and batteries and (ii) transport to, and work at Statkraft's sites.

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

Emissions from construction and rehabilitation of power plants influence the climate. Emissions linked to the procurement and construction of power plants (scope 3) are addressed in the "Climate action" section.

Identified risks directly linked to equipment

Hydropower

Electromechanical equipment for hydropower generation is usually tailor-made to the power plant production capacity. The supply chain is long and varied, and Statkraft has limited transparency into the lower tiers. Statkraft's suppliers usually purchase material and components from sub-suppliers, that manufacture and assemble equipment at their sites.

The primary materials used in all electromechanical equipment are steel, followed by copper and aluminium. Approx. 50 per cent of components in control systems contain one or more minerals frequently referred to as a "conflict mineral". To minimise the risk of purchasing from conflict zones the contractual obligations were revised in 2022.

In addition, there are risks of breach of labour rights such as poor working conditions and inequality at sub-supplier workshops (in rough machining and welding workshops).

Wind

The main components in wind turbines are rotor blades, rotor hubs, nacelles, and towers. 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 rotor blades and constitutes a large part of the rotor and hub. Statkraft has assessed that there is a risk of both forced labour and discrimination against women related to the production of components made of GRP.

Solar

The main components for solar are photovoltaic (PV) panels, with polysilicon as the key input material, and inverters. Statkraft is aware of the risk of forced labour in the solar supply chain. Statkraft strongly opposes the use of forced labour and has implemented measures to address the risks through traceability obligations 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 act transparently and allow insight into their supply chain.

Statkraft has run tender processes for framework agreements for solar equipment, e.g. PV panels and inverters. The due diligence findings indicate risks of human rights violations connected with some potential first tier suppliers. These findings have been discussed with Corporate Management and short- and long-term measures to address potential risks have been committed to.

Addressing the risks related to forced labour in the supply chain is complex and individual companies' efforts are important but not enough in themselves to address the challenges. Therefore, Statkraft also works with industry associations and peers to raise awareness, increase transparency, and improve industry standards for PV panels and other solar equipment.

Battery Energy Storage Systems (BESS)

The main components of BESS are inverters, batteries, transformers, protection devices, cooling systems and control systems. The supply chain is long and Statkraft's suppliers buy standard and manufactured components from a variety of sub-suppliers. BESS components are likely to contain metals and minerals that are rare and that may originate from conflict zones. Statkraft is in the process of analysing risks and establishing a process that ensures traceability in the same manner as implemented for solar components.

Specific risks

Human and labour rights in our supply chains

For all the technologies described there is a risk of unreasonable working times, inadequate leave periods and insufficient wage payment to workers in our supply chain, including during work at Statkraft's sites, especially linked to work performed by migrant/foreign workers.

The supply chain for business consulting and engineering work is short, and work is usually performed in countries where Statkraft is located. Statkraft considers the risk of human and labour rights breaches to be low.

Statkraft acknowledges that there are potential risks related to labour conditions in connection with transportation of goods and certain indirect materials and services. In 2022, Statkraft has reviewed contracts for cleaning services and established a new contract model for purchasing of cleaning services in Norway. Over the last few years, Statkraft has systematically worked to reduce the amount of harmful chemicals and oils used in the operation of power plants, and in 2023, we will assess risks related to chemicals used for cleaning.

Business ethics and Compliance

Business ethics compliance in the supply chain (e.g. risk of fraud and corruption) is a focus. The Dow Jones Risk Center is used to screen of potential suppliers for all large contract world-wide and for all procurement in high-risk countries. The procurement fraud prevention system has been re-shaped to improve the understanding of risks and we are working to improve the control function. See the "Business ethics" section for more information.

Status 2022

Sustainable procurement as an integrated part of procurement processes

Statkraft carries out sustainability assessments related to strategic suppliers and their supply chain as part of the procurement process. Guides and tools have been developed to support each procurement process.

Monitoring and follow-up

In 2022, for hydropower equipment sustainability assessments have been integrated as part of technical inspections and included in qualification and verification of suppliers.

For solar, wind and BESS equipment sustainability assessments have been included in supplier qualification. Contract documents include obligations and requirements to prevent, mitigate and rectify identified risks. Statkraft has visited two manufacturing sites for glass fibre reinforced plastic (GRP) used in wind turbines.

Statkraft has continued our efforts to monitor working conditions for supplier personnel at our sites. We have specifically worked to verify that companies performing work on our sites respect labour rights. Some of these monitoring activities have resulted in Statkraft identifying instances of breaches of human rights, and in particular labour rights. See the "Human rights" section for more information.

In an effort to increase awareness among our suppliers, we have detailed and specified contractual obligations and improved our system for verifying labour conditions for workers on site.

Sustainability rating for global supply chains

Statkraft has partnered with EcoVadis to measure and improve sustainability impacts. In 2022, EcoVadis has been used to assess 13 suppliers of solar equipment, Battery Energy Storage Systems (BESS) and wind towers.

Building awareness among procurement personnel

Group Procurement continues to build awareness of issues that may cause adverse impacts on people, society, and the environment. The procurement community (including procurement professionals such as category managers, contract managers and sourcing personnel), has been trained. Three sustainability advisors provide training and support to procurement professionals. All new members of procurement teams receive sustainability onboarding and an introduction to our tools.

Priorities 2023

- Continue to integrate Statkraft's sustainability strategy into the procurement process and in supply chain management
- Increase strategic supplier sustainability due diligence and dialogue
- Engage with and set requirements for suppliers that will contribute to reduced supply chain emissions (scope 3)
- Assess the use of metals and minerals in material intensive energy systems
- Co-operate with industry peers and participation in sector/industry initiatives
- Initiative to address key sustainability aspects in projects, including supply chain related challenges

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

There continues to be a high level of compliance prevention activity, with additional resourcing put in place to respond to growth activities.

A strong digitalisation agenda is leading way for compliance management improvements in key business and staff processes, aiming at making it easier for employees to adhere to requirements, to receive efficient support and to focus expert resources efforts on higher risk cases.

Compliance reviews and support take place in all investment projects across the different technologies. The program, with all its mitigation measures and awareness initiatives, has been rolled out to all parts of the organisation.

Improvement measures in 2022

- 1 The integrity due diligence (IDD) of third parties process has been digitalised; similar work is ongoing with regard to the conflict of interest process to bolster management and documentation of such conflicts.
- 2 New, interactive e-Learning modules for all employees was rolled out and class-room training was delivered to raise awareness including on competition law.
- 3 Continuous and robust engagement from senior and top management on compliance dilemmas.
- 4 Sanction risk assessments, both a general update and due to the Russian invasion of Ukraine.

Our approach

Statkraft is committed to high standards of business conduct. The Code of Conduct sets out the key expectations for all employees, and our requirements are in line with international best practice. Business ethics is a line responsibility, supported by a central compliance unit with regional compliance officers located close to the business.

We have a 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 program covers all aspects of a compliance program, including the tone setting from the top, policy commitment and governance including due diligence, how the requirements are implemented in procedures and controls, such as disclosure of conflict of interests, and enforced through continuous training, communication, reporting and monitoring. The adequacy and quality of the activities are under constant review and updated at least yearly by the corporate compliance unit, which supports and advises Statkraft's management on the compliance programme.

The Board of Directors exercises 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 business ethics and compliance risk management

process always involves a combination of local expertise and central compliance resources.

Statkraft is experiencing high market volatility and instability in the markets where we operate, heightened by the Ukraine crisis. Changes to energy regulations and rapidly evolving sanction regimes put added pressure on the organisation to ensure compliance. Assessments indicate that the increased economic instability also results in higher fraud risks in our markets.

Growth activities, including the expansion into new markets, new projects and more business partners and employees coming on-board have been a particular focus of compliance and culture-building efforts in 2022.

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.

Brazil and Greece

As stated in the 2021 annual report, on 16 October 2021, a leniency agreement was signed with the Federal Comptroller General (CGU) and the Federal Attorney General (AGU) in Brazil. 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. On 10 February 2023, a leniency agreement was signed with the State Comptroller General's Office (CGE), the Attorney General's Office (AGE), and the State Prosecutor's Office (MP/MG) in Minas Gerais State. As part of the agreement, Statkraft subsidiaries Moinho S.A. and Passos Maia Energética S.A. admitted to having found evidence of an illicit act that took place in 2011, prior to Statkraft's takeover of control of the companies in 2015. 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.

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 of Solarcentury in 2020. Direct evidence was not found. There are no further updates following the reporting to the relevant authorities.

Further information can be found in note 35 in the financial statements.

Sanction risk update

In 2022, Statkraft updated our general sanction and export control risk assessment, which concluded that Statkraft is generally subject to low levels of sanctions and export control risk exposure. The main specific risks relate to sanctions breaches by business partners during the engagement, non-disclosed or not investigated sanction breach by an acquisition target and indirect impact from sanctions on critical supply chains, products and services.

Due to the Ukraine crisis and the adoption of extensive sanctions by Western governments, continuous sanctions reviews were performed. Statkraft has little exposure due to the very few interactions with Russian and Belarussian companies. Following the development in the sanction landscape in 2022, it is clear that management of sanctions-related risk will now, more than ever, entail an adequate level of preparedness and monitoring to deal with global shifts and rapid implementation of new legal requirements. Statkraft is performing thorough due diligence of new business partners to identify any relations with Russian companies or ownership.

Status 2022

We had no serious compliance incidents during 2022. Several initiatives were launched in 2022 to further strengthen internal procedures and controls related to compliance.

Fraud prevention & internal controls

Work continued on developing and implementing initiatives from the Framework for Compliance Reporting, Monitoring and Review outlined in July 2020, such as work on the Fraud Prevention System, including adjustments to existing processes in scope took place in 2022. Statkraft started the work to assess fraud risks with mitigating actions in additional processes, such as the revenue process and IT management. The Finance and Fraud analytics tool will continue to be developed to support efforts to detect fraud.

Due diligence of business partners

Statkraft has a digitalised end-to-end process for handling risks related to third parties.

This includes a policy for background checks, contract clauses and monitoring conducted for high-risk business partners. High-risk business partners (including agents and intermediaries) 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 combine integrity review requirements into the customer acquisition workflow as well as into the procurement process, system and training.

Compliance considerations are embedded in the due diligence that applies to investment decisions as well as management of construction projects. Sign-offs from the Compliance unit are required in these instances. Employees are also encouraged and trained to come forward in case of doubt while fulfilling their day-to-day responsibilities. The Compliance unit handled several hundreds of helpline requests in 2022.

Personal data protection

We respect the right to privacy and are committed to looking after the personal data of those who interact with us, only using it for its stated purpose, and being open and transparent about what we collect. Our privacy management policy is based on the European Union General Data Protection Regulation (GDPR) and is applied across Statkraft jurisdictions both inside and outside of the European Economic Area. This ensures we set a baseline for data protection in countries where there are currently no equivalent legal requirements.

Throughout 2022, we have continued the rollout of initiatives that strengthen our privacy and data protection program. We have:

- continued our close collaboration with IT Security to ensure that all new initiatives in Statkraft that process personal data are assessed from a privacy perspective in a timely manner
- engaged with Staff and Business Areas to deliver training and raise awareness about data protection matters, particularly on management of processing records, privacy in the procurement lifecycle and marketing practices
- improved the availability of guidelines and templates for Corporate Privacy to meet their obligations where assessing lawful basis and engaging with third party processors, e.g., ensuring a consistent approach to how we interact with our stakeholders
- continued our focus on how we meet our obligations pertaining to the transfer of personal data out of the EU/EEA, following up with our third parties and supply chain to ensure adequate risk management. This aims to ensure that any personal data that leaves the EU/EEA retains the same level of protection as if it were to remain within the EU.

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. We regularly update the Compliance Portal, which is key hub for knowledge sharing, engagement and culture-building, and other digital and physical workplaces with relevant business ethics and compliance information. In 2022, 89 per cent of all employees completed the e-learning. The target of 100 per cent is not reached due to delays caused by organisational changes going live from 21 November 2022. We will continue to aim at having all employees trained on a yearly basis going forward. In addition to mandatory e-Learning for all employees, tailored training sessions are given to employees according to their risk exposure.

Specialised training sessions were organised for the Board of Directors, Corporate Management, high-level managers, and staff members in different functions, specifically on competition law requirements in 2022. Business ethics topics were included in leadership and group events throughout the year.

A key principle is to empower the organisation in raising awareness. One of the ways this is accomplished is via managers running tailored dilemma discussions with their teams on a frequent basis.

Continuous improvement

The corporate compliance programme is updated 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. For more information about management of reported concerns, see the section "How we manage sustainability".

Priorities 2023

- Further work on effectiveness, digitalisation and scalability of the compliance program to support and guide the organisation in the current growth period.
- Implementation of the digital workflow of Conflict of Interests.
- Implementation of a revised business ethics risk assessment methodology.

HOW WE SUPPORT THE GREEN TRANSITION

Biodiversity

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

- having zero serious environmental incidents
- implementing group-wide improvement initiatives related to biodiversity management

Comments on performance

There have been zero serious environmental incidents in 2022. A serious environmental incident is considered an incident that causes serious or irreversible environmental impact on critical or protected resources.

In 2022, Statkraft published our biodiversity strategy as part of our overall sustainability strategy where it reiterates the commitment to mitigate our impact on biodiversity.

Improvement measures in 2022

- 1 Established a company-wide biodiversity strategy
- 2 Critical Habitat Assessment for locations outside of Europe
- 3 Updated fish management strategy (2022-2025) for Norway
- 4 Integrated fish and habitat management plans for Åbjøra, Trollheim and Aura in Norway
- 5 Updated terms for the concession extension for Smøla wind farm in Norway

Our approach

Statkraft is committed to mitigating our impact on biodiversity in a responsible way, to continuously improving the understanding of our impact and reporting this transparently. This enables us to identify relevant mitigation measures.

Statkraft has four cross-cutting focus areas:

- Streamline and disclose biodiversity performance data
- Understand our impact and evaluate relevant mitigations
- Leverage biodiversity networks internally and externally
- Increase awareness and knowledge

Statkraft's internal environmental requirements include a precautionary approach to environmental challenges, and to avoid, reduce, restore and/or compensate negative environmental impact from our activities.

Furthermore, Statkraft strives to avoid impacts on high biodiversity value areas such as legally protected areas.

For new and larger project developments Statkraft aims to align with the IFC performance standards where applicable. Generally, developments in Statkraft follow a standard risk identification and assessment process:

- Initial environmental risk screening of area or region
- Detailed risk assessment and planning, formalised through an impact assessment process that results in a legally binding environmental and social management plan
- Implementation and monitoring of mitigation measures depending on location and context. Monitoring, reporting and continuous improvement is carried on into the operational phase
- Revisions of concession terms or licence extensions will result in a new process of assessing the monitoring results and effectiveness of mitigation measures. This may result in further mitigation or follow-up measures

Key risks

Statkraft has conducted a materiality assessment in 2022 where biodiversity was concluded to be material. Statkraft's impact on biodiversity varies with the type of activity and the respective site. However, our primary biodiversity impacts relate to aquatic ecosystems and use of land.

For hydropower the main direct impact drivers relate to habitat modifications and fragmentations caused by dam constructions which obstruct a river's ecological continuity. The related habitat conversion can impact both aquatic and terrestrial species. Hydropower also has the lowest carbon footprint of all electricity generating options and therefore contributes to reduce the threats to biodiversity brought on by climate change.

For solar power the main direct impact drivers are land-use and habitat conversion, whilst we have some successes in dual use for agricultural land. For wind a key driver is habitat fragmentation, which in turn impacts flying, grazing and migrating animals.

Infrastructure such as access roads and transmission lines can also contribute to fragmentation and degradation of habitats.

Activities that involve movement of soil or masses, as well as importing goods have a risk of spreading invasive alien species. Statkraft has an internal requirement to avoid the introduction of invasive alien species.

Incidents and compliance

There were a number of less-serious environmental incidents with adverse impacts on biodiversity in 2022. Some examples of incidents which were subject to follow-up are described below.

In our Eresfjord hatchery in Norway, the sudden death of about 1/3 of wild salmon breeding stock in one basin. The incident was followed up by specialists and the cause identified as a brief

technical failure. As a follow-up measure, oxygen-monitoring devices have been installed in each basin.

In 2022, Statkraft received a fine of NOK 100 000 for an incident that occurred in 2019. During major maintenance work, a bagger accidentally entered into the outskirts of a national park in Norway. The procedures for work nearby protected areas have been reviewed to avoid future incidents.

Status 2022

Biodiversity strategy

The biodiversity strategy was finalised in 2022 and translated into concrete actions. A biodiversity taskforce has been nominated to coordinate our implementation across business areas.

In the Nordics, we initiated an inventory of the various biodiversity measures at our operating assets. In Norway, a total of 135 biodiversity management measures is ongoing. This inventory does not include ad-hoc initiatives.

The inventory shows that the majority of biodiversity-related enhancement measures in the Nordics are associated with stocking of salmon and trout eggs and smolts (54), followed by studies (35) monitoring the status of the fish populations living downstream of hydropower plants, while habitat improvements for fish (17) are the third most common biodiversity management measure to maintain healthy fish populations.

Operations in or nearby biodiversity sensitive areas

Today, Statkraft has 18 sites in protected areas and 24 sites adjacent to protected areas. Our hydropower operations are located within 60 watercourses with either eel, sea trout or wild salmon populations, and where 46 of these water bodies are located in Norway.

Statkraft completed a critical habitat assessment for assets located outside of Europe in 2022. The assessment has concluded that the hydropower plant in Tidong is located in a critical habitat due to the presence of Chilgoza trees, and a Biodiversity Action Plan will be developed as per IFC performance standard 6.

Three more plants are likely to be classified as located in critical habitats. A number of locations will continue to be surveyed in case their status may change (depending on individual species' status development).

Furthermore, Statkraft operates hydropower plants in 12 of Norway's 52 National Salmon Rivers. These rivers represent 13 per cent of Statkraft's Norwegian hydropower fleet. The impact of our hydropower plants on salmon varies depending on whether the power stations discharge water into a river stretch where salmon are living and whether they reduce the flow regime. In several of the national salmon rivers the status of the wild salmon population has been classified as good or very good. In some, the status is considered to be moderate or bad. There are several factors influencing this status, such as presence of parasites (gyrodactylus salaris) and escaped hatched salmon.

Hydropower

Statkraft's hydropower portfolio is to a large extent located in Norway. One third of Statkraft's hydropower plants in Norway involve discharges to rivers (as opposed to into the sea or a lake). To date, responsible management of fish populations at these locations has been a priority.

Statkraft operates seven fish hatcheries, and also purchases fish for stocking purposes from five external suppliers. In addition, Statkraft operates a genetic bank for wild salmon in collaboration with the Norwegian Environment Agency.

Key figures for aquatic species restocking in 2022

 **517 000** salmon, trout, grayling and eel restocked

 **940 000** salmon, trout, grayling and eel juveniles restocked

 **326 100** fish eggs placed in Norway and Sweden

Wild Salmon

Wild salmon is a species for which Norway has a special responsibility (more than 25 per cent of the European population), and national salmon rivers have been established as a protected area. In 2021, wild salmon was certified with the status Near Threatened due to local population reductions.

Suldalslågen in Southern Norway is an example of a National Salmon River, where Statkraft has made considerable investments in improving living conditions for salmon. Biodiversity measures which we implement are first authority-approved and then implemented with recognised competent third parties, either research institutions or specialised consultants. Typical measures include:

- Registration of juvenile and reproductive individuals for salmon and sea trout
- Analysis of smolt growth and age
- Evaluation of genetic impact on wild salmon from hatched salmon
- Studies and enhancement measures in tributaries and brooks
- Ripping (cleansing) of the riverbed from clogged fine sediments and moss to improve habitat for young fish
- Mapping of habitat conditions for large brown trout in tributaries of the Suldalsvatnet reservoir
- Stocking of 40 000 one-year old smolts
- Monitoring of the effectiveness of three fish ladders installed at Sandsfossen (two) and Osvadet

Environmental follow-up studies from last year's cleaning of the riverbed (called ripping), show higher density of juvenile salmon living in the cleaned river stretch. The mitigation measures of ripping will therefore be continued.

Eel

In Norway, Statkraft is managing eel only through a shared ownership in the power company Skagerak Energi. This is the only hydropower location where the presence of eel has been identified at Statkraft related assets in Norway. Skagerak Energi

has implemented measures to facilitate the migration of eel upstream and downstream of the Dalfoss hydropower plant.

In Sweden, Statkraft is managing eel in the Lagan and Nissan rivers. Statkraft traps and transports eels to facilitate the downstream migration of adult eels and the upstream migration of young eels. In 2022, a total of 71 100 young eel were brought to the Lagan river, whilst 998 adult eels were caught and released closer to the ocean.

In Germany, Statkraft uses an early eel migration detection system in combination with eel-friendly turbine management. If an eel migration is detected, the control system checks the angle of the turbine blades. If a specific angle is not achieved, the turbine is shut down to ensure that adult eels can migrate safely back from the Weser river to the North Sea.

Wild Reindeer

Statkraft participates in several studies related to wild reindeer, which is also a species of national responsibility in Norway. For example, we participate in the “Wild Reindeer Forum” in Norway to gather relevant data and propose effective solutions. The work is done in a partnership between local communities, the responsible authorities, hydropower operators, tourism associations and landowners. Proposed mitigation measures are closing roads, reducing motorised water transport and introducing hunting restrictions. It also includes the monitoring of migration routes and mapping of vegetation.

Wind power

Impacts on large birds

Smøla wind farm in Norway has been in operation since 2002 and has monitored impacts to the willow ptarmigan and the white-tailed eagle. Observations indicated that, the white-tailed eagle would tend to collide with the turbines, whilst the willow ptarmigan with the tower itself. As part of the licence extension in 2022. Statkraft has engaged NINA (Norwegian research institution) to propose potential mitigation measures that Statkraft can evaluate for feasibility and implementation. To date the following measures are being adopted:

- Paint a single blade black on turbines prone to bird collision to avoid such collisions, and/or paint the tower of a turbine at risk of grouse collision.
- Remove some smaller woodland areas of sitka spruce (alien invasive species) to reduce nearby resting areas for the eagles.
- Evaluate if habitat improvement measures for willow ptarmigan outside of the windmill farm will have the desired effect on the population.

Black Blade Eemshaven is an ongoing research project where the aim is to verify the initial results from Smøla by testing one black blade on the turbine to see if this can reduce the risk of bird collisions for other species as well.

Local bat population

For the wind power assets where bats have been identified as a potentially impacted species, such as in Brazil, Statkraft will carry out ongoing monitoring.

For some of the wind farms in Ireland bat boxes have been installed for subsequent monitoring. The work is still ongoing, so no conclusions have been made in 2022.

Habitat restoration of peatland

Berry Burn Wind Farm Extension comprises nine turbines and is located in Moray, Scotland on drained peatlands area. The construction of the wind farm extension was finalised in 2022.

For the extension of the wind farm, Statkraft has developed an Extension Habitat Management Plan which will:

- Recover fire-damaged moorland habitat from a previous wild fire in 2019
- Enhance the peatland by raising the water table and minimising peat erosion.
- Prevent future fire damage by making fire-breaks and rewetting peat areas.
- Plant native woodland including an additional 20 hectares of native mixed woodland.

Solar power

Land-use

In 2022, there were five new larger solar power parks under construction in Europe. Two of the parks are located on previous grassland, two on farmland, and the fifth is located on a previous landfill. The five parks have a planned capacity of about 568 MW, whilst the total land area leased for these projects is about 931 hectares. There was one new solar power project under construction outside of Europe which has a planned estimated capacity of 55 MW, and about 100 hectares of land leased.

The solar power parks will not use the entire land area leased for panels. Some parts of the land are typically not used and may be used for dual purpose or biodiversity measures. For example, Statkraft has initiated several test-projects in Spain to combine farming activities such as goat-grazing and herb-growing within the solar power park area. In the Netherlands, some of our projects aim to bring back historical flora and fauna to areas with low ecological value, e.g. due to intensive farming.

Bees

In general, improvement of wildlife habitat at our solar power parks may improve the habitat conditions for insects and pollinators such as bees. At many solar power parks in Europe, Statkraft has also established insect hotels and we have agreements with members of the local neighbourhood to enable beekeeping on our solar park sites.

In the UK, Statkraft collaborates with the Bumble Bee Conservation Trust, which assess habitat management plans for solar developments. Our solar power development projects in the UK have a commitment to demonstrate net biodiversity gain.

Priorities 2023

- Continuously strive to better understand our biodiversity impacts and revise how we will report on biodiversity going forward
- Review of biodiversity ambition and strategy for Statkraft in relation to future frameworks and requirements.
- Strengthen the internal environmental subject matter expertise network, and increase internal awareness and competence on biodiversity
- Investigate our biodiversity footprint in the supply chain
- Statkraft will participate or actively contribute in a strategically chosen biodiversity network
- Statkraft in Europe outside of the Nordics will work to refine and deliver on our strategy for peatland, land use, birds and bats

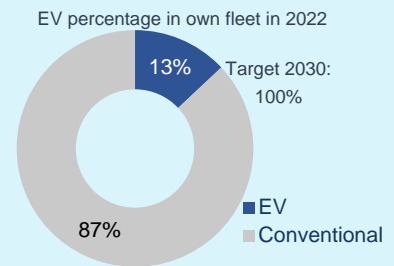
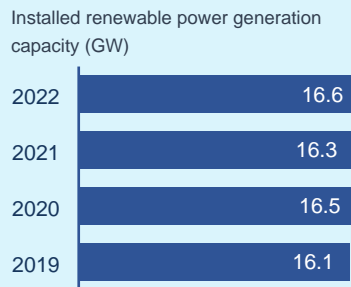
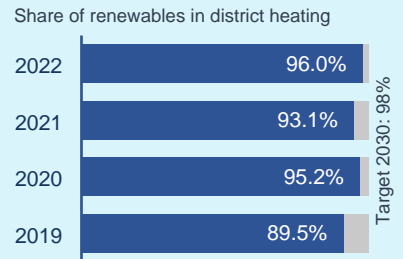
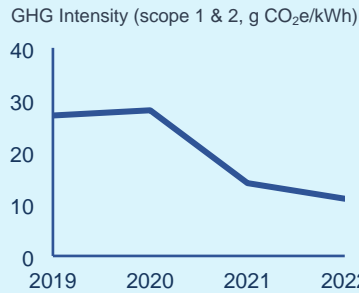
Climate action

We commit to a 1.5°C global warming target pathway for the power sector 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 per cent in renewables by expanding our hydro, wind, and solar power by 9 GW before 2025 (from 2018 baseline)
- reaching 98 per cent 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 per cent EV by 2030

Comments on performance

In 2022, our installed power generation capacity based on renewables was 16 646 MW. Statkraft’s total GHG emissions (scope 1 & 2) in 2022 were 653 300 tonnes of CO₂ equivalents (CO₂e) – and where 96 per cent of these GHG emissions came from our gas-fired power generation in Germany. As Statkraft’s portfolio is dominated by renewable power generation assets, the average GHG intensity from our electricity generation is one of the lowest in Europe; 11 g CO₂e/kWh in 2022. Statkraft’s power generation was based on 97 per cent renewable energy sources in 2022.



Improvement measures in 2022

- 1 Continued 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). Status by year-end: 3.6 GW
- 2 Continued 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
- 3 Investigated how Statkraft can set science-based emissions reduction targets in line with Paris Agreement and 1.5°C emissions scenarios. Process has been initiated with Science-based Targets initiative (SBTi) and other relevant alternatives
- 4 Completed the pre-feasibility study of Carbon Capture and Storage (CCS) for waste combustion related to the Heimdal incineration plant in Trondheim
- 5 Continued to deliver on the ambition to reach 98 per cent renewable energy share in district heating by 2030
- 6 Continued to deliver on the ambition of transforming our global vehicle fleet to 100 per cent EV by 2030.
- 7 Actively supported policies for mitigation of climate change, including key instruments such as the EU ETS, other carbon pricing schemes 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 our core business.

Statkraft is well-positioned to create value by enabling a net-zero future. As we look towards 2030, we raise our ambitions higher than ever – with significantly higher growth ambitions across our geographies and technologies.

Statkraft's current portfolio and strategy are consistent with an energy sector development path that will make it possible to achieve 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 is committed to a power sector pathway compatible with a 1.5°C global warming target. Our top-level climate targets are to remain Europe's largest generator of renewable energy and to be among the top three most climate-friendly European-based power generators. We are targeting carbon neutrality for our scope 1 and scope 2 emissions by 2040. Further, Statkraft aims to reduce emissions from our supply chain and will increase our focus on this in projects going forward. Statkraft also supports policy measures that contribute to reduced greenhouse gas emissions by adopting market mechanisms.

Our German gas-fired power plants with an installed capacity of 2.5 GW, constituted in 2022 96 per cent of our total scope 1 emissions but only three per cent of our total electricity generation. Our annual GHG emissions from these plants depend on the utilisation and may vary in coming years. In Europe, and particularly Germany, gas-fired power will be key to provide the needed flexibility as there are few alternatives. The utilisation of these plants is higher in periods when the short-term marginal costs of gas fired power plants are lower than the short-term marginal cost for coal fired plants. As gas prices normalise the higher price for emissions will result in a fuel switch from coal to gas leading to lower emissions for Europe as a whole, but with higher run time for Statkraft's gas power plants. This will increase Statkraft's scope 1 emissions – still resulting in very low carbon intensity for Statkraft's total power production. This means by 2040, our existing gas-fired power plants will need to be either phased out, retrofitted with CCS technology, or using blend-in of low-carbon fuels such as green hydrogen to reach our target of carbon neutrality as a company.

Our supply chains will move towards zero emissions by 2050 and contribute to Statkraft becoming net zero (scope 1+2+3) by 2050 at the latest. Statkraft aims to reduce our scope 3 emissions in the supply chain:

- In collaboration with our major strategic suppliers (in solar, wind and hydropower - who all aim for zero emissions)
- Through the development of available gas power technology (CCS and low-carbon fuel such as hydrogen)
- Through purchasing/use of low-carbon materials. A lot of the materials used by Statkraft are steel and concrete, and we will work with our suppliers to ensure that they are produced with low carbon methods

- Electric machinery for use on the construction sites, which are already becoming available in some of our markets.

We believe that the transition to a more circular economy is a prerequisite towards a decarbonised society. In this landscape, Statkraft is well-positioned as an energy company to rapidly expand our renewable energy portfolio to help drive society towards a net-zero future. See the "Circular economy" section for more information.

Key risks

In accordance with the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), Statkraft seeks to exploit climate-related market opportunities through our growth ambitions across our geographies and technologies.

At the same time, we seek to reduce the risks related to the transition to a low-carbon economy that will entail extensive policy, legal, technology, and market changes, all with the potential to have a significant impact on Statkraft's revenues. We are also assessing acute and chronic physical risks, and taking long-term weather development, and extreme weather conditions and events into account when designing and building our assets.

Furthermore, we take climate-related risks and opportunities into account when we prepare business cases for investment in new assets or activities. The risk of stranded assets due to climate change is thus considered to be low.

Physical risks

Renewable energy technologies such as hydropower, wind and solar are naturally dependent on the weather and climate. Physical changes in climate can affect the renewable industry in many ways, but overall, companies are focused on increasing temperatures, greater frequency of extreme weather events including flooding, as well as increased unpredictability in the weather pattern.

In the Nordics, where most of Statkraft's hydropower plants are located, climate change is expected to lead to more precipitation on average. But inside this average there are expected to be more extreme events. How this translates to inflow to reservoirs is still uncertain. For a period, glacier melting will give higher inflow to some power plants, but, over time, the loss of ice cap could reduce inflows. There is also a risk that melting ice leads to new water-ways that divert water away from reservoirs.

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, by allowing storage of 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.

Statkraft invests 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 grids, is expected to increase. However, this does not represent a major long-term risk for Statkraft's operations.

In line with the "Do No Significant Harm" criteria related to climate change adaptation in the EU Taxonomy, physical climate risks have been assessed on a regional level and mitigating action plans have been implemented. See the "EU Taxonomy" section in the Sustainable Finance chapter for more information.

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.

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 with 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.

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 emissions reductions of 55 per cent by 2030 and net zero emissions by 2050. Despite events like the pandemic and the Russian invasion of Ukraine, Europe has maintained its path towards decarbonisation and raised ambition levels even further in order to diversify away from Russian energy. For the energy sector, the emissions reduction targets will be reached through a combination of a strengthened cap-and-trade system for emissions allowances, direct regulation and subsidies. The direction set by Fit for 55 was strengthened by RE:Power EU, the European Commission's plan to phase out Russian gas from the European energy mix by diversifying supply and accelerating the rollout of renewable. The measures proposed in RE:Power EU will increase the speed of the European energy transition by combining the need to reduce emissions with an increased emphasis on energy security and self-sufficiency.

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. The price of emissions 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 our

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 for technologies that increase electricity demand will have a positive impact for Statkraft.

Statkraft bases our 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.

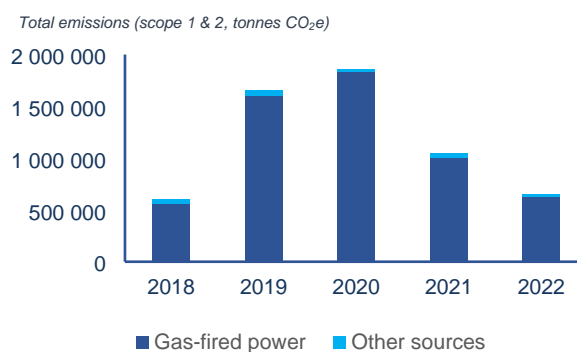
In order to understand and manage uncertainties driven by climate policies, Statkraft regularly performs systematic analyses of the European power markets.

Status 2022

Statkraft's greenhouse gas emissions (GHG)

In 2022, Statkraft's own GHG emissions (scope 1+2) were 653,000 tonnes of CO₂e. The average GHG intensity from Statkraft's electricity generation is one of the lowest in the EU energy sector, in 2022 11 g CO₂/kWh.

Statkraft's own GHG emissions are dominated by emissions from our gas-fired power plants. In addition, there are emissions from company-wide consumption of fossil fuels in machineries and vehicles and from the operation of district heating plants. As Statkraft's portfolio is dominated by renewable assets, the average GHG emissions from our electricity generation are very low.



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 2022 at a minimum of 780 000 tonnes of CO₂e.

Since 2021, Statkraft has been developing 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 our activities; hydropower projects in Norway and wind construction projects outside Norway. In the hydropower area, we are testing a unique climate assessment tool based on life cycle emissions data related to real life projects' use of construction materials, electro-mechanical products and on-site work. Further, we have developed a similar assessment tool for wind projects in 2022 and will commence testing the assessment in wind projects in 2023.

Growth in renewable energy capacity

Statkraft's new business strategy towards 2030 will strengthen the growth agenda across our activities and geographies.

In total, Statkraft aims to develop 30 GW of new renewable capacity within 2030, part of which will be retained, and part will be divested. That could increase Statkraft's annual power generation by up to 50 per cent from today, to around 100 TWh per year by 2030. In 2022, Statkraft's installed renewable power generation capacity was 16 646 MW.

Hydropower

Statkraft will optimise and expand our unique hydropower portfolio. In Norway, Statkraft will increase reinvestments in our existing plants to prolong lifetime and increase efficiency. Statkraft will also develop new capacity additions and our target is to invest in at least five new, large projects by 2030. Outside of Norway, Statkraft will selectively expand our portfolio. In 2022, our hydropower portfolio had an annual production of 53.9 TWh and an installed capacity of 14 409 MW by year-end.

Solar and wind power

Statkraft will accelerate our growth in solar, onshore wind, and battery storage in our existing markets. Statkraft aims to keep more ownership of onshore wind and solar assets in Europe, as well as deliver competitive operations and maintenance at scale for own assets. Within offshore wind, Statkraft is pursuing an industrial role in the North Sea and Ireland, building on our existing positions. In 2022, our wind power farms had a production of 4.3 TWh and an installed capacity of 2115 MW by year-end.

Other green energy technologies

Statkraft will develop and scale up new green energy technologies. These technologies will all play an important role in a net-zero future. Statkraft aims to become a leading developer of green hydrogen, biofuel, EV charging, district heating, and other green technologies, either alone or by partnering with others. Building positions in these technologies will enable us to take part in the expected growth and build new value-creating businesses.

Supporting decarbonisation of society

In April 2022, Statkraft updated our Green Finance Framework, which was externally verified by CICERO Shades of Green who issued a Second Opinion with the highest possible score. Statkraft has also signed a EUR 1.3 billion 5-year sustainability-linked revolving credit facility this year, which replaced a revolving credit facility of NOK 9.2 billion from June 2016.

In May 2022, Statkraft issued green bonds with a total of NOK 5.5 billion, and further in September 2022, Statkraft issued our first green bond in Euro, EUR 500 million, under its EMTN (Euro Medium Term Note) programme. See the "Green Finance Impact Report" section in the Sustainable Finance chapter for more information.

During the year, Statkraft signed several power purchase agreements (PPAs) with large corporations across Europe, serving these customers with renewable energy. In June 2022, Statkraft signed a seven-year contract of 2 TWh per year of renewable electricity to H2 Green Steel's operations in Boden, Sweden. In the first phase, H2 Green Steel will produce 2.5 million tonnes of green steel annually. The delivery includes Guarantees of Origin for renewable energy, sourced from Statkraft's hydropower plants in northern Sweden.

For the seventh year in a row, Statkraft's analysts presented an updated comprehensive analysis in 2022 of the global energy market towards 2050. Statkraft's Low Emissions Scenario is an optimistic yet realistic scenario, concluding that GHG emissions trajectories can limit global warming to 2 degrees. An even faster transition is necessary to reach the 1.5-degree target.

Priorities 2023

- Continue to deliver on Statkraft's updated growth strategy with an annual delivery rate of 2.5–3 GW per year by 2025 and 4 GW per year by 2030
- Continue to minimise negative climate impact through initiatives such as transitioning Statkraft's commercial vehicle fleet to electric vehicles, limit unnecessary travel, reach a 98 per cent renewable energy share in district heating by 2030 and offsetting non-ETS direct emissions
- Continue to develop GHG assessment tools and testing them out in pilot projects across the company to understand how to reduce scope 3 emissions in refurbishment and construction projects
- Secure that Statkraft's short-term and long-term climate targets are in line with the Paris agreement and recognised science-based power sector emission trajectories such as SBTi
- Establish an internal group-wide framework for climate risks and opportunities that is integrated in Statkraft's strategy towards 2030 and in line with recognised reporting standards, such as the Task Force on Climate-Related Financial Disclosures (TCFD)

Water management

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

- zero serious environmental incidents
- implementing identified supporting initiatives

Comments on performance

There have been zero serious environmental incidents in 2022. A serious environmental incident is considered an incident that causes serious or irreversible environmental impact on critical or protected resources.

There are several studies and improvement initiatives ongoing across the business, and key events are the revised concession terms for three hydropower schemes in Norway.

Improvement measures in 2022

- 1 Contributions to revision processes for hydropower concession terms in Norway
- 2 Contributed to national Water Framework Directive processes for hydropower operations in Europe
- 3 Monitoring oxygen and nitrogen levels at three river locations to better understand the risk of oversaturation
- 4 Installed electric filter at Trosa waste incineration in district heating to improve water quality

Our approach

Hydropower is a significant part of Statkraft's energy mix with 76 per cent of the portfolio, where a large part of it is located in Norway. Therefore, hydropower is central to Statkraft's water management.

Responsible management of water resources within hydropower means detailed analyses of water availability and weather forecasts, combined with flow monitoring and day-to-day electricity needs. The concession terms define what are acceptable conditions and specify detailed flow regimes for rivers and stored water quantities in the reservoirs by taking into account ecological, community and societal needs.

Statkraft's management system shall secure a systematic, risk based and target oriented approach to ensure compliance and continuous improvement.

Key risks

The main water related risks in Statkraft are linked to managing water resources responsibly in our hydropower production.

A key success factor for responsible water management is to predict precipitation as accurately as possible in order to reduce flood/drought risk, optimise energy production while ensuring the agreed minimum flow.

The main water management aspects relate to water storage or retention in reservoirs, adequate management of river stretches with increased or reduced flow regimes. Although hydropower generation does not consume the water it uses for power generation, flow changes and temporary works can increase erosion risk and can affect water quality in the form of water temperature or turbidity.

Water resource management related to hydropower generation is not only a key impact on the environment, but also a key risk to Statkraft's core business activities, as Statkraft is dependent on

sharing water resources with other users, and planning power production based on increasingly unpredictable weather patterns.

Statkraft's water management also includes the responsibility to minimise flood damage, where possible, and in that respect performs a regulating ecosystem service for infrastructure and human activities downstream of our facilities. More extreme weather will impact how Statkraft operates our hydropower assets.

Water scarcity and solar power generation

Solar power parks are largely developed in arid and semi-arid areas. Water is used to clean solar panels as dust reduces the solar panel's power generation capacity. In certain locations, the power output of a PV panel can be reduced by as much as 50 per cent if the module is not cleaned for a month.

For example, about 79 per cent of India's new energy capacity is located in areas that already face water scarcity (World Resource Institute report 2020). The water scarcity of a region is a real risk to the region's ability to develop solar power generation.

As an example, a solar power park commissioned this year in India is estimated to have a water use of 24,000 litres per day. In India, cleaning costs of solar panels can comprise of 25-35 per cent of the operational and maintenance costs of a solar power park. It's therefore highly important to optimise the water usage to reduce impact on the environment, people and our profits.

Other activities in Statkraft

District heating makes use of water as a medium for distributing heat or cooling services. Statkraft's district heating water circulates in closed pipelines, whilst there can be some water loss due to leakages or maintenance. The waste incineration and subsequent treatment processes result in water use for cooling and discharges of condensed water. Key risks relate to water leakages and meeting water quality requirements for discharge.

Statkraft operates five gas-fired power plants, two of which are in cold-reserve. Water management for these facilities relates to cooling water and discharges from treatment processes.

Incidents and compliance

There has been a number of less-serious incidents related to water management in 2022. These incidents were mainly related to water-flow or water level requirements for hydropower, as well as non-compliances to water quality requirements (mostly to public wastewater) and smaller oil leakages from equipment. An example of a water management-related incident which is subject to follow-up is described below.

In autumn 2022, Statkraft experienced a sediment management incident during a dam refurbishment project at the Trollheim hydropower scheme in Central Norway. During the gradual emptying of the Follsjø reservoir behind the Trollheim dam, organic matter and silt was entrained into the Surna river from the bottom of the reservoir to a larger extent than expected. This resulted in temporary high turbidity levels in the Surna river. The incident has been reported to the authorities and immediate mitigation measures have been completed. Currently, studies are being undertaken to better understand what happened and to recommend preventive measures for future major dam refurbishments. A key challenge is how to handle the bottom slug of a reservoir that has to be temporarily emptied while maintaining minimum flow requirements.

Status 2022

Water management and weather patterns

When it comes to responsible water management in the hydropower sector, it is important to predict precipitation as accurately as possible. New records were set in 2022 in terms of regional variations in precipitation. While in Central and Northern Norway, many reservoirs were overflowing, Southern Norway experienced unusual dry periods with unprecedented low water levels in the reservoirs.

Both our regional production planning centres and our precipitation forecasting teams are adjusting their work accordingly in preparation for 2023. This is part of our daily work processes to manage the more variable weather conditions and its effects on hydropower generation.

In Sweden, a research project carried out in partnership with the University of Umeå, aims to improve modelling of how climate change scenarios will affect hydropower generation and how climate change may result in increased needs for water storage, not only for power generation and maintaining minimum ecological flow, but also for irrigation and drinking water purposes.

Revision of concession terms for hydropower

By the end of 2022, Statkraft received updated terms for the five oldest hydropower concession in operation in Norway. The revised terms have a total loss of about 100 GWh of annual flexible power generation. Seven other revisions of concession terms are ongoing comprising Statkraft's largest flexible storage facilities, whereas the revision of the concession terms for 12 less

comprehensive hydropower schemes has not yet started. Skagerak Energi (where Statkraft has a shareholding of 66.62 per cent) has concluded the revision process of concession terms for one hydropower scheme while seven are ongoing.

In Sweden, the government announced in September 2022 that the national process to update the concession terms for hydropower will be paused due to considerations for national energy security in the current European supply crisis. How this political decision will affect the current regulation driving the process is uncertain.

In Germany, the concession for Wahnhausen hydropower plant is under renewal. As part of this, a new intake structure with a horizontal trash rake and a bypass-system for fish migration is under construction. The terms for the Dörverden hydropower plant are also under review.

Of the five updated concession terms, Statkraft received revised terms for three hydropower concession in 2022: Altevatn, Tokke-Vinje and Røssåga. The proposed environmental improvements include, among others, increased minimum water flows which will improve habitat conditions for wild salmon and other species. These three revised concession terms represent a loss of approx. 65 GWh of annual flexible power generation.

At the Kargi hydropower plant in Türkiye we refined our understanding of local irrigation needs and water management practices which has enabled an optimisation of water use for energy production. Over the last three years Kargi has managed to increase the annual production with about 6 MWh.

Optimising resource use

An important aspect of responsible water management is to optimise the use of water in existing hydropower schemes. At Statkraft, we actively seek to generate more electricity from existing infrastructure, once it has reached its end of life. For example, in 2022, the turbines at the Rana hydropower plant in Northern Norway were replaced by new turbines and generators. This modernisation will lead to a 10 per cent increase of the installed capacity, whilst using the same amount of water. Another example is the Mauranger 2 project, where Statkraft has submitted an application for installing two new turbines, increasing installed capacity by 630 MW and raising the produced energy by about 70-80 GWh/year. Optimised use of existing hydropower plants can be an important contribution to reduce the environmental footprint and to increase the energy supply security.

Water quality and quantity management

In the river Bjoreio (South-Western Norway) studies have been carried out assessing different flow regimes and water temperature levels to evaluate the effect of these parameters on the wild salmon population.

In Norway, the dam refurbishment at Kjela has stringent water quality requirements for the construction period. The project has built sedimentation basins on site, located the stone quarry activities with adequate distance to water bodies, and also installed several filtration barriers in the water bodies. In addition,

several turbidity monitors were placed in the water bodies for continuous monitoring.

For three hydropower plants in Northern Norway, a desktop assessment of gas oversaturation indicates that nitrogen oversaturation could be an issue under specific operating conditions. For this reason, an amended operational practice was tested in a pilot project in 2022 while oxygen and nitrogen levels were continuously measured.

District heating

There has been an extensive programme in Sweden to detect leaks earlier and therefore to prevent large leakages on the system. In 2022 thermoimaging via aircraft has been conducted over Kungsbacka and Trosa district heating systems. This resulted in detecting four smaller leaks preventing large leakages.

Both at Trosa (Sweden) and in Trondheim (Norway) water discharges from the waste incineration process has been a challenge. At Trosa an electric filter removing particles after the waste incineration process reduces dissolved metal content in the discharged water, whilst increases among other the zinc levels in the ashes. The increased level of zinc improves the re-use quality of the ashes when used in for example forestry. In Trondheim, the water quality of discharged water into public wastewater system has been a continuous challenge to meet the environmental limits for suspended solids and zinc. There will be further studies in 2023 on how to improve the effect of the water treatment process.

Priorities 2023

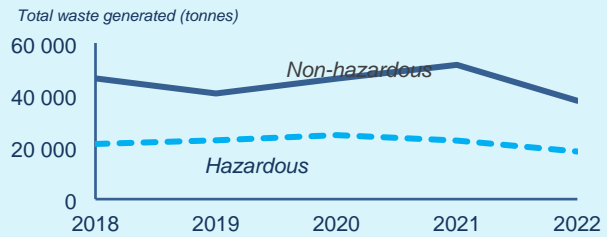
- Implementation of revised terms for hydropower concessions in Norway
- Business Area Nordics will continue their active participation and data contributions in the ongoing revision processes to existing concession terms
- District heating will continue efforts to detect leaks on the system through thermo-imaging
- Reduce discharges and meet environmental thresholds in Trondheim

Circular economy

Statkraft recognises the increasing importance of circularity in our operations. Circular economy is an alternative to traditional economic thinking that focuses on keeping assets in use for as long as possible. This is to be achieved by using reused/recycled materials in construction, and reducing, reusing, and recycling waste, instead of sending it to landfills. Additionally, circularity principles may support other sustainability targets, e.g., reduced greenhouse gas emissions.

Comments on performance

Statkraft believes that the circular economy principles are important tools for how we can further integrate sustainable practices into our business processes. We have pursued several initiatives that lay a foundation for better integration of circularity into our business models and activities, including our supply chain.



Improvement measures in 2022

- 1 Initiated the development of a strategy on circular economy at Statkraft, as part of our sustainability strategy, with a clear ambition and corporate-wide targets
- 2 Started developing a climate tool that will support design and planning in wind farm development related to climate footprint assessments and circularity guidance
- 3 Continued the piloting of the climate calculator for hydropower plants, and used learnings from the pilots to make further improvements to the calculations

Our approach

Incorporating circular economy in business models is a way to limit or avoid waste of resources, and this development is enabled by innovation, technology and engineering. So far, many countries and businesses have centred their plans for achieving net-zero emissions on an energy transition, which calls for boosting energy efficiency and accelerating the transition to renewable energy. However, the production, use, and eventual disposal of industrial materials such as steel, plastics, aluminium, and cement also account for almost a quarter of all global CO₂ emissions. To reach net zero, countries and businesses should also consider the application of circular-economy principles to optimise the production, use and reuse of these materials.

Statkraft recognises that more actions are required to decrease the material footprint of our own activities. Circular economy is one of six pillars in the EU Taxonomy. Increasing efforts to address the circularity of our own assets is an important step to consider as we continue to develop our sustainability strategy. In line with our risk scenario, our primary focus is on wind and solar.

We believe that the transition to a more circular economy is a prerequisite towards a decarbonised society and Statkraft will contribute to a circular economy in several ways. Our key role as an energy company is to provide renewable energy to drive the circular economy and we invest in hydro, wind, solar, hydrogen and biofuel technologies. We will partner with industry to make materials more circular and fossil-free. Further, we will need to design our assets and processes to reduce resource consumption, increase reuse and recycling, and extend the lifetime of our assets. Finally, we will need to manage our environmental performance across the full value chain.

As Statkraft looks towards 2030, there is a growing focus on circularity across activities. We have initiated a process to include circular economy into our sustainability strategy. Circular economy at Statkraft is managed at the corporate level and implemented across business areas and technologies throughout our activities. Statkraft will continue to integrate our sustainability strategy into procurement processes and supply chain management.

Key risks

As a renewables company, the most prevalent risks related to Statkraft's transition to become a more circular business are waste generation in wind and solar, emissions up and down the value chain (scope 3 emissions), and global supply chain fragility. Growth in solar and wind technologies will drive this as these will come with higher risk levels as regards waste and opportunities for circularity. Corporate Sustainability Reporting Directive (CSRD) will require companies to report on circularity from 2024.

Potential risks include legal, regulatory and reputational risks and associated financial impacts. These are mitigated through good material and waste management, and resource efficiency. Waste generation is currently rather low, since solar parks and wind farms are fairly new and have not yet exhausted their lifespan.

However, due to the relatively short lifespan of such plants (20-40 years, as compared with 100 years for hydropower), 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

significantly within wind and solar towards 2030. Hence, we will explore circularity and end-of-life strategies for these technologies.

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

Status 2022

Statkraft's main source for generating renewable power is water. Hydropower enables a more circular economy by using water without consuming it, not consuming or producing toxic material and making use of the natural cycle of water. The power we generate from water and has the highest energy efficiency in converting the natural force of water into electricity (over 90 per cent), the highest lifespan among energy options while generating no waste. Moreover, it is a domestic resource which provides independence from the need to import fossil fuels at a highly volatile price. See the “Biodiversity” section to learn how we mitigate hydropower's negative impacts on the aquatic ecosystems. The same principles are true also for Statkraft's solar and wind activities, which are slated to increase tremendously towards 2030. Similar to water, solar and wind power are resources that naturally replenish themselves.

In general, eco-efficient use of natural resources is part of our project-related activities. We aim to reduce our ecological footprint while also improving economic efficiency. Typical examples for such win-win situations include:

- Reusing excavated material from tunnel or road building by offering it to local communities or reusing it for own building or maintenance projects contributes to actively reduce waste material by repurposing natural resources, support the local economy, reduce management and acquisition costs
- Reusing local topsoil layers in revegetation projects reduces the risk of introducing alien species, improves integration to the landscape by minimising introduced changes and reducing the need for new soil/seeds, and transport and fuel

Our own activities to produce energy still generate some waste, as shown in the figure at the beginning of this section. We work continuously to minimise waste and learn how to better handle waste. Our main source of waste today originates from our waste incineration and biomass power plants. Statkraft takes care of/reuses the residual products when possible, safely removes dangerous substances from the cycle, and burns waste to recover energy. We work with suppliers on fuel quality and waste fractions, and with contractors to handle residual products. In 2022, Statkraft also accepted hazardous waste at the waste incineration plant in Heimdal. This is an important contribution to get dangerous substances out of the cycle.

The decommissioning of wind farms and solar parks in coming years is expected to increase total waste generation across the

industry, and Statkraft is no exception. Decommissioning of windfarms has started at a few sites in Norway, while end-of-life for the solar parks operated by Statkraft are further into the future. We recognise that more action is required to decrease the material footprint of production of renewable energy, along with other actors and authorities. Decoupling resource consumption from economic growth is one of the pillars of the European Green Deal, where the objective include accelerating the EU's transition to a circular economy. This ambition is enshrined in several legal instruments such as 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 scenario, our primary focus continues to be on wind and solar activities. Although 85-90 per cent of a wind turbine can be recycled today, the composite turbine blades remain an issue. In 2021, WindEurope, where Statkraft is a member, called for an EU 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. Statkraft is also developing a combined scope 3 emissions and circularity calculator for wind farm suppliers and initiating testing in a pilot project.

Statkraft is also increasingly exploring new innovative ways to add circularity to our existing operations through early phase support and targeted investments. For example, as of the new corporate strategy released in June 2022, one of the three research fields for new early phase business opportunities in the coming year is circular economy. Statkraft Ventures, Statkraft's own corporate venture capital fund, also invests in several companies that offer a circular advantage.

Additionally, Statkraft is currently examining ways to expand our circular economy initiatives by working to electrify the transport sector, and by collaborating with our suppliers to design for longer 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.

Priorities 2023

- Issue and start implementing circular economy strategy (part of the sustainability strategy) with a clear ambition and corporate-wide targets
- Finish the first prototype of a combined scope 3 emissions and circularity calculator for wind farm suppliers, and initiate testing in a pilot project
- Increased focus and results on circular economy in Statkraft's innovation efforts, R&D, new business early phase support, and investments

